

Appendix 4G

Key to Disclosures

Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

Scottish Pacific Group Limited

ABN / ARBN

45 164 013 110

Financial year ended:

30 June 2017

Our corporate governance statement² for the above period above can be found at:³

☐

These pages of our annual report:

☒

This URL on our website:

<https://investors.scottishpacific.com/investors/>

The Corporate Governance Statement is accurate and up to date as at 31 July 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 29 August 2017

Name of Secretary authorising lodgement:

Emma Lawler



¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

Key to Disclosures Corporate Governance Council Principles and Recommendations

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ Board Charter is available at this URL on our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate 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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ Board Charter is available at this URL on our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	A listed entity should: (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; (b) disclose that policy or a summary of it; and (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: (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 (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.	... the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and a copy of our diversity policy or a summary of it: ☒ Diversity Policy which is available at this URL on our website: https://investors.scottishpacific.com/investors/ ... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ... and the information referred to in paragraphs (c)(1) or (2): ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ and www.wgea.gov.au/report/public-reports.	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (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 (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.	[If the entity complies with paragraph (a):] ... the fact that we have a nomination committee that complies with paragraphs (1) and (2): ... and a copy of the charter of the committee: ☒ Remuneration and Nomination Committee Charter which is available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and the information referred to in paragraphs (4): ☒ in our Corporate Governance Statement ... and the information referred to in paragraphs (5): ☒ in the Directors' Report contained within the Annual Report and is available at this URL on our website: https://investors.scottishpacific.com/investors/ Paragraph (b) is not applicable.	☒ an explanation why that is so in our Corporate Governance Statement in relation to the independence of the chair <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	... our board skills matrix: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	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, association or relationship of the type described in Box 2.3 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 (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and the length of service of each director: ☒ in the Directors' Report contained within the Annual Report and is available at this URL on our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	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.	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and a copy of the charter of the committee: ☒ Audit and Risk Committee Charter which is available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ in the Directors' Report contained within the Annual Report and is available at this URL on our website: https://investors.scottishpacific.com/investors/ Paragraph (b) is not applicable.	☐ an explanation why that is so in our Corporate Governance Statement
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 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.	... information about us and our governance on our website: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement
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.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (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 (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.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and a copy of the charter of the committee: ☒ Audit and Risk Committee Charter which is available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and the information referred to in paragraph (4): ☒ in our Corporate Governance Statement ... and the information referred to in paragraph (5): ☒ in the Directors' Report contained within the Annual Report and is available at this URL on our website: https://investors.scottishpacific.com/investors/ Paragraph (b) is not applicable.	☐ an explanation why that is so in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and that such a review has taken place in the reporting period covered by this Appendix 4G: ☒ in our Corporate Governance Statement.	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (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.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ Paragraph (b) is not applicable.	☐ an explanation why that is so in our Corporate Governance Statement
7.4	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.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (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 (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.	[If the entity complies with paragraph (a):] ... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement ☒ at available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and a copy of the charter of the committee: ☒ Remuneration and Nomination Committee Charter which is available at this URL at our website: https://investors.scottishpacific.com/investors/ ... and the information referred to in paragraph (4): ☒ in our Corporate Governance Statement and the information referred to in paragraph (5): ☒ in the Directors' Report contained within the Annual Report and is available at this URL on our website: https://investors.scottishpacific.com/investors/ Paragraph (b) is not applicable.	☒ an explanation why that is so in our Corporate Governance Statement in relation to the independence of the chair <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☒ in our Corporate Governance Statement ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ and ☒ in the Remuneration Report contained within the Annual Report and is available at this URL on our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
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.	... our policy on this issue or a summary of it: ☒ in our Corporate Governance Statement. ☒ available at this URL at our website: https://investors.scottishpacific.com/investors/ and ☒ in the Remuneration Report contained within the Annual Report and is available at this URL on our website: https://investors.scottishpacific.com/investors/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

The Board is responsible for the overall corporate governance of Scottish Pacific Group Limited (**Scottish Pacific** or the **Company**), including adopting appropriate policies and procedures designed to ensure that Scottish Pacific is properly managed to protect and enhance Shareholder interests.

The Board is committed to implementing the highest possible standards of corporate governance and maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting the business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and personnel, operate in an appropriate environment of corporate governance. The Board believes that sound governance is fundamental to the ongoing success and growth of the Company in the markets in which it participates.

Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business, and which are designed to promote the responsible management and conduct of the Company.

Details of Scottish Pacific's key governance policies and the charters for the Board and each of its committees are available on Scottish Pacific's website under "Investors – Corporate Governance" at <https://investors.scottishpacific.com/investors/>.

This Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**) and the practices detailed in this Corporate Governance Statement are current as at 31 July 2017. It has been approved by the Board and is available on the Scottish Pacific website under "Investors – Corporate Governance" at <https://investors.scottishpacific.com/investors/>.

Principle 1: The Board lays solid foundations for management and oversight

Role and responsibilities of the Board and management

The Board is responsible for the overall direction of Scottish Pacific including providing oversight and review of management, administration and overall governance of Scottish Pacific.

The Board monitors the operational and financial position and performance of Scottish Pacific and oversees its business strategy, including approving the strategic goals of Scottish Pacific and considering and approving the annual business plan.

The Board has adopted a written charter (**Board Charter**) to provide a framework for its effective operation, which sets out:

- The roles and responsibilities of the Board, including to provide:
 - o overall strategic guidance for the Group;
 - o oversight of risk management and reporting;
 - o effective oversight of management;
 - o oversight of continuous disclosure processes;
 - o approval of the remuneration framework;
 - o approval for major capital expenditure, operating budgets and all major acquisitions, divestitures and other corporate transactions;
 - o monitoring of Board and management performance; and
 - o oversight of governance;
- The roles and responsibilities of the Chair and Company Secretary;

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

- The membership of the Board, including in relation to:
 - o The Board's composition and size;
 - o The process of selection and re-election of Directors;
 - o Terms of appointment of Directors;
 - o Independence of Directors; and
 - o Conduct of individual Directors.
- The delegations of authority of the Board to committees of the Board and to the Chief Executive Officer (**CEO**) and other management of the Company; and
- Board process, including how the Board meets.

The management function is conducted by, or under the supervision of, the CEO as directed by the Board. The Board has delegated to the CEO the authority to manage the day to day affairs of the Company and authority to control the affairs of the Company in relation to all matters other than those responsibilities reserved to the Board in the Board Charter.

The Board has imposed further specific limits on the CEO through the delegations of authority which will be reviewed by the Board from time to time. The CEO has authority to sub-delegate to senior management.

The Board has established the following committees to assist it in discharging its functions:

- Audit and Risk Committee (**ARC**); and
- Remuneration and Nomination Committee (**RNC**).

The Board may establish other committees from time to time to consider other matters of special importance. The Board's responsibilities are set out in the Board Charter, which is available on the Scottish Pacific website under Corporate Governance at <https://investors.scottishpacific.com/investors/>.

Access to information and independent professional advice

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities, subject to the approval of the Chair, or the Chair of the ARC (as applicable) and the procedures set out in the Board Charter. Unless the Chair, or the Chair of the ARC (as applicable) otherwise determines, any advice received by an individual Director will be circulated to the remainder of the Board.

Board meetings

The Board holds regular meetings and it is intended it will meet at least 10 times per year with additional meetings, as may be required to deal with urgent matters which might arise between the scheduled meetings.

For details of the current Directors, their qualifications, length of service, skills and experience, refer to the Directors' Report contained within the Annual Report. For details of Directors' attendance at Board and committee meetings for the year ended 30 June 2017, refer to 'Meetings of Directors in the Directors' Report contained within the Annual Report.

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

Appointment and re-election of Directors

The Board, together with the RNC, determines the size and composition of the Board, subject to the terms of the Constitution.

The RNC Charter sets out the process for selecting and appointing new Directors, including:

- Setting out the factors to be considered when reviewing a potential candidate for appointment as a Director, including:
 - o the skills, experience, expertise and personal qualities that will best complement Board effectiveness;
 - o the existing composition of the Board, having regard to the objective that the Board should comprise a mix of executive and Non-executive Directors and comprise Directors with a broad range of skills, knowledge, expertise and experience from a diverse range of backgrounds;
 - o the capability of the candidate to devote the necessary time and commitment to the role (this involves a consideration of matters such as other Board or executive appointments);
 - o potential conflicts of interest;
 - o the independence of the candidate, with reference to the criteria for an Independent Director set out in the Board Charter; and
 - o the Board's commitment to promoting diversity on the Board.
- A requirement to provide all Directors with detailed background information in relation to a potential candidate; and
- A requirement that appropriate checks are to be undertaken before appointing a potential candidate or putting forward a candidate to Shareholders for approval, which should include checks as to the person's character, experience, education, criminal record and bankruptcy history.

The RNC Charter also states that the identification of potential candidates may be assisted by the use of external search organisation as appropriate.

In the Notice of Meeting for the Company's Annual General Meeting (**AGM**), Scottish Pacific provides information to Shareholders about Directors seeking election or re-election, including:

- Their relevant qualifications and experience and skills they bring to the Board;
- Material adverse information revealed by any check the RNC has performed on the Director;
- Details of any other listed directorships held by the Director in the preceding 3 years;
- The term of office already served by the Director;
- Whether the Director is considered to be independent; and
- A recommendation by the Board in respect of the election of the Director.

Scottish Pacific enters into a written agreement with each Director and senior executive setting out the terms of the Director's or senior executive's appointment. Specifically each Non-executive Director has been given a letter of appointment which outlines terms including Director's duties, obligations, remuneration, expected time commitments and notification of the Company's policies. Similarly, senior executives including the CEO and Chief Financial Officer (**CFO**), have a formal job description and services agreement or employment agreement with the Company describing their term of office, duties, rights and responsibilities, and entitlements on term.

The RNC Charter is available on the Scottish Pacific website under: Corporate Governance at <https://investors.scottishpacific.com/investors/>.

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

Company Secretary

The Company Secretary acts as secretary of the Board attending all meetings of the Board as required. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board and all Directors have access to the Company Secretary. The decision to appoint or remove the Company Secretary is made or approved by the Board.

The Company Secretary is responsible for:

- Advising the Board and its committees on governance matters;
- Monitoring that Board and committee policies and procedures are followed;
- Coordinating the timely completion and despatch of Board and committee meeting minutes ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- Organising and facilitating the induction and professional development of Directors.

The Company Secretary's responsibilities are set out in the Board Charter, which is available on the Scottish Pacific website under "Investors – Corporate Governance" at <https://investors.scottishpacific.com/investors/>.

Diversity

Scottish Pacific is committed to establishing and maintaining an inclusive workplace that embraces and promotes Diversity. The Company recognises the strategic and personal advantages that arise from a workplace where decisions are based on merit and where all employees are treated equally.

The Board has adopted a written Diversity Policy to ensure a work environment where people are treated fairly and with respect notwithstanding their gender, ethnicity, disability, age or educational experience. The Diversity Policy sets out the Company's commitment to diversity and inclusion in the workplace and provides a framework to achieve the Group's diversity goals.

The Diversity Policy is specifically designed to assist the Company to reach its strategic goals by:

- Ensuring that all employees are treated with equality and respect;
- Facilitating employment opportunities based on appropriate recruitment processes of considering a range of employees and attracting, rewarding and retaining staff with a diverse range of skills and experience;
- Developing flexible workplace practices to recognise and meet the diverse needs of employees;
- Building and maintaining a safe and open workplace;
- Contributing to the community by fostering a culture of acceptance and teamwork; and
- Meeting the Company's obligations under the ASX Principles.

Under the Diversity Policy, the Board has responsibility to:

- Oversee the Diversity Policy including the review of its appropriateness and effectiveness;
- Encourage and promote any other initiatives, policies and processes appropriate from time to time to encourage and promote diversity;
- Annually set and review the Company's diversity measurable objectives;
- Annually assess the Company's progress towards achieving the diversity measurable objectives; and
- Ensure compliance with the ASX Principles in respect of diversity.

During FY17, demographic and diversity surveys were conducted, including:

- Gender remuneration salary review incorporating performance ratings;
- Age mapping review – business, role and location demographics; and
- Ethnicity/ Language/ Disability Review.

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

During FY17, the Board (with the assistance of the RNC) reviewed the performance on diversity, set measurable objectives for diversity (as shown below) and developed new initiatives to support the achievement of the measurable objectives.

Objective	Current Performance	Target
Females on the Board	20%	33% by 30 June 2019
Females in senior management	7.69%	30% by 2021
Females in management roles	42%	50% by 2019
Females in the Scottish Pacific Cadetship Program	-	50%

The initiatives already in place to support the achievement of the objectives include:

- More flexible work practices implemented during 2017;
- Paid parental leave of 12 weeks for primary caregivers;
- School excursion leave for all parents;
- Annual equal employment opportunity and anti-bullying training for all employees;
- Gender salary gap analysis & adjustments; and
- Annual WGEA =compliance report compilation (Workplace Gender Equality Agency).

Additional initiatives are proposed for implementation during 2018 and 2019 to achieve the set gender objectives which include the implementation of:

- National women in business group – staff and female clients;
- Women introducer network;
- Monthly Reporting to track trends and targets;
- Employee feedback – workplace diversity survey and an engagement survey addressing gender barriers;
- proposed workplace diversity survey;
- Secondary targets: 50% of emerging leader candidates, 25% of business development managers, Scottish Pacific cadetship program; and
- Executive & general manager target key performance indicators.

Scottish Pacific is also looking at improving other aspects of diversity, including age, ethnicity and disability.

The other diversity-related initiatives to be put in place, include:

- A cadetship program to be introduced in 2018 to introduce young graduates to further diversify age demographics;
- Providing a transitional retirement policy to allow employees over 55 years of age the option to transition to retirement by moving to part time hours or more flexible working arrangements;
- Health and wellbeing information sessions, disability inclusion and awareness sessions; and
- A commitment to employ staff with an intellectual disability, by partnering with Job Support in designing two part-time roles suitable for people with an intellectual disability.

The Diversity Policy is available on the Scottish Pacific website under “Investors – Corporate Governance” at: www.scottishpacific.com.au/investors.

Scottish Pacific is a “relevant employer” under the Workplace Gender Equality Act 2012 and its most recent “Gender Equality Indicators” can be found in its latest public report to the Workplace Gender

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

Equality Agency at www.wgea.gov.au/report/public-reports. The report was lodged under Scottish Pacific Business Finance Pty Ltd.

Scottish Pacific's workforce diversity is as follows:

Female employees as a percentage of workforce participation as at 30 June 2017

Group	Females		Males	
	30 June 2016	30 June 2017	30 June 2016	30 June 2017
Board	20%	20%	80%	80%
Non-executive Board Directors	25%	25%	75%	75%
Senior Management*	7.69%	7.69%	92.31%	92.31%
Overall for Scottish Pacific	55%	50.1%	45%	49.9%

*Senior management has been defined as executive managers reporting to the CEO and key managers reporting to executive roles.

Performance review of the Board

The RNC is responsible for:

- Developing a process for the evaluation of the performance of the Board, its committees and individual Executive and Non-executive Directors;
- Reviewing the performance of the Chair and reporting results of the evaluation to the Board, excluding the involvement of the Chair if he is a member of the committee; and
- Reviewing the membership and performance of other Board committees and making recommendations to the Board

During the year ended 30 June 2017, the Board conducted a performance evaluation. This involved a self-assessment survey, developed by the Chair and the Company Secretary. The survey was completed by each Director and covered Board composition, Board and committee operations, management of meetings by the Chair and individual Director contributions. After the results of the surveys were collated, the opportunities for improvement were discussed by the RNC and communicated to the Board. Overall, the results were very positive and the areas identified for improvement will be addressed during FY18.

The Board self-assessment process also included a review of Directors seeking re-election at the AGM to enable a recommendation to be made by the Board to Shareholders.

Performance review of executive management

The RNC is responsible for reviewing and reporting to the Board on the performance of executive Directors and senior executives.

The RNC set performance objectives for the CEO for 2017 and reviewed the CEO's recommendations for performance objectives for other senior executives. The RNC reviewed performance against these objectives at the end of 2017 financial year and reported on the outcomes to the Board.

For further detail on senior executive performance objectives and measurement see the Remuneration Report contained within the Annual Report.

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

Principle 2: The Board is structured to add value

Remuneration and Nomination Committee (RNC)

The RNC:

- Has two members, each Non-executive Directors and one being an Independent Non-executive Director;
- Is chaired by Patrick Elliott, who is a Non-executive Director. The other member is Peter Clare, an Independent Non-executive Director;
- Has a charter, which is available on the Scottish Pacific website under “Investors – Corporate Governance” at <https://investors.scottishpacific.com/investors/>; and
- In its function as a nomination committee, assists the Board in fulfilling its corporate governance responsibilities in regard to:
 - o reviewing and advising the Board on the composition of the Board and its committees and the necessary and desirable competencies of Board members;
 - o establishing a skills matrix setting out the mix of skills and diversity the Board has or is looking to achieve;
 - o developing a process for the evaluation of the performance of the Board, its committees and individual executive and Non-executive Directors;
 - o reviewing the time required to be committed by Non-executive Directors to properly fulfil their duties and whether Non-executive directors meet these requirements;
 - o assisting the Board in assessing the independence of each Non-executive Director;
 - o ensuring that proper succession plans for Board members and senior executives are in place for consideration by the Board; and
 - o advising the Board on induction and continuing professional development programs for Directors.

The composition of the RNC does not meet the recommendations in ASX Principles 2.1 and 8.1 as the RNC does not comprise three members, a majority are not Independent Directors and the Chair is not an Independent Director. The Board considers that the composition is appropriate in light of the Company's operations and size, and the size of the Board. All of the Directors believe that they will be able to, individually and collectively, analyse the issues before them objectively in the best interests of all Shareholders and in accordance with their duties as Directors. The Board further considers Patrick Elliott is the most appropriate person to chair the RNC given his heavy involvement in the remuneration structure of Scottish Pacific since Next Capital's investment in 2013.

The RNC may obtain information from, and consult with, management and external advisers, as it considers appropriate necessary or appropriate to make its determination or recommendation to the Board.

For details of Members' attendance at RNC Meetings for the year ended 30 June 2017, refer to 'Meetings of Directors' in the Directors' Report contained within the Annual Report.

Board Skills Matrix

The Board seeks to ensure that it has the appropriate mix of executive and Non-executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of background to guide Scottish Pacific and assist management achieve the strategic objectives set by the Board.

As part of this process, the Board (with the assistance of the RNC) prepared and considered a Board skills matrix. The Board skills matrix looks at the current skills and diversity of the Board and its needs going forward. The Board considers that there is currently an appropriate mix of skills, diversity and experience on the Board, taking into account the size of Scottish Pacific, the nature of Scottish Pacific's operations and its strategy.

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

The mix of skills and experience in the current Board, and that the Board would look to maintain, and build on, includes:

Financial and Accounting Expertise Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, oversee budgets, oversee funding arrangements.	Strategic Planning Skills Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context to our policies and business objectives.
Legal & Governance Ability to review legal, regulatory and governance developments and impact on the Company.	Industry Experience Understanding of the sectors in which Scottish Pacific operates.
Risk Management Experience in identifying and managing risk.	Marketing/New Product Development Experience in marketing and new business development.
HR Management Experience in evaluating performance of senior management and overseeing strategic human capital planning.	New technology Skills including Business Innovations Experience and understanding of relevant new technologies and implementing for a large business.
Equity and Debt Capital Market Experience Experience working with equity and debt capital markets.	M&A Experience Experience in major corporate transactions/experience in reviewing and executing merger and acquisition opportunities.
Other • Diversity • Previous board experience	

The Board will continue to monitor and update the skills matrix at least annually to ensure that as Scottish Pacific grows and develops the Board continues to comprise the appropriate mix of skills and experience.

The Board recognises the importance of succession and renewal. It continues to monitor the Board composition accordingly.

Independence

The Board comprises five Directors with a majority of Independent Directors. The Board includes four Non-executive Directors and one executive Director (the CEO). Three of the Non-executive Directors, Peter Clare, Andrew Love and Katrina Onishi, have been assessed by the Board as being independent on the basis that they are free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence the independent exercise of their judgment.

Peter Langham and Patrick Elliott are currently considered by the Board not to be independent for the purpose of the ASX Principles.

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

Peter Langham is currently the CEO of the Company and therefore is not considered independent. Patrick Elliott is currently a partner at Next Capital. Next Capital advises funds which collectively hold 16.6% of the Shares in Scottish Pacific. Accordingly, Patrick Elliott is not considered by the Board to be independent for the purpose of the ASX Principles.

Although Peter Langham and Patrick Elliott are not considered to be independent (for the purpose of the ASX Principles), the Board considers that they both add significant value to deliberations with their considerable experience and skills. Furthermore, all Directors have the right to seek independent professional advice, subject to necessary approvals, as and when required.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

In reaching the conclusions set out above, the Board considered the guidelines of materiality of the purpose of determining Director independence as set out in the Board Charter and Box 2.3 of the ASX principles.

The Board considers an independent Director to be a Non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. When determining the independent status of a director, the Board will consider whether the Director:

- Is a substantial Shareholder of the Company (that is, holds 5% or more of the issued voting shares of the Company) or an officer of, or otherwise associated directly with, a substantial Shareholder of the Company;
- Is employed, or has previously been employed, in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Has within the last three years been a partner, Director or senior employee of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- Is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has a material contractual relationship with the Company or another Group member other than as a director of the Company;
- Has any close family ties with any person who falls within any of the categories described above; or
- Has been a Director of the Company for such a period that his or her independence may have been compromised.

The Board will regularly review the independence of Directors. A full explanation of the criteria used to determine independence of Directors can be found in the Board Charter, available on the Scottish Pacific website under "Investors – Corporate Governance" at <https://investors.scottishpacific.com/investors/>.

Chair

The Chair of the Board is Patrick Elliott who is not considered by the Board to be an Independent Director (for the purpose of assessing the independence of Directors under the ASX Principles) given that he is a partner of Next Capital (Next Capital advises funds which collectively hold 16.6% of the Shares in Scottish Pacific). Despite this, the Board believes that Patrick Elliott is the most appropriate person to lead the Board as its Non-executive Chair given his expertise as a professional investor with experience in investing in various sectors, including the finance sector and experience in various roles across these investments. The Board considers that Patrick Elliott adds significant value to its deliberations and brings objective and independent judgment to the Board's deliberations.

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

For details of the current Directors, their qualifications, length of service, skills and experience refer to the Directors' Report within the Annual Report.

Induction and education

The RNC is responsible for advising the Board on induction and continuing professional development programs for Directors.

Under the RNC Charter, the RNC is required to:

- Establish and facilitate an induction program for new Directors with all such information and advice which may be considered necessary or desirable for the Director to commence their appointment to the Board, including information and advice regarding:
 - o the Company's financial, strategic, operational and risk management position;
 - o the rights, duties and responsibilities of the Directors;
 - o the roles and responsibilities of senior executives; and
 - o the role of Board committees;
- Develop and review continuous professional development programs for Directors in order to enhance Director competencies and develop and enhance Directors' skills and knowledge on key developments affecting the Group and the industry in which it operates.

Each Director completed an induction program through their involvement in the due diligence process as part of listing on the ASX. No new Directors have been appointed since that time.

In terms of ongoing development of its Directors, the Board has met with managers of specific areas of the business during the year to increase Directors' understanding and awareness of different areas of the business.

Principle 3: The Board promotes ethical and responsible decision-making

Code of Conduct

The Board is committed to observing the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct, which sets out the way in which the Company seeks to conduct business, namely in an honest and fair manner, acting only in ways that reflect well on the Company in compliance with all laws and regulations.

The Code of Conduct articulates acceptable practices for Directors, senior executives and employees, to guide their behaviour and to demonstrate the commitment of the Company to ethical practices. The Company also seeks to ensure that its advisers, consultants and contractors are aware of the Company's expectations as set out in the Code of Conduct.

The Code of Conduct sets out:

- The practices which will help to maintain confidence in the Company's integrity;
- The practices necessary to take account of the Company's legal obligations and the reasonable expectations of its Shareholders; and
- The responsibility and accountability of individuals for reporting and investigating reports of conduct which is not in accordance with the Code of Conduct.

The Code of Conduct is available on the Scottish Pacific website under "Investors – Corporate Governance" at: <https://investors.scottishpacific.com/investors/>.

Securities Trading Policy

Scottish Pacific has adopted a Securities Trading Policy that:

- Explains the types of conduct in relation to dealings in securities that are prohibited under the Corporations Act 2001 (Cth) (**Corporations Act**); and

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

- Establishes a procedure for the buying and selling of securities that protects Scottish Pacific, Directors and employees against the misuse of unpublished information that could materially affect the value of securities.

The Securities Trading Policy applies to all Directors, officers, senior executives and employees of the Scottish Pacific, and their connected persons.

The Securities Trading Policy sets out restrictions that apply to dealing with securities, including “closed periods”, during which relevant persons are not permitted to deal in securities (except in exceptional circumstances) and trading windows, being periods when trading can occur subject to insider trading laws.

The Securities Trading Policy is available on the Scottish Pacific website under “Investors – Corporate Governance” at: <https://investors.scottishpacific.com/investors/>.

Principle 4: The Board safeguards integrity in financial reporting

Audit and Risk Committee (ARC)

The Board has established an ARC which:

- has three members, all Non-executive Directors with a majority being Independent Non-executive Directors;
- is chaired by Andrew Love, who is an Independent Non-executive Director. Other members are Katrina Onishi (Independent Non-executive Director) and Patrick Elliott (Non-executive Director); and
- has a Charter that is available on the Scottish Pacific website under “Investors – Corporate Governance” at <https://investors.scottishpacific.com/investors/>.

In accordance with its charter, all members of the ARC are financially literate and have expertise in financial and accounting matters. In addition, the charter requires two members to have an understanding of the industry in which the Company operates and each member of the committee does have this understanding.

For further details regarding the qualifications of the members of the ARC refer to the Directors’ Report contained within the Annual Report. The role of the ARC with respect to financial reporting and audit is to assist the Board in fulfilling its responsibility for ensuring the integrity of the Company’s financial reporting by monitoring, reviewing and advising or reporting to the Board on:

- The reliability and integrity of the Company’s financial reporting systems and processes;
- The appropriateness of the accounting judgements or choices exercised by management in preparing the Company’s financial statements;
- The implementation and effectiveness of the Company’s internal audit systems and processes;
- The appointment and, if necessary, removal of the Company’s external auditors and the work of, and relationship with, the external auditors; and
- The implementation and effectiveness of the Company’s systems and processes for ensuring compliance with all applicable laws, regulations and Company policies.

The ARC is responsible for reviewing the independence of the external auditor and reviewing the rotation of the audit engagement partner. The ARC will review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors at least on an annual basis.

The ARC may obtain information from, and consult with management, the external auditor and external advisers, as it considers appropriate. The ARC also has access to the external auditor to discuss matters without management being present.

For details of Members’ attendance at ARC Meetings for the year ended 30 June 2017, refer to ‘Meetings of Directors’ in the Directors’ Report contained within the Annual Report.

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

Selection and rotation of the external auditor

The ARC is responsible for recommending to the Board the appointment, removal or replacement of the external auditor and its signing partner, the terms of appointment, any re-appointment and fees.

CEO and CFO declaration

Prior to the Board's approval of Scottish Pacific's half year and annual financial reports, the CEO and CFO will provide the Board with declarations required under section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles.

For the half year ended 31 December 2016 and the financial year ended 30 June 2017, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles. The declaration was formed on the basis of a sound system of risk management and internal control which is operating effectively.

Auditor at AGM

At Scottish Pacific's AGM, the external auditor will be present and available to answer Shareholder questions on the:

- Conduct of the audit;
- Preparation and content of the external auditor's report;
- Accounting policies adopted by Scottish Pacific in relation to the preparation of the financial statements; and
- Independence of the auditor in relation to the conduct of the audit.

Principle 5: The Board makes timely and balanced disclosure

The Board has adopted a Continuous Disclosure Policy to ensure that it complies with its disclosure obligations under the Corporations Act and the ASX Listing Rules, which applies to all Directors, officers, employees and consultants of the Company.

A Disclosure Committee comprising the Chair of the Board, the CEO, CFO and Company Secretary has been established to manage the Company's compliance with its disclosure obligations and the Continuous Disclosure Policy. The Disclosure Committee is responsible for, among other things, seeking to ensure that announcements are made in a timely manner, are not misleading, do not omit material information and are presented in a clear, balanced and objective way.

The Continuous Disclosure Policy covers the roles and responsibilities of Directors, officers and employees in complying with the Company's disclosure obligations; safeguarding confidentiality of corporate information to avoid premature disclosure; how the Company engages with media contact and comments, external communications such as analyst briefings and responses to security holder questions, and measures for responding to or avoiding the emergence of a false market in the Company's securities.

The Company Secretary has primary responsibility for all communication with the ASX in relation to ASX Listing Rule matters.

The Continuous Disclosure Policy is available on the Scottish Pacific website under "Investors – Corporate Governance" at: <https://investors.scottishpacific.com/investors/>.

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

Principle 6: The Board respects the rights of Shareholders

The Board has adopted a Shareholder Communications Policy to ensure Shareholders are informed in a timely and readily accessible manner of all major developments affecting the Company. The Shareholder Communications Policy is available on the Scottish Pacific website under “Investors – Corporate Governance” at: <https://investors.scottishpacific.com/investors/>.

Company website

Scottish Pacific’s website is at www.scottishpacific.com.au and is regularly kept up-to-date to maintain effective communication with Shareholders and stakeholders.

The following information is available on the website:

- Current share price;
- ASX announcements made to the market;
- Company profile and details;
- Members of the Board and senior management team;
- Corporate governance charters and policies; and
- Contact details.

Scottish Pacific includes all financial reports and notices of meetings when issued on its website. Alternatively, Company announcements can be accessed from the ‘Announcements’ section of the ASX website (ASX code: SCO).

Investor relations/Shareholder engagement and participation

The contact details of Scottish Pacific and its share registry (see below under ‘electronic communications’) are available on the website to Shareholders to address and facilitate any Shareholder-related enquiries.

In addition, Shareholders can register their email address for alerts to be sent to them when announcements are released to the ASX, when key events are occurring and to provide a weekly summary.

Scottish Pacific will hold its 2017 AGM in November 2017 in Sydney. To encourage Shareholder engagement and participation at the AGM, Shareholders have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and senior management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the notice of meeting or online through the share registry’s website. Shareholders have the opportunity to submit written questions to Scottish Pacific and its external auditor, or make comments on the management of Scottish Pacific and access AGM presentations and speeches made by the Chair and Managing Director prior to the commencement of the meeting. Scottish Pacific will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

Electronic communications

Scottish Pacific’s contact details are available on the website under ‘Investors’. Shareholders can also contact its share registry, Link Market Services by email at: registrars@linkmarketservices.com.au.

Shareholders may elect to receive all Shareholder communications (including notification that the annual report is available to view, notices of meeting and payment statements) by email. Electronic communications have the added advantage of being more timely and cost effective, which benefits all Shareholders. Shareholders should contact Link Market Services if they want to elect to receive electronic communications.

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

Principle 7: The Board recognises and manages risk

Audit and Risk Committee (ARC)

In its function as a risk committee, the ARC assists the Board in fulfilling its responsibility for the implementation of a sound system of risk management and internal control by monitoring, reviewing and advising or reporting to the Board on the implementation and effectiveness of the Company's risk management and internal control policies and practices.

Details of the ARC and its membership are contained in the disclosure under Principle 4. For details of Members' attendance at ARC Meetings for the year ended 30 June 2017, refer to 'Meetings of Directors' in the Directors' Report contained within the Annual Report.

Risk management policy

Scottish Pacific's ARC Charter sets out the role of the ARC in overseeing risk management. The ARC Charter is available on the Scottish Pacific website under "Investors – Corporate Governance" at: <https://investors.scottishpacific.com/investors/>.

The ARC's primary roles with respect to risk management and internal control are in consultation with management to:

- Prepare a risk profile which describes the material business risks facing the Group, including financial and non-financial matters and taking into account both the Group's legal obligations and the reasonable expectations of the Group's stakeholders (such as Shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which the Group operates);
- Regularly review and update the risk profile and provide copies to the Board;
- Review and report to the Board (at least annually) on the effectiveness of the Company's internal controls regarding:
 - o the Company's financial reporting systems and processes;
 - o due diligence for acquisitions and other new projects;
 - o compliance with confidentiality obligations; and
 - o information technology security.
- Review and report to the Board (at least annually) on the effectiveness of internal systems and processes for identifying, managing and monitoring material business risks, including:
 - o breaches of contract or internal controls;
 - o litigation and claims; and
 - o fraud and theft.
- Obtain regular reports from management on the occurrence and/or status of any material breaches of internal controls or other material risk exposures or incidents and report to the Board (at each Board meeting or earlier, if appropriate) on such breaches, exposures and incidents and generally whether material business risks are being managed effectively;
- Review the scope of the internal and external auditors' review of internal control and risk management, review reports on significant findings and recommendations, together with management's responses; and
- Recommend to the Board any changes to the Company's internal control and risk management framework from time to time as appropriate.

Scottish Pacific Group Limited
Corporate Governance Statement
30 June 2017

Scottish Pacific listed on the ASX in July 2016. As part of the due diligence process undertaken prior to listing on the ASX, the Board and an extended Due Diligence Committee reviewed all material risks faced by the company and the processes in place to manage those risks. The ARC is currently conducting the first annual review of risk management since listing on the ASX. That review of the risk management framework and associated policies will be completed in the September quarter of 2017.

Senior Management has reported to the Board (through the ARC) on the effectiveness of the management of the material risks faced by Scottish Pacific during the financial year ended 30 June 2017. The Board is satisfied that the risk management processes are sound following the thorough review during the due diligence process.

Internal audit

Scottish Pacific has established an internal audit function. The ARC is responsible for:

- Reviewing with management and Chief Operating Officer the scope and activity of the internal audit function;
- Meeting with the Chief Operating Officer and management to review internal audit reports and monitor management responses;
- Meeting separately with Chief Operating Officer at least once a year, to discuss any matters that the Committee or Chief Operating Officer believes should be discussed privately;
- Reviewing the effectiveness of the internal audit activity; and
- Ensuring there are no unjustified restrictions or limitations of the internal audit function by management.

Economic, environmental and social sustainability risks

Scottish Pacific has exposure to economic sustainability risks including:

- Debtors and clients being unable to meet their financial obligations;
- Availability of funding;
- Regulatory change for financiers;
- Disruption to technology platform; and
- Exposure to general economic conditions.

These risks are managed by the senior management team as follows:

- The Company has developed specialist credit assessment skills and has strong underwriting standards. It also has a comprehensive internal training program to maintain and perpetuate that skill base.
- The Company maintains a well diversified mix of funding providers and facility types.
- The Company's industry body maintains a watching brief on all financial services industry legislative debates and has a successful track of positively influencing proposed legislation.
- The company has a documented Business Continuity Policy and Disaster Recovery Program. Implicit within these programs are offsite back up technology sites.
- To complement its specialist credit assessment skills, the company maintains state of the art credit collection systems and credit collections staff. This allows the company to undertake direct collection activity if and when required.

Scottish Pacific does not have material exposures to environmental and social sustainability risks.

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

Principle 8: The Board remunerates fairly and responsibly

Remuneration and Nomination Committee (RNC)

In its function as a remuneration committee, the RNC assists the Board in fulfilling its corporate governance responsibilities in regard to:

- The terms of remuneration for the executive and Non-executive Directors and other senior executives of the Group from time to time including the criteria and processes for assessing performance;
- The process for, and report to the Board on the outcomes of, remuneration reviews for:
 - o each Non-executive Director;
 - o the executives collectively; and
 - o each executive Director and other senior executives of the Company;
- Changes in remuneration, recruitment, retention and termination policies and practices, including superannuation and other benefits, personnel practices, and industrial relations strategies;
- Compliance with relevant legal and regulatory requirements in relation to any such remuneration, equity plans and termination benefits, including obtaining any Shareholder approvals which are necessary.
- Employee equity plans and allocations under those plans;
- Facilitating Shareholder and other stakeholder engagement in relation to the Company's remuneration strategies, policies and practices; and
- Whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

Details of the RNC and its members are contained in the disclosure under Principle 2. For details of Members' attendance at RNC Meetings for the year ended 30 June 2017, refer to 'Meetings of Directors' in the Directors' Report contained within the Annual Report.

Remuneration report and remuneration policies

In relation to remuneration issues, the Board (with the assistance of the RNC) has established a remuneration philosophy to ensure that it remunerates fairly and responsibly. The remuneration philosophy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and able to attract and maintain talented and motivated Directors and employees.

Details about Scottish Pacific's remuneration philosophy, policies and practices are provided within the Remuneration Report, which is part of the Director's Report within the Annual Report. As detailed in the Remuneration Report, the structure of Non-executive Directors' remuneration and that of executives is clearly distinguished. Non-executive Directors receive fees, which do not include any incentive payments. Executives participate in incentive plans as detailed in the Remuneration Report contained within the Annual Report. There are also no retirement schemes for Non-executive Directors, other than superannuation.

Equity-based remuneration scheme

Scottish Pacific has established the Scottish Pacific Group Limited Long Term Incentive Scheme (**LTI Plan**), under which eligible participants may be granted Options which are an entitlement to receive a Share on satisfaction of specified conditions and payment of an exercise price (if any).

The Board will use equity based remuneration to reward, motivate and retain management. The Board's objective is to implement a remuneration framework that aligns the interests of participants with Scottish Pacific's strategic objectives in order to maximise Shareholder value.

Under the LTI Plan, participants are prohibited from entering into any arrangement, including any financial product that operates to limit the economic risk of the Options, prior to vesting.

Scottish Pacific Group Limited
Corporate Governance Statement

30 June 2017

The terms and conditions of the LTI Plan are available on the 'Announcements' section of the ASX website for ticker code 'SCO' lodged on 13 July 2016.

Further detail is available in the Remuneration Report contained within the Annual Report.