

NAOS Absolute Opportunities Company Ltd (A.B.N. 49 169 448 837, "Company") Corporate Governance Statement

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's 3rd edition Corporate Governance Principles and Recommendations (**Recommendations**). The Recommendations are not mandatory. However, the Company will be required to provide a statement in future annual reports disclosing the extent to which the Company has followed the Recommendations and an explanation of why it has followed the Recommendations.

	Recommendations	Compliance	Comment
1.	Lay solid foundations for management and oversight		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Not Applicable	The Company's Board Policy (which is incorporated within the Company's Corporate Governance Charter) and the management agreement between the Company and NAOS Asset Management Limited (Manager) set out the specific responsibilities of the board and those delegated to the Manager.
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 relevant to a decision on whether or not to elect or re-elect a director.	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.	Not Applicable	

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1.4	The company secretary of a listed entity should have a direct reporting line to the chair of the board.	Not Applicable	
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity; and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's "Gender Equality Indicators", as defined in and published under the Act</p>	Not Applicable	
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Not Applicable	

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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	Not Applicable	
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.	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.	Not Applicable	

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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.	Will comply	(a) David Rickards, the Chair of the Board of Directors is considered by the Company to be independent. (b) Not applicable (c) All of the Company's current Officers (David Rickards, Warwick Evans and Sebastian Evans) were appointed on 8 May 2014
2.4	A majority of the board should be independent directors.	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.	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.	Not Applicable	

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3.	Promote ethical and responsible decision-making		
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	Will comply	<p>The Company has adopted a formal code of conduct. This is incorporated into the Company's Corporate Governance Charter. The Company requires all of its Officer, executives and employees to comply with the standards of behaviour and business ethics in accordance with the law and the code of conduct. These include acting honestly and with integrity and fairness in all dealings with others and each other, managing conflicts of interests, complying with the laws that govern the Company's business and its operations and acting ethically in their approach to business decisions.</p> <p>The Company's Code of Conduct does not allow the making of payments or payments in kind (gifts, favours etc) to induce individuals to award business opportunities to the Company or to make a decision in the Company's favour.</p> <p>The Company's Code of Conduct recognises that it is accepted business practice that entertainment and small gifts may be extended to third parties with whom the Company has a relationship. However, any such gifts must be made for a proper purpose.</p> <p>The Company Code of Conduct also mandates the Company's Officers, Executives and employees should not accept personal gifts or extraordinary hospitality, accommodation or travel, which may influence, or appear to influence, a business decision.</p> <p>All conflict of interests are managed in accordance with the requirements of Corporation Act, Listing Rules and the Company's Constitution.</p> <p>The Directors believe the Company's Code of Conduct and its reporting mechanism are appropriate to the scale of the Company's operations.</p>

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4.	Safeguard integrity in financial reporting		
4.1	<p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Does not Comply	<p>The board does not intend to establish such a committee because the formation of such a committee would be inefficient given the Company's size and nature. It would not serve to protect or enhance the interest of shareholders. The board will deal with this issue as a whole. Should the size of the Company change the board will consider establishing a separate audit committee.</p> <p>The Company's approach to financial reporting reflects the following core principles:</p> <p>(i) The Company's financial reports present a true and fair view;</p> <p>(ii) The Company's accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies; and</p> <p>(iii) The Company's external auditor is independent and serves security holder interests.</p> <p>The board monitors Australian and international developments relevant to these principles and reviews our practices accordingly.</p> <p>The Company's external auditor's appointment and removal has been or will be done in accordance with the requirements of the Corporations Act. The Company will also ensure any individual who plays a significant role in the audit of the Company will be rotated in accordance with the requirements of the Corporations Act.</p>
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.	Will Comply	The Manager is responsible for preparing the declaration pursuant to section 295A of the Corporations Act as the Company does not have a chief executive officer (or equivalent) or a chief financial officer (or equivalent). Accordingly, the board will seek to procure that the Manager puts in place sound systems of risk management and internal controls and ensure that the systems are operating effectively in all material respects in relation to financial reporting risks.

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4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Will Comply	The board encourages full participation of shareholders at the Company's annual general meetings and any general meetings to ensure a high level of accountability and identification with the Company's strategy. The external auditor will also be invited to attend the annual general meeting of shareholders and will be available to answer any questions from security holders concerning the conduct, preparation and content of the auditor's report.
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.	Will Comply	<p>The Company will operate under the continuous disclosure requirements of the ASX Listing Rules as set out in its Continuous Disclosure Policy, which is contained within its Corporate Governance Charter. The Company will ensure that all information, which may be expected to affect the value of the Company's securities or influence investment decisions, is released to the market in order that all investors have equal and timely access to material information concerning the Company.</p> <p>The Company Secretary has the responsibility for ensuring that all relevant information is released to the market in a timely manner in consultation with the board. The Company considers this to be a satisfactory protocol given the size and nature of the Company.</p> <p>The Company will make this policy publicly available.</p>

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6.	Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Will Comply	The Company plans to provide information on its governance on its website
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Will Comply	<p>The board has developed a strategy within its Continuous Disclosure Policy to ensure that shareholders are informed of all major developments affecting the Company's performance, activities and state of affairs. This includes having a website to facilitate communication with shareholders via electronic methods. In addition, the Company publishes regular shareholder communications, such as half-yearly and annual reports and provides shareholders with an opportunity to access such reports and other releases electronically.</p> <p>The board encourages full participation of shareholders at the Company's annual general meetings and any general meetings to ensure a high level of accountability and identification with the Company's strategy. The external auditor will also be invited to attend the annual general meeting of shareholders and will be available to answer any questions concerning the conduct, preparation and content of the auditor's report.</p>
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.	Will Comply	<p>The Company will place the full text of all notices of meetings and explanatory materials on its website. It will also place copies of Annual Report, ASX announcements and investor presentation on its website</p> <p>The company encourages full participation of shareholders at its Annual General Meeting (AGM) each year. For those shareholders who are unable to attend in person, the Company provides a full transcript of the Chair's speech on the Manager's website</p> <p>The Company will also ensure its external auditor attends the AGM and is available to answer questions from investors. The external auditor will also be allowed a reasonable opportunity to answer questions submitted by shareholders to the auditor as permitted under the Corporation Act.</p>

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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.	Will Comply	Security holders will be able communicate with the Company and its share registry electronically.
7.	Recognise and manage risk		
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Does not comply	Due to the size of the Company, the Company will not have a risk committee. The responsibility for the effectiveness of risk management and internal compliance and control will rest with the board. The board will liaise with and oversee the application by the Manager of the risk management protocols.
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Complies	As a small company, the board works closely with the Manager to identify and manage operational, financial and compliance risks, which could prevent the Company from achieving its objectives.

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7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Complies	<p>Due to the size of the Company's operations and the role played by the Manager, the Company does not have an internal audit function and in part relies on the systems of internal control used by the Manager.</p> <p>The board works closely with the Manager to identify and manage operational, financial and compliance risks, which could prevent the Company from achieving its objectives.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Complies	<p>The Company is not an operating company but rather a financial holding company that holds a portfolio of investments that has limited direct material exposure to environmental and social sustainability risks.</p> <p>The Company's Replacement Prospectus dated 26 September 2014 provides details of potentials risks faced by the Company and its investors, which include potential material exposures to changes in financial markets (market risk), financial market volatility, foreign exchange, price and regulatory risks.</p> <p>Due to the size of the Company's operations and the role played by the Manager, the Company works closely with the Manager to identify and manage operational, financial and regulatory risks, which could prevent the Company from achieving its objectives.</p>

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8.	Remunerate fairly and responsibly		
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	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.	Not Applicable	

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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.	Not Applicable	
8.2 & 8.3	An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	Complies	The remuneration of the Manager is disclosed in the Replacement Prospectus dated 26 September 2014. Under the Management Agreement between the Company and the Manager, the Manager is eligible to receive Management and Performance fees. The Replacement Prospectus dated 26 September 2014, also provides details on the options over the Company's ordinary shares granted to the Manager as part of the Replacement Prospectus and under the Management Agreement.