

Corporate Governance Statement

As an ASX-listed company, Glennon Small Companies Limited ("Glennon") and its directors ensure that the Company operates effectively and in the best interest of shareholders. The Company has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The corporate governance policies and practices adopted by the Board are outlined in the Corporate Governance section of Glennon's website.

This corporate governance statement aims to disclose in summary form as clearly as possible Glennon's corporate governance policies and practices so that they can be readily understood by our shareholders and other stakeholders.

This corporate governance statement relates to the 2016 financial year and accompanies Glennon's 2016 Annual Report. This corporate governance statement is dated 22 September 2016 and is approved by the Board. Glennon complies with the ASX Corporate Governance Council Principles and Recommendations (3rd Edition March 2014) unless otherwise stated. The ASX Corporate Governance Council (ASX CGC) has issued eight principles and as part of these principles, made 30 recommendations. Each is discussed below:

Principle 1: Lay solid foundations for management and oversight

Role of the Board and Management

The Board of Directors is responsible for the governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy. The Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors and officers operate in an appropriate environment. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return.

The Company's operations are conducted through Glennon Capital Pty Ltd (Manager) and White Outsourcing Pty Limited (Administration Manager). These entities incorporate the specialist wholesale investment and administration personnel who undertake the Company's executive operations. The Company has contracted with Glennon Capital Pty Ltd and White Outsourcing Pty Limited to provide all investment management and administration services.

The Company's executive management arrangements have been structured to provide investors with a cost efficient investment vehicle and access to a significant depth of professional resources. As the Company is still in an early stage of development, it has not yet undertaken a formal review of the Board's performance.

Recommendation 1.1 requires the disclosure of the roles and responsibilities of its Board and management and the matters expressly reserved for each. The Company has adopted a Board Charter setting out the roles and responsibilities of the Board which is posted on the Company's website <http://www.glennon.com.au>. Given the nature of the Company as a listed investment company whose Portfolio is managed by the Manager, the Company does not consider that it is relevant to provide specific details regarding the role of management in addition to the disclosure made in the Prospectus regarding the role of the Manager (which the Board considers appropriately addresses the management needs of the Company).

Recommendation 1.2 requires a listed entity to undertake appropriate checks before appointing a person or putting forward a candidate for election as a Director. All appropriate checks will be undertaken by the entity for new and re-elected candidates. In addition, the Board will continue to provide security holders with all material information in its possession relevant to any decision to elect or re-elect a Director by inclusion in any Notice of Meeting.

The Company complies with Recommendation 1.3 having signed letters of appointment for current Directors setting out the terms of their appointment.

Principle 1: Lay solid foundations for management and oversight (continued)

Jillian McGregor is appointed Company Secretary. In accordance with Recommendation 1.4 she is directly accountable to all Board members, facilitates all Board meetings and papers, and acts in an advisory manner for governance matters.

Recommendation 1.5 requires that the Company adopts a diversity policy. Given the nature of the Company as a listed investment company (with many of the functions outsourced to the Manager), the Board does not consider it necessary to adopt a diversity policy. The Board does note that its various corporate governance documents (including Board Charter and Committee charters) provide for requirements to assess the composition and functioning of the Board, which the Board considers appropriate for a listed investment company. The Company considers the impact of size in the implementation of its diversity policy, and accordingly does not believe it would be practical to set measurable objectives to achieve diversity.

Recommendation 1.6 requires performance evaluation of the Board, Directors and External Management. In order for a specific opportunity for performance matters to be discussed with each Director, each year the Chairman of the Board conducts a formal review process. The Chairman meets with each Director individually to discuss issues including performance and discusses with each Director the effectiveness of the Board as a whole, its Committees, individual Directors and the Chairman with the intention of providing mutual feedback. The Chairman reports on the general outcome of the meetings to the Board annually. Directors whose performance is unsatisfactory are asked to retire. In respect of the current financial year all assessments under this process have taken place in accordance with the process disclosed. Individual directors are subject to continuous review by the Chairman. The Chair of the Audit Committee is responsible for review of the Chairman on an annual basis and reporting to the full Board.

In addition, the performance of service providers (Glennon Capital Pty Limited and White Outsourcing Pty Limited) is the subject of continuous oversight by the Chairman and the Board as a whole. A performance review of service providers was conducted for the Board.

Recommendation 1.7 requires the disclosure of the process for periodically evaluating the performance of its senior executives. The Company does not comply with this recommendation as it is not currently expected that the Company will engage any senior executives.

Principle 2: Structure the board to add value

Composition of the Glennon Board

The names of the directors of the Company in office at the date of this statement are set out in the Directors' Report page 7.

The skills, experience and expertise relevant to the position of each director in office at the date of the Annual Report is included in the Directors' Report on page 8.

Board skills matrix

The Board seeks to ensure as a minimum the Board's skills matrix includes:

- (a) Each Director must be capable of making a valuable contribution to the effective and prudential operation of the Company and Board deliberations and processes;
- (b) Directors must collectively have the necessary skills, knowledge and experience to understand the risks of the Company, including its legal and prudential obligations and to ensure that the Company is managed in an appropriate way taking into account these risks;
- (c) All Directors must be able to read and understand fundamental financial statements and if required, may seek guidance from an independent professional advisor who is appropriately qualified in the area of finance and accounting.

Principle 2: Structure the board to add value (continued)

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
Michael Glennon	14 months
John Larsen	14 months
Garry Crole	14 months

Under the Company's Constitution, the minimum number of Directors that may comprise the Board is 3 and the maximum is 10 Directors. Directors are elected at an annual general meeting of the Company. Retirement will occur on a rotational basis so that no Director (excluding any managing director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the Directors, who will then hold office until the next annual general meeting.

Independence

A director is only to be regarded as independent if he or she is a non-executive director and:

- (a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (b) within the last three years has not been employed in an executive capacity by the Company;
- (c) within the last three years has not been a partner, director or senior employee of a provider of material professional services to the Company;
- (d) within the last three years has not been in a material business relationship (e.g. as a supplier or customer) with the Company, or an officer of, or otherwise associated directly or indirectly with, someone with such a relationship;
- (e) has no material contractual relationship with the Company other than as a director of the Company;
- (f) has no close family ties with any person who falls within any of the categories described above;
- (g) has not been a director of the Company for such period that his or her independence may have been compromised; or
- (h) is otherwise free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement or could reasonably be perceived to do so.

In the context of director independence, "materiality" is considered from both the company and individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the directors in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, the following directors are considered independent:

Name	Position
John Larsen	Non-Executive Director
Garry Crole	Non-Executive Director

Michael Glennon (Chairman) is not considered an independent director and will excuse himself from any decision the Board makes with respect to the relationship between the Company and the Investment Manager.

Recommendation 2.4 requires that "A majority of the Board should be independent directors". The Company complies with this recommendation.

Principle 2: Structure the board to add value (continued)

Recommendation 2.5 requires that the chair should be an independent director and in particular should not be the same person as the Chief Executive Officer of the Company. However, notwithstanding that Mr Glennon is not an independent director, given his significant experience as a company director and in the financial services sector, the Board has determined that Mr Glennon has the most appropriate mix of skills to act as Chairman of the Board. Further, the Company does not comply with this recommendation because there is no Chief Executive Officer of the Company.

Remuneration and Nomination Committee

The Board has established the Remuneration and Nomination Committee in accordance with Recommendation 2.1. The Board acknowledges that currently this committee comprises all the three members of the Board. The Board considers that it is appropriate that all three members of the Board are members of this Committee. The chairman of the committee is an independent director.

The Remuneration and Nomination Committee is responsible for reviewing and making recommendations in relation to the composition of the Board and performance of the Directors and ensuring that adequate succession plans are in place. Independent advice will be sought where appropriate.

The Remuneration and Nomination Committee will meet as often as is required by the Remuneration and Nomination Committee Charter and is governed by the provisions in the Company's Constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with the Remuneration and Nomination Committee Charter.

Induction and professional development

The role of the Remuneration and Nomination Committee is develop, review and make recommendations to the Board regarding the ongoing appropriateness and relevance of the remuneration framework for the chairman and the Non-Executive Directors and the process by which any pool of directors' fees approved by shareholders is allocated to directors. The Remuneration and Nomination Committee is also responsible for reviewing and making recommendations in relation to the composition of the Board and performance of the Directors and ensuring that adequate succession plans are in place. Independent advice will be sought where appropriate.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Board recognises the need to observe the high standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct, which sets out the way the Company intends to conduct business and to articulate the high standards of honest integrity, ethical and law-abiding behaviour expected of Directors.

The Company intends to carry on business honestly and fairly, acting in compliance with all laws and regulations. Responsibilities apply in respect of the using of the Company's resources in an appropriate manner, protecting confidential information and conflicts of interest.

The Board monitors its outsourced service providers' compliance with the Company's code of conduct which is accessible to outside parties via the Company's website.

Securities Trading Policy

The Company is committed to ensuring that public confidence is maintained in the Company, its people and the trading of its securities. The Company has adopted a securities trading policy which sets out the Company's trading policy on buying and selling securities of the Company including shares, options, derivatives, managed investment products, superannuation products and any other financial products of the Company that are able to be traded on a financial market.

The policy applies to Directors and officers and others persons designated from the Board from time to time, who must not deal in Shares while they are in possession of material price sensitive information.

The Board will review this policy annually to ensure it remains relevant to the current needs of the Company. This policy may be amended by resolution of the Board. Full details of the Company's Securities Trading Policy can be found in the Corporate Governance policies located on the Company's corporate website.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The Company has an Audit and Risk Committee with a documented Charter, approved by the Board. It is comprised by two members, a majority of which must be independent non-executive directors. The Chairman shall be an independent non-executive Director who is not the Chairman of the Board.

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting systems, the systems of internal control and risk management and audit functions. In fulfilling these roles, the Audit and Risk Committee is responsible for maintaining effective communication between the Board, itself, management and auditors.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board, in conjunction with the Audit and Risk Committee, has responsibility for identifying major risk areas and implementing risk management systems. The Audit and Risk Committee is responsible for establishing and monitoring procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

The Audit and Risk Committee will meet as often as is required by the Audit and Risk Committee Charter to perform its functions and at least annually. The Audit and Risk Committee may seek advice from external advisers and invite the external auditor, and any other person to be present at the meetings of the Audit and Risk Committee. The Audit and Risk Committee will regularly report to the Board about committee activities, issues and related recommendations.

The members of the Audit and Risk Committee during the period were Mr John Larsen and Mr Garry Crole.

The Audit and Risk Committee also makes recommendations on the entity's insurance program having regard to the entity's business and the insurable risks associated with its business. In respect of the current financial year no additional recommendations were made to the Board regarding the entity's insurance.

For details on the number of meetings of the Audit and Risk Committee held during the period and the attendees at those meetings, refer to page 10 of the Directors' Report.

Financial Statements Declaration

It is a requirement of the Board that White Outsourcing Pty Limited sign-off on the content of the financial statements, and that in their opinion, the financial records of the Company have been properly maintained, and that the financial statements comply with appropriate accounting standards, and that these statements represent a true and fair view of the Company's operations and financial position of the Company.

White Outsourcing Pty Limited provides a declaration to the Board twice annually, to certify that the Company's financial statements and notes present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the Corporations Act 2001. In respect of the current financial period all necessary declarations have been submitted to the Board.

In addition, White Outsourcing Pty Limited (accounting) confirms in writing to the Board that the declaration provided above is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks and all material business risks have been effectively managed.

External auditor

The Board as a whole monitors the performance of the annual & half-yearly audit performed by the External Auditor. If the Board consider that the external auditor of the Company should be changed, a special resolution will be put to shareholder vote at the following Annual General Meeting. External audit engagement partners are required by legislation to rotate their appointment every five years. The external auditor is required to attend the Annual General Meeting and is available to answer shareholder questions.

Principles 5: Make timely and balanced disclosure

The Company is committed to observing its disclosure obligations under the Listing Rules and the Corporations Act. The Company has adopted a Disclosure and Communication Policy (under which a Disclosure Committee is established) which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

The members of Disclosure Committee are Michael Glennon, John Larsen and Garry Crole.

The policy sets out principles relating to disclosure of material information, including that the Company:

- will not provide analysts or other select groups of market participants with any material price sensitive non-public information at any time before it is disclosed to ASX; and
- will not generally respond to market rumours and speculation, except when ASX formally requests disclosure on the matter.

The Company Secretary is responsible for ensuring Glennon Small Companies Limited complies with its continuous disclosure obligations.

Glennon Capital Pty Ltd and White Outsourcing Pty Limited are made aware of these obligations and are required to report any price sensitive information to the Company Secretary immediately when they become aware of it. The Company Secretary in consultation with the Chairman will decide whether the information should be disclosed to the ASX.

Principles 5: Make timely and balanced disclosure (continued)

Where possible, all continuous disclosure releases to the ASX are approved by the Board, except the monthly net asset backing per share which is approved by White Outsourcing Pty Limited in consultation with Glennon Capital Pty Ltd. Where time does not permit approval by the Board, the Chairman of the directors must approve the release.

Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

All ASX releases are available on the Company's website (www.glennon.com.au).

Principles 6: Respect the rights of shareholders

Communication with Shareholders

The Company seeks to keep its shareholders fully informed on all matters that affect their investment.

Glennon Small Companies Limited's internet website can be accessed at www.glennon.com.au. The objective of the website is to provide shareholders and potential investors with information that will assist them to assess the Company's performance as well as general information about the Company and its governance.

All announcements to the ASX are available on the Company's website (www.glennon.com.au).

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of Directors, changes to the constitution and are able to receive the annual and interim financial statements if requested. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Glennon Small Companies Limited, to lodge questions to be responded by the Board, and are able to appoint proxies.

Shareholders queries outside of the Annual General Meeting are welcomed by the Company via telephone on (02) 80609519 or via email on info@glennon.com.au. Any shareholding related enquiries should be directed to the Share Registrar, Boardroom Pty Limited on (02) 92909600 or via email on enquiries@boardroomlimited.com.au.

Principle 7: Recognise and manage risk

Risk Management Framework

The Board is responsible for overseeing and approving risk management strategy and policies. The Board, in conjunction with the Audit and Risk Committee, has responsibility for identifying major risk areas and implementing risk management systems. The Audit and Risk Committee is responsible for establishing and monitoring procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

The Company will annually undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including to assist the Officers of the Company to provide their declaration under section 295A of the Corporations Act. A review of the risk management framework took place during August 2016.

Principle 7: Recognise and manage risk (continued)

The Company has outsourced its administrative functions to service providers, White Outsourcing Pty Limited (custody and accounting) and Glennon Capital Pty Ltd (investment management). Risk issues associated with these activities are handled in accordance with the service providers' policies and procedures. White Outsourcing Pty Limited is responsible for recognising and managing administrative risks including (a) operational, (b) compliance and (c) financial reporting.

The Board is primarily responsible for recognising and managing market related risks. By its nature as a Listed Investment Company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market. Glennon Capital Pty Ltd (Manager), is required to act in accordance with the Board approved investment management agreement and reports to the Board quarterly on the portfolio's performance, material actions of the Manager during that quarter and an explanation of the Manager's material proposed actions for the upcoming quarter. In addition, the Manager is required to report half-yearly that Glennon Capital Pty Ltd have invested the Company's assets in accordance with the approved investment mandate and complied with the Investment Management Agreement requirements during the reporting period. In respect of the current financial period all necessary declarations have been submitted to the Board. In assessing the Company's risk tolerance level the Board considers any instance which materially affects the Company's monthly Net Tangible Asset backing announcement released to the ASX.

Audit and Risk Committee

The Audit and Risk Committee and the Board perform a risk review on an annual basis to ensure that adequate controls are in place to mitigate risk associated with investment manager performance, market risk, fraud, transaction reporting errors, material reporting risks and compliance risk.

Recommendation 7.1 requires that the Company has at least three members in the committee that oversees risk. The Company's Audit and Risk Committee Charter requires that the Audit and Risk Committee has a minimum of two members, rather than 3 members as recommended by ASX Recommendations 4.1 and 7.1. The Company considers that it is appropriate that the Executive Chairman is not a member of the Audit and Risk Committee and notes that, other to the extent stated in this table, the Committee otherwise complies with the ASX Recommendations in respect of the Audit and Risk Committee which the Company considers are appropriate for a listed investment company.

Recommendation 7.3 The Company does not have an internal audit function due to the nature of the Company as a listed investment company. Accordingly, the responsibility of evaluating and improving the effectiveness of the Company's risk management and internal control processes rests primarily with the Audit and Risk Committee. However, the Audit and Risk Committee Charter contains procedures for internal control and risk management which the Board considers appropriate for the Company.

Economic, Environmental and Social Sustainability Risks

The Company does not consider it has any material exposure to environmental or social sustainability risks under Recommendation 7.4. Investment returns are influenced by general market factors both in Australia and internationally. In particular, the market prices of the securities of many listed entities experience fluctuations which in many cases reflect a diverse range of non-entity specific influences including general economic conditions and changes in investor confidence generally and in relation to specific sectors of the market.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to develop, review and make recommendations to the Board regarding the ongoing appropriateness and relevance of the remuneration framework for the chairman and the non-executive directors and the process by which any pool of directors' fees approved by shareholders is allocated to directors. The Remuneration and Nomination Committee is also responsible for reviewing and making recommendations in relation to the composition of the Board and performance of the Directors and ensuring that adequate succession plans are in place. Independent advice will be sought where appropriate. There were no Remuneration and Nomination Committee meetings held during the financial year as it was the Company's first year as a listed entity.

Non-executive directors are remunerated by way of director fees and superannuation contributions.

Michael Glennon, the Chairman, is the sole director of the Manager. He is remunerated by the Manager and will not receive Directors' fees or any other form of remuneration from the Company for his services. Further detail is provided in the Directors' Report.

Recommendation 8.2 states that the Company should "clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives". The Company does comply with this recommendation as detailed in the Remuneration report on page 9. Michael Glennon is considered an Executive Director on the basis that he is a director and a shareholder of Glennon Capital Pty Limited and due to his role of an investment manager in that entity, is integrally involved in the operation of the Company.

The Company does not comply with Recommendation 8.3 as it does not have an equity-based remuneration scheme.

Principle 8 states externally managed entities should disclose a summary of any management agreement terms relating to management fees or the equivalent, including performance fees. Further details regarding the fees paid to the investment manager are located in the Annual Report.