



**Morphic Ethical Equities Fund Limited
(ACN 617 345 123) (Company)
Corporate Governance Statement
31 October 2018**

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 (**ASX Recommendations**). The ASX 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 ASX Recommendations.

	ASX 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.	Complies	The functions of the Board are set out in the Company's Board policy (Board Policy) that is contained in Section 1 of the Company's corporate governance charter (Corporate Governance Charter). The Investment Management Agreement between the Company and Morphic Asset Management Pty Limited (ACN 155 937 901) (Investment Manager) sets out the specific responsibilities of the Board and those delegated to the Investment 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 in its possession relevant to a decision on whether or not to elect or re-elect a director.	Complies	The Board Policy: <ul style="list-style-type: none"> • sets out what the Board will consider when appointing a director, including the results of an appropriate background check, which the Board will undertake; and • requires the Board to 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.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies	The Company has letters of appointment for each of the director which takes into consideration the ASX Recommendations. This forms the basis of the written agreement entered into between the Company and a director. The Company does not have any senior executives.

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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.	Complies	The Board Policy states that the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
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 or a relevant committee of 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 most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	Complies	<p>The Company has a diversity policy that is contained in Section 2 of the Corporate Governance Charter (Diversity Policy) which is available on the Investment Manager's website at https://morphicasset.com/wp-content/uploads/2018/03/MEC-Corporate-Governance-Charter-13-Mar-18.pdf</p> <p>The Company's board comprises of 50% women and 50% men whose details can be found in Section 2.3 of the statement and in the 2018 Annual Report.</p> <p>However, at present, the Company does not have any employees or management and the Diversity Policy will only apply to the Board.</p> <p>In the event that a director vacancy arises, the Board includes diversity in its nomination process as per the Diversity Policy.</p>
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>	Complies	<p>The Board will review its performance by discussion and by reference to generally accepted Board performance standards.</p> <p>A performance evaluation of the Board will be undertaken annually in accordance with the Corporate Governance Charter.</p>

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1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; 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>	N/A	The Company does not have any senior executives.
2.	Structure of the Board to add value		
2.1	<p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	Complies	<p>The Board has not established such a committee. Given the Company's size and nature, the formation of such a committee would not serve to protect or enhance the interest of shareholders. Should the size of the Company change, the Board will consider establishing a separate nomination committee.</p> <p>The Board will deal with this issue as a whole. The Board identifies suitable candidates to fill vacancies as they arise with consideration to the optimal mix of skills and diversity. The Board Policy contained within the Corporate Governance Charter seeks to ensure that the Board has appropriate skills, knowledge, experience, independence and diversity to discharge its duties and responsibilities effectively.</p>
2.2	<p>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.</p>	Complies	<p>The Board has the skills, expertise and independent thinking required to oversee the Company. It has a majority of appropriately qualified independent directors and an independent Chairman.</p> <p>While the Company does not have or disclose a formal skills matrix, consideration is given by the Board to relevant experience and qualifications of potential directors prior to any appointment.</p>

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			The qualifications, skills and experience of each of the Company's directors in office is disclosed in the 2018 Annual Report (Annual Report).
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 of the Corporate Governance Principles and Recommendations 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.	Complies	The Board is comprised of four directors, three of whom are considered independent. The directors are: <ul style="list-style-type: none"> • JoAnna Fisher, Independent Chairman, appointed 13 February 2017 • Mark Forstmann, Independent Director, appointed 1 March 2017 • Virginia Malley, Independent Director, appointed 1 March 2017 • Jack Lowenstein, Non-Independent Director, appointed 13 February 2017 Additional details of the directors are included in the Annual Report.
2.4	A majority of the Board of a listed entity should be independent directors.	Complies	The Board is comprised of four directors, three of whom are considered independent.
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.	Complies	The Company does not have a chief executive officer. The Chairman is an independent director.
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.	Complies	Under the Board Policy the Company Secretary is responsible for arranging for the new Director to undertake an induction program to enable them to gain an understanding of: <ul style="list-style-type: none"> (a) the Company's investments; (b) the Company's financial, strategic, operational and risk management position; (c) their rights, duties and responsibilities; and (d) any other relevant information.

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			<p>As part of this induction program, a new Director will meet with all incumbent Directors (if this has not already taken place).</p> <p>The Directors are entitled to receive appropriate professional development opportunities.</p>
3.	Act ethically and responsibly		
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>	Complies	<p>The Company has a code of conduct (Code of Conduct) that is contained in Section 4 of the Corporate Governance Charter which is available at https://morphicasset.com/wp-content/uploads/2018/03/MEC-Corporate-Governance-Charter-13-Mar-18.pdf</p>
4.	Safeguard integrity in corporate reporting		
4.1	<p>The Board of a listed entity should:</p> <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>(A) the charter of the committee;</p> <p>(B) the relevant qualifications and experience of the members of the committee; and</p> <p>(C) 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>	Complies	<p>The Board has established an Audit and Risk Committee (Committee) in accordance with the recommendation. The Committee comprises three independent directors and is chaired by an independent director who is not the chair of the board.</p> <p>The Committee's charter is available at https://morphicasset.com/wp-content/uploads/2017/11/MECARCCharter170912.pdf</p> <p>The relevant qualifications and experience of the Committee members is contained within the Annual Report. The number of times the Committee met in the financial year ended 30 September 2018 and the individual attendances of members is contained within the Annual Report.</p>

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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.	Complies	The Investment Manager and the Administrator are 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 terms of the Investment Management Agreement between the Company and the Investment Manager require the Investment Manager to maintain 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.
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 Company will ensure that, when it has an AGM its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
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.	Complies	The Company operates under the continuous disclosure requirements of the ASX Listing Rules as set out in its continuous disclosure policy that is contained in Section 3 of the Corporate Governance Charter (Continuous Disclosure Policy). 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. 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. The Continuous Disclosure Policy is publicly available within the Corporate Governance Charter at https://morphicasset.com/wp-content/uploads/2018/03/MEC-Corporate-Governance-Charter-13-Mar-18.pdf
6.	Respect the rights of security holders		

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6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Company does provide information about itself and will provide information about its governance to investors through the Company's section on the Investment Manager's website at https://morphicasset.com/fund-detail-mec/
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	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 weekly NTA announcements, half yearly and annual reports and will provide shareholders with an opportunity to access such reports and other releases electronically. Shareholders can communicate with the Company via electronic methods.
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.	Complies	The Board encourages full participation of shareholders at the Company's AGMs 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.
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.	Complies	The Company provides shareholders the option to receive and send communications electronically.
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:	Complies	The Board has established an Audit and Risk Committee. The requirements for this recommendation are covered in Section 4.1 above.

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	<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>		
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>	Will Comply	<p>The Board will review the entity's risk management framework at least annually to satisfy itself that it continues to be sound. The terms of the Investment Management Agreement between the Company and the Investment Manager require the Investment Manager to maintain 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</p> <p>The Company will disclose whether the review has taken place in each annual report.</p>
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>The Company does not have an internal audit function.</p> <p>The process for evaluation and improving the effectiveness of its risk management are set out in the Board Policy.</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 has material exposure to economic risk but not to environmental and social sustainability risks. The risks and how they will be managed are set out in the Prospectus, available at https://morphicasset.com/mec-download-prospectus/</p>
8.	Remunerate fairly and responsibly		
8.1	<p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p>	Complies	<p>The Board does not have and does not currently intend to establish such a committee. The Board considers that because the formation of such a</p>

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	<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>		<p>committee would be inefficient given the Company's size and the fact that it does not have any employees. For this reason, a remuneration committee would not serve to protect or enhance the interest of shareholders. Should the size of the Company change the Company will consider establishing a separate remuneration committee.</p> <p>The Board will ensure that appropriate remuneration policies and practices are in place for non-executive Directors, executive directors (if any) and senior management (if any), while having regard to the ASX Recommendations.</p> <p>The Board will annually review the allocation and amount of remuneration for executive directors (if any) and non-executive Directors and this will reflect market rates.</p> <p>The Company does not have any senior executives.</p> <p>The remuneration to be paid to the Investment Manager (including worked examples) is disclosed in the Prospectus.</p> <p>Details of all management and performance fees paid to the Investment Manager each year will be disclosed in the Annual Report.</p>
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.	Complies	The current remuneration of the directors is set out in the Annual Report. Only non-independent directors are remunerated. There are no senior executives.
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	N/A	The Company does not have an equity based remuneration scheme.