

Contango MicroCap Limited

Board Charter

Classification	Public
Effective Date	1 June 2017
Owner	Company Secretary
Status	Final
Approved by	Board of CTN

1. Introduction

Corporate governance refers to the system by which companies are directed and managed. It influences how the objectives of a company are set and achieved, how risk is monitored and assessed, and how performance is optimised. What constitutes good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet those circumstances.

2. ASX's best practice recommendations

In 2014, the ASX Corporate Governance Council (**Council**) released the Corporate Governance Principles and Recommendations which set out eight principles and 29 specific recommendations as to how ASX-listed companies can achieve best practice corporate governance, as well as the expectations of most investors (**ASX Principles**). While the ASX Principles are not mandatory, listed companies must annually report on whether they have complied with the guidance on an 'if not, why not' basis. Accordingly, if the Company chooses not to follow one of the ASX Principles, it must be able to explain why.

The board of directors (**Board**) of Contango MicroCap Limited ACN 107 617 381 (**Company**) supports the core principles and best practice recommendations published by the Council. To the extent the current policies, procedures and practices of the Company do not comply with the Council's principles and best practice recommendations, the Board has considered that such a departure is reasonable given the circumstances of the Company.

3. Purpose and Scope of Board Charter

This Board Charter sets out the major principles adopted by the Board to manage its affairs and enable it to discharge its responsibilities. It operates in conjunction with the constitution of the Company and relevant laws (including under the *Corporations Act 2001 (Cth)* (**Corporations Act**) and ASX Listing Rules).

4. Responsibilities and functions of the Board

The Board is responsible for setting the strategic direction of the Company and for overseeing and monitoring its business and affairs. Directors are accountable to the shareholders for the Company's performance.

The Board's overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders, whilst ensuring the Company is properly managed. Directors must fulfil their fiduciary obligations to shareholders, but will also take into consideration the interests of other stakeholders in the Company, including investors, creditors and others with a legitimate interest in the Company's affairs.

The Board reviews and approves the Company's business plans and guiding policies.

The Company's business is to invest in a diversified portfolio of ASX listed microcap stocks which have a market capitalisation of between \$30 million and \$350 million. As at the date of this Policy, the Board has appointed Contango Funds Management Limited ACN 085 487 421 (**Manager**) as investment managers to manage the portfolio of the Company pursuant to an investment management agreement dated 24 June 2016 (**Investment Management Agreement**). The Manager is a subsidiary of Contango Asset Management Ltd ACN 080 277 998 (ASX:CGA).

As at the date of this Policy, the Company does not have any employees and has not appointed a Managing Director.

The primary functions of the Board include:

- a) setting overall goals for the Company;
- b) approving strategies, objectives and plans for the Company's businesses to achieve these goals;
- c) ensuring business risks are identified and approving systems and controls to manage those risks and monitor compliance;
- d) approving financial plans, annual budgets, major capital and operating expenditure and the Company's remuneration framework for outsourced providers;
- e) oversee the performance of the Company's investment managers and any successors and other service providers to the Company;
- f) monitoring business performance in the implementation and achievement of strategic and business objectives;
- g) approving major capital raisings, expenditure, acquisitions, divestments, restructuring and funding;
- h) appointing and removing the chairperson of the Board (**Chairperson**);
- i) reporting to shareholders on the Company's strategic direction and performance including constructive engagement in the development, execution and modification of the Company's strategies;
- j) determining that satisfactory arrangements are in place for auditing the Company's financial affairs and overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- k) meeting statutory and regulatory requirements, overseeing the way in which the business risks and the assets of the Company are managed and ensuring the Company has in place an appropriate risk management framework; and
- l) monitoring the effectiveness of the Company's governance practices.

5. Composition of the Board

The composition of the Board is determined using the following principles:

- a) the Board is comprised of a minimum of 3 and a maximum of 12 directors. The directors have power under the Company's constitution to determine the number of directors from time to time, above 3 but not exceeding 12;
- b) the Chairperson of the Board is to be an independent non-executive director;
- c) the Board will have a majority¹ of independent non-executive directors.

6. Board Committees

Due to the size and nature of the Company (ie. it does not have any employees or operational functions), the board does not consider it necessary to have in place each of board committees recommended in the ASX Principles.

However, the Board has established an Audit and Risk Committee to assist it in carrying out its responsibilities, to share detailed work, and to consider certain issues and functions in detail. The committee's composition and responsibilities are set out in the Audit and Risk Committee Charter, which has been approved by the Board and is available on the Company's website.

All other governance matters pertaining to the Company are set out in this Board Charter.

7. Independent directors

All directors, whether independent or not, should bring an independent judgement to bear on Board decisions. An independent director is a non-executive director who is also 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.

In determining whether a non-executive director is considered by the Board to be independent, the following factors affecting independence will be taken into account:

- a) whether the director would be a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company (as defined in section 9 of the Corporations Act) if the Company were incorporated in Australia;
- b) whether the director was employed in an executive capacity by the Company or another group member and such employment ceased less than three years before serving on the board;
- c) whether the director is or has been, within the last three years, a principal 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;

¹ According to ASX Recommendation 2.4, a majority of the board of a listed entity should be independent directors.

- d) whether the director is or has within the previous three years been employed by, or a partner of, the external auditors of the Company or another group member;
- e) whether the director is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer of the company or another group member;
- f) whether the director has a material contractual relationship with the Company or another group member other than as a director of the Company; and
- g) whether the director is free from any interest and any business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

Family ties and cross-directorships may also be relevant in considering interests and relationships which may compromise independence.

Directors considered by the Board to be independent will be identified as such, along with their length of service in that capacity, in the "Corporate Governance" section in the Company's annual report. The Board will state its reasons if it considers a director to be independent, despite the existence of relationships set out above, and the "Corporate Governance" section in the Company's annual report will disclose the existence of any such relationships.

The Board will regularly assess whether each non-executive director is considered to be independent. Information relevant to this assessment must be provided to the Board by each non-executive director. Should a director's independent status change, this will be disclosed and explained in a timely manner to the market.

8. Skills and diversity

The Board will ensure it collectively has the appropriate range of skills, knowledge, experience, expertise and diversity to properly fulfil its responsibilities, particularly in areas which include:

- a) accounting/audit;
- b) finance;
- c) business;
- d) legal, governance, compliance and risk;
- e) global equities and international experience;
- f) listed investment companies and investment management;
- g) the Company's industry; and
- h) relevant technical expertise.

The Board will review the range of skills and diversity of its members on a regular basis and ensure it has operational and technical expertise relevant to the operation of the Company.

9. Appointment and retirement of directors

The composition of the Board will be annually reviewed and, if it is considered appropriate to appoint new directors to the Board, the matter to be discussed at a full Board meeting. Nominations will be received and reviewed by the Board. The Board will then determine any special qualifications, experience or other prerequisites for the new director, and the manner of selecting that director.

The Board will ensure appropriate checks (including checks as to the person's character, experience, education, criminal record and bankruptcy history) are undertaken before it appoints a person, or nominates a new candidate for election, as a director.

The Board may use external consultants to access a wide base of potential directors. In considering the potential candidates, the Board will have regard to the range of skills and experience required in light of:

- a) the current composition of the Board;
- b) the need for independence;
- c) the need for diversity in succession planning;
- d) the strategic direction and progress of the Company;
- e) the investment objectives and strategy for the management of the Company's portfolio; and
- f) the geographic spread and diversity of the Company's business.

If the need for a new Board member is identified, the candidate must stand for election at the next general meeting of shareholders. In order to provide greater transparency around the appointment process, the Company will provide the following information to shareholders regarding the election of directors:

- a) an overview of the process used to identify candidates, including use of a skills matrix or external consultants;
- b) steps taken to ensure a diverse range of candidates are considered;
- c) factors taken into account in the selection process; and
- d) a statement from the Board as to whether it supports the proposed candidate's nomination.

The following information about the candidate standing for election or re-election as a director will be provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate:

- a) biographical details, including their relevant qualifications and experience and the skills they bring to the Board;

- b) details of any other material directorships currently held by the candidate;
- c) in the case of a candidate standing for election as a director for the first time:
 - (i) any material adverse information revealed by the checks the Company has performed about the director;
 - (ii) details of any interest, position, association or relationship that might materially influence, or reasonably be perceived to materially influence the candidate's capacity to independently judge issues before the Board and to act in the best interests of the Company and its shareholders generally;
 - (iii) if the Board considers the candidate will qualify as an independent director, a statement to that effect;
- d) in the case of a candidate standing for re-election as a director:
 - (i) the term of office currently served by the director; and
 - (ii) if the Board considers the director to be an independent director, a statement to that effect; and
- e) a statement by the Board as to whether it supports the election or re-election of the candidate.

A candidate for appointment or election as a director should provide the Board with the information above and a consent for the Company to conduct any background or other checks the Company would ordinarily conduct. The candidate must also complete a 'Directors' Questionnaire' which provides details of his or her other directorships, personal interests, related parties and other commitments.

In accordance with the Company's Constitution no director may hold office for a period in excess of 3 years, or beyond the third annual general meeting (**AGM**) following the director's election, whichever is the longer, without submitting himself or herself for re-election.

The Company does not have a policy with regard to establishing a maximum term for the appointment of a director.

The Company will enter into written agreements with each director which will set out the terms of their appointment.

In the case of a non-executive director, the agreement will generally set out:

- a) the term of appointment;
- b) the time commitment envisaged, including any expectations regarding involvement with committee work and any other special duties attaching to the position;
- c) remuneration, including superannuation entitlements;

- d) the requirement to disclose directors' interests and any matters which may affect the director's independence;
- e) the requirement to comply with key corporate policies, including the Company's code of conduct and its trading policy;
- f) the requirement to provide the Company with information about his or her shareholdings in the Company to enable the Company to comply with its obligations under the ASX Listing Rules;
- g) Where the Company is required under the ASX Listing Rules and in contracts relevant to its securities to provide information to the ASX, then the Company will enter into an agreement with each director obliging them to provide the necessary information to the Company to enable the Company to discharge those obligations.
- h) the Company's policy on when directors may seek independent professional advice at the expense of the Company;
- i) the circumstances in which the director's office becomes vacant;
- j) indemnity and insurance arrangements;
- k) ongoing rights of access to corporate information; and
- l) ongoing confidentiality obligations.

10. Diversity

The Company recognises diversity occurs in many forms including gender, age, ethnicity and cultural background, and that increased gender, age, ethnicity, and cultural diversity is associated with better financial performance, greater innovation and has a positive impact on the entire economy. The Company further acknowledges its policies, culture and environment will be cast to ensure a properly functioning diverse Board and in so doing, discrimination, harassment, vilification and victimisation will not be tolerated.

As the Company does not have any employees or management the Company has not adopted a diversity policy. However, the Board's composition is reviewed on an annual basis and in the event a vacancy arises, the Board will include diversity in its nomination process.

11. Board meetings

Board meetings are generally held on a quarterly basis. All directors are expected to prepare fully for all Board meetings, and to attend as many Board meetings as is reasonably practicable.

The Board meeting agenda and relevant papers will be distributed to all directors prior to the meeting.

Directors are expected to be available for the full duration of the meeting as notified in the meeting agenda.

Directors will keep confidential all Board discussions, deliberations and decisions that are not publicly known. Outside the boardroom, directors will support the letter and spirit of Board decisions.

Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been properly authorised, or is required by law.

12. Remuneration of directors

Directors' fees are paid on a gross fees basis (except GST where applicable). The Board may determine that a separate payment is made for attendance at Board committee meetings or for other attendances to Company or Board activities.

Directors are not required to hold shares in the Company as part of their appointment.

The reasonable expenses incurred by directors in discharging their obligations and performing their duties will be reimbursed by the Company, consistent with Company policies which are established from time to time.

There is no plan to provide remuneration, reward or other benefits to non-executive directors on their cessation as a director.

13. Conflicts and Register of Directors' interests

Directors' other interests, which are likely to conflict with the interests of the Company, are to be declared by the relevant director at the time the interest arises or the potential conflict becomes apparent. If a conflict actually arises, the director concerned will not attend the meeting at which the issue is discussed and will abstain from voting on the issue.

Each director is required to provide, and to continually update the Company with, details of their other interests (for example, employment, directorships, potential conflicts of interest, interests in contracts to which the Company is party, related party transactions, family ties) both before and during the holding of office.

Disclosure of this information will be made to the Company Secretary who will add the interest to the Register of Directors' Interests, and table the Register at each board meeting. Directors will be asked to confirm the accuracy of the Register, and the result will be minuted.

The Board has also adopted a policy entitled *Managing Conflicts and Directors' Interests*.

14. Director and Board performance evaluation

A structured process has been established to review and evaluate the performance of the Board, its committees and individual directors. Each year, a survey of directors is coordinated by the Chairperson to review the role of the Board, its committees and individual directors, to assess the performance of the Board over the previous 12 months and to examine ways of assisting the Board in performing its duties more effectively, such as through further education.

The Chairperson of the Board has authority to develop key performance indicators for Board members to assess the performance of the Board as a whole, their own individual performance and the performance of each of their fellow directors. A sample of such issues is as follows:

a) Board - General

- Board agenda and papers;
- conduct of meetings;
- committee structure and performance;
- effectiveness of Board working together;
- relationships with investment managers;
- relationships with shareholders; and
- AGM.

b) Board - Activities

- quality of strategy and performance indicators;
- adequacy of risk management practices;
- corporate governance practices;
- performance of Auditor;

c) Individual performance evaluations

- contribution of individual directors;
- performance of the Company Secretary.

d) Looking forward

- mix of skills – current and future requirements; and
- areas for improvement.

e) Process

The Chairperson will have individual meetings with each director to assess their views on these issues and to identify any areas of concern or opportunity for improvement of performance of the Board or individual directors or both.

The Chairperson will provide a summary of his or her findings to the Board and is responsible for ensuring agreed actions are implemented. It is recognised that some findings will be of a sensitive nature and will not be included in the Chairperson's report but will be acted on by the Chairperson on a one to one basis.

This process will occur at least once each calendar year and more frequently at the discretion of the Chairperson.

At the end of the Company's reporting period, details of whether such a review has taken place will be included in the "Corporate Governance" section of the Company's annual report.

15. Independent professional advice

Each director has the right, with the prior approval of the Chairperson (such approval not to be withheld except in the case of an unreasonable request by a director), to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil his or her duties and responsibilities as a director.

Where the Chairperson wishes to obtain independent professional advice, the Chairperson must obtain the prior authorisation of the chairperson of the Audit and Risk Committee (such approval not to be withheld except in the case of an unreasonable request by the Chairperson).

A copy of all the advice must be provided immediately to the Chairperson, and made available at the next Board meeting following receipt of the advice, unless it is privileged according to law and such disclosure would jeopardise that privilege.

16. Buying and selling shares

The Corporations Act prohibits "insider trading" and imposes significant penalties if a person with "inside information" engages in insider trading.

Examples of "inside information" are profit projections, knowledge of large contracts won or lost, knowledge of a merger or takeover or sale or knowledge of a significant change in personnel. The offence is to use information to trade or cause others to trade in the Company's shares. Causing others to trade means to incite, induce, encourage, or tip off.

In response to the above, the Company has developed a separate *Securities Trading Policy* which directors are required to comply with in all trading activities. Amongst other things, the *Securities Trading Policy*:

- a) recognises it is the individual responsibility of each director to ensure they comply with insider trading laws; and
- b) prohibits directors from directly or indirectly buying, selling or otherwise trading in the Company's shares where:
 - I. by reason of being a director of the Company they possess material, price sensitive information which is not generally available; or
 - II. buying or selling those shares in some way infringes the law against insider trading.

17. Continuous disclosure

The Board is aware of its obligations with respect to continuous disclosure of material information and embraces the principle of providing access to that information to the widest audience of investors. The Board will regularly review the effectiveness of the Company's procedures to ensure its continuous disclosure is maintained.

The Company, in accordance with the provisions of the Corporations Act and the ASX Listing Rules, will advise ASX of any transaction conducted by directors in securities in the Company. The Company's *Continuous Disclosure and Communications Policy* has

been issued and all directors are required to comply with that policy. A copy of the policy is available on the Company's website.

18. Director education

The Company has an informal process to educate new and existing directors about the nature of its business, risk management position, current issues, corporate and financial strategy and position, and the expectations concerning performance of directors to ensure they have a thorough understanding of their roles and responsibilities.

19. Board committees

To ensure the Board has adequate time to concentrate on strategy, planning and performance enhancement, the Board may delegate certain specific duties to Board committees. Each committee will have a defined charter to assist and support the Board in the conduct of its duties and obligations. The structure and membership of each committee and their charters will be reviewed annually, where possible. Other committees may be constituted from time to time, as required.

20. Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.

The role of the Company Secretary includes, among other things:

- a) advising the Board and its committees on governance matters;
- b) monitoring whether Board and committee policies and procedures are followed;
- c) coordinating the timely completion and despatch of Board and committee papers;
- d) ensuring the business at Board and committee meetings is accurately captured in the minutes; and
- e) helping to organise and facilitate the induction and professional development of directors.

The decision to appoint a Company Secretary will be formally resolved by the Board in accordance with section 204D of the Corporations Act. The decision to remove a Company Secretary will be made or approved by the Board.

21. Director Nominations and Remuneration considerations

The Board does not have and does not intend to establish a Nomination and Remuneration Committee because the formation of such a committee would be inefficient given the Company's size and nature, particularly as it has no employees nor operating functions. It would not serve to protect or enhance the interest of shareholders.

Board nomination and remuneration issues will be dealt with by the Board as a whole, on an annual basis.

In particular, the Board will consider the following issues:

- a) assessing the size, composition, diversity and skills required by the Board to enable it to fulfil its responsibilities to shareholders, having regard to the Company's current and proposed scope of activities;
- b) assessing the extent to which the required knowledge, experience and skills are represented on the Board;
- c) establishing processes for the identification of suitable candidates for appointment to the Board;
- d) overseeing succession planning for the Board;
- e) establishing processes to review the performance of individual directors and the Board as a whole;
- f) assessing the terms of appointment and remuneration arrangements for non-executive directors; and
- g) reviewing the appropriateness of directors' remuneration.

Date approved by Board: 1 June 2017