

2017

Corporate Governance Statement

Corporate Governance Statement

Contango MicroCap Limited ACN 107 617 381

The Board is concerned to ensure that Contango MicroCap Limited (**CTN** or the **Company**) is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate governance environment.

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**ASX Recommendations**) articulate a number of core principles and associated recommendations that the ASX Corporate Governance Council believes underlie good corporate governance.

The Board generally endorses the ASX Recommendations and has considered the ASX Recommendations in determining an appropriate system of control and accountability, commensurate with these guidelines, to best fit its business and operations.

The Company will seek to follow the ASX Recommendations and, as required under the ASX Listing Rules. Where the Company determines it would be inappropriate to follow the principles because of its circumstances the Company will provide reasons for not doing so in its corporate governance statement and make this available to shareholders.

The Board has established a series of policies and charters in line with the ASX Recommendations, which together form the basis for the Company's governance framework. These policies are available on the Company's website.

The Board intends to regularly review its corporate governance procedures and, in particular, their appropriateness in the future given potential changes that may arise in the nature and scale of the Company's operations.

The Corporate Governance Statement sets out the Company's current compliance with the ASX Recommendations, outlining whether or not the Company complies with each recommendation. Where the Company does not comply with a particular recommendation, explanation as to why it does not comply is provided.

This Corporate Governance Statement was reviewed and approved by the board on 29 August 2017.



CORPORATE GOVERNANCE COUNCIL RECOMMENDATION		COMPLIANCE	COMMENT
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Complies	Section 4 of the Company's Board Charter sets out the roles and responsibilities of the Board. The Investment Management Agreement dated 24 June 2016 between the Company and Contango Funds Management Limited (the Manager) sets out the investment management responsibilities that the Board has delegated to the Manager. Details of the investment management arrangement are set out in the Company's annual report.
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	Section 9 of the Company's Board Charter sets out the process for appointment and retirement of Directors. It incorporates the factors which will be considered by the Board when seeking new candidates and the disclosure to shareholders of both the process by which the Director candidate was selected and all relevant background information in the possession of the Board on the candidate.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies	Section 9 of the Board Charter requires there to be written agreements entered into with each Director, which will set out the terms of their appointment. The Company does not have any senior executives.
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	Section 20 of the Board Charter specifies that the company secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's	Does not comply	As the Company does not have any employees, the Company does not have a diversity policy, however its Board Charter does include a diversity statement and it applies diversity principles to the composition of the board which is reviewed on an annual basis. In the event a vacancy arises, the Board will include diversity in its nomination process.

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	<p>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>		
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>	Partially complies	<p>Section 14 of the Board Charter outlines the Board appraisal requirements. On an annual basis, the Chairperson will coordinate a survey of Directors to review the role of the Board, its committees and individual directors.</p> <p>The Board Charter was updated by the board on 1 June 2017. The board evaluation process has not yet been undertaken in accordance with the revised process.</p>
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>	Not applicable	The Company does not have any senior executives.

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PRINCIPLE 2 - STRUCTURE 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 no longer has a nomination committee as such a committee was considered to be inefficient given the Company's size and nature. It did not serve to protect or enhance the interest of shareholders. Board nomination and remuneration issues are dealt with by the Board as a whole, on an annual basis.</p> <p>Section 21 of the Board Charter sets out the Director Nomination and Remuneration considerations that provides for how the Company addresses succession issues and ensures 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>
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 as a whole is responsible for devising the criteria for Board membership and assessment of the appropriate size, diversity and membership.</p> <p>The Company has disclosed the skills and expertise of the current Board in its annual report.</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX 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</p> <p>(c) the length of service of each director.</p>	Complies	<p>The Company considers that each of the following are independent directors:</p> <ul style="list-style-type: none"> • Mark Kerr • Trevor Carroll • Ken Poutakidis <p>Adrian Fitzpatrick was within the last 3 years a partner at Pitcher Partners, the Company's auditors, and therefore not independent.</p> <p>Alistair Drummond is not considered to be independent on the basis that he is a Senior Portfolio Manager of the Manager.</p> <p>Details of the length of service of each Director are provided in the</p>

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			Company's annual report.
2.4	A majority of the board of a listed entity should be independent directors.	Complies	The majority of the Board is comprised of independent Directors.
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 Chairperson, Mark Kerr is an independent Director. The Company does not have a chief executive officer.
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 Charter at sections 18 and 20: <ul style="list-style-type: none"> • the Company Secretary is responsible for arranging a new Director to undertake an induction program enabling the new Director to understand specified elements of the business; and • the Directors are entitled to receive appropriate professional development opportunities.
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	Complies	The Company has a Code of Conduct Policy that is available in full on the Company's website.

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PRINCIPLE 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,</p> <p>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>	Complies	<p>The Company has an Audit and Risk Committee as detailed in Section 6 of the Board Charter.</p> <p>The Audit and Risk Committee has four members all of whom are non-executive Directors and a majority of whom are independent, and is chaired by an independent Director, Trevor Carroll, who is not the Chairperson of the Board.</p> <p>The Audit and Compliance Committee Charter is disclosed on the Company's website.</p> <p>The Company will disclose in its annual report 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 meeting.</p> <p>The Company will monitor the performance of the external auditor including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>
4.2	<p>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.</p>	Complies	<p>The CFO of the Manager, provided under the Shared Services Agreement between it and the Company, will provide a declaration that, in his 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 before it approves the Company's financial statements for each financial period.</p>
4.3	<p>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.</p>	Complies	<p>The Company's external auditor has and will attend the AGM of the Company.</p>

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PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complies	The Company has a Continuous Disclosure and Communications Policy that describe how the Company complies with its continuous disclosure obligations under the Listing Rules. A copy of this policy is available in its entirety on the Company's website.
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Company makes available in full its Corporate Governance Statement, Board Charter, Audit and Compliance Committee Charter and Policies on its website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	<p>The Company is committed to setting a high standard in investor relations. It has a program for regular periodic communications to investors including by way of:</p> <ul style="list-style-type: none"> • monthly NTA statements with commentary on portfolio performance; • monthly CIO note with commentary from the Manager with respect to the portfolio and market activity; • semi-annual investor roadshows; • webinars, articles, video gallery, ASX announcements and details about the Company and its operations on the Company's website; and • annual general meeting. <p>General shareholder questions may be posted to the Company or its share registry via email communication or by written or telephone correspondence to the company secretary or its share registry as applicable.</p> <p>The Company's website includes the relevant contact details (including email, postal or telephone correspondence).</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.	Complies	The shareholders are responsible for voting on the election of directors at the Company's AGM in accordance with the Company's constitution. The AGM also provides shareholders with the opportunity to vote on other items of business for resolution by shareholders. CTN's policy is to facilitate and encourage effective

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			shareholder participation at general meetings.
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	<p>General shareholder questions may be posted to the Company or its share registry via email communication or by written or telephone correspondence to the company secretary or its share registry as applicable.</p> <p>The Company's website also includes copies of copies of media releases the Company makes and its announcements to ASX.</p> <p>The Company provides shareholders with the option to receive communications from it, or its share registry, electronically.</p>
PRINCIPLE 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>	Complies	<p>The Company has an Audit and Compliance Committee which oversees both the Audit and Risk functions. A combined Committee was established as the Board felt this was most suitable for operations of the Company.</p> <p>The Audit and Compliance Committee has four members all of whom are non-executive Directors and a majority of whom are independent, and chaired by an independent Director, Trevor Carroll, who is not the Chairperson of the Board.</p> <p>The Charter is disclosed on the Company's website.</p> <p>The Board will disclose 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 meeting.</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>	Partially Complies	<p>The Audit and Compliance Committee Charter sets out the Committee's responsibilities in relation to managing risk. The Company also has a Risk Policy that details the framework and processes adopted by the Company with respect to risk.</p> <p>The Company's risk management practices are to be reviewed periodically by the Audit and Risk Committee to ensure they remain consistent with the Committee's authority, objectives and responsibilities.</p>

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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>The Board does not have an internal audit function. The Audit and Compliance Committee Charter, sets out the Audit Committee's responsibilities in relation to internal control and risk management, including the assessment of:</p> <ul style="list-style-type: none"> • internal processes for determining and managing key risk areas; and • whether the Manager has controls in place for unusual types of transactions including any potential transactions that may carry more than an acceptable degree of risk.
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>As a listed investment company, the Company operating activities are dependent on the performance of the assets within its portfolio. As these are all ASX listed securities which in turn are exposed to the effects of economic conditions, the company is exposed to economic risks. The Company has engaged the services of the Manager, a specialist investment manager, to actively monitor and manage the economic risks associated with investing in listed securities. The Manager reports to the Board on its risk management arrangements including the provision to the Company of an audit on the effectiveness of the Manager's internal controls. Details of the material risks are disclosed in the Company's annual report.</p>

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PRINCIPLE 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>	Complies	<p>The Board no longer has a remuneration committee as such a committee because the formation of such a committee was considered to be inefficient given the Company's size and nature. It did 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.</p> <p>Section 21 of the Board Charter sets out the Director Nomination and Remuneration considerations that provides for how the Board will ensure that appropriate remuneration policies and practices are in place for Directors, while having regard to the ASX Recommendations.</p> <p>The Board will annually review the allocation and amount of remuneration of Directors.</p> <p>The Company does not have any executive Directors or other senior executives.</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	<p>Refer to Item 8.1 of this Corporate Governance Statement. Remuneration arrangements of the Directors are disclosed in the Company's annual report. There are no executive Directors or other senior executives.</p> <p>Sections 12 and 21 of the Board Charter outline general policies for the review of performance and remuneration of non-executive Directors.</p>
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>	Complies	The Company does not have an equity based remuneration scheme. However, the Company's Securities Trading Policy (available on the Company's website) restricts trading in derivatives.