

Corporate Governance

Katana Capital Limited (Katana) is committed to continuously improving and achieving high standards of corporate governance. The Board assesses its governance framework and practice believing good corporate governance is closely related to performance and serves in the best interests of shareholders and stakeholders.

Katana's corporate governance statement has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations'). The Corporate Governance Report and 2019 Annual Report are available at www.katanacapital.com.au. The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below. The Corporate Governance Statement is in relation to the financial year ended 30 June 2019 and has been approved by the board on 3 October 2019.

A description of the Company's main corporate governance practices and its 'if not, why not' report on compliance with the guidelines is set out below. Where the Company's practices depart from a recommendation, the Board has disclosed the departure along with reasons for adoption of its own practices.

	ASX Principles and Recommendations ⁽¹⁾	If not, why not ⁽²⁾
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3	✓	
Recommendation 1.4	✓	
Recommendation 1.5	✓	
Recommendation 1.6		✓
Recommendation 1.7		✓
Recommendation 2.1		✓
Recommendation 2.2		✓
Recommendation 2.3	✓	
Recommendation 2.4	✓	
Recommendation 2.5	✓	
Recommendation 2.6	✓	
Recommendation 3.1	✓	
Recommendation 4.1	✓	
Recommendation 4.2	✓	
Recommendation 4.3	✓	

Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 6.2	✓	
Recommendation 6.3	✓	
Recommendation 6.4	✓	
Recommendation 7.1	✓	
Recommendation 7.2	✓	
Recommendation 7.3	✓	
Recommendation 7.4	✓	
Recommendation 8.1		✓
Recommendation 8.2	✓	
Recommendation 8.3	✓	

1) Indicates where the Company has followed the Principles and Recommendations.

2) Indicates where the company has provided an “if not, why not” disclosure.

Principle 1: Lay solid foundations for management and oversight

The Board has a Corporate Governance Statement which outlines the role and duties of the Board.

The Company considers that the primary responsibility of the Board is to oversee the Company's business activities and management for the benefit of the shareholders by:

- (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to the points noted below:
- (b) ensuring the Company is properly managed by:
 - i. setting and communicating clear objectives;
 - ii. appointing and removing the Managing Director of the Company;
 - iii. ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company secretary;
 - iv. input into and final approval of management's development of corporate strategy and performance objectives;
 - v. reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
 - vi. monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (d) approval of the annual budget;
- (e) monitoring the financial performance of the Company;
- (f) approving and monitoring financial and other reporting;
- (g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (h) liaising with the Company's external auditors either directly or via the Audit Committee as appropriate; and



- (i) monitoring and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

Katana does not employ a Chief Executive Officer or Managing Director, but instead has a Fund Manager that is responsible for the Investment Risk Management and management of the equity Portfolio. The Fund Manager is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out their responsibilities the Fund Manager must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

Matters which are not covered by the delegations require Board approval.

The Corporate Governance Statement is available on the Company's website in the Corporate Governance section.

The Remuneration Committee function is undertaken by the board - the company does not have a separate remuneration committee.

Katana undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. Security holders will be provided with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director in the relevant notice of meeting. Katana enters into written agreements with its Directors and Senior Executives which set out the terms of their appointment.

Performance measures are established by the Board and outcomes of the review are reported to the Board.

Each Director has access to the Company Secretary for advice and support in effectively discharging their roles. The Company Secretary is accountable directly to the board. Additionally, each Board member may seek external professional advice at the expense of the Company in respect of their roles with the approval of the Chairman.

The Company does not have a documented procedure for the evaluating the performance of the Board, its committees, directors or senior executives.

An evaluation of the performance of the Board, its directors and senior executives is undertaken informally each year. The Chairman of the Board is the driver of this process.

The evaluation of the performance of the Board's various committees is undertaken on an exception basis. This is also an informal process which is driven by the Chairman of the Board.

Principle 2: Structure the board to add value

The Katana Board comprises Three Directors:

Mr Dalton Gooding	Non-Executive Chairman	Independent	11 November 2005
Mr Peter Wallace	Non-Executive Director	Independent	19 September 2005
Mr Giuliano Sala Tenna	Non-Executive Director	Independent	19 September 2005

The Company is in compliance with Recommendation 2.4, the Board consists of a majority of independent Directors where an independent Director is a Non-Executive Director who meets the criteria for independence included in the ASX Best Practice Recommendations.

The Board does not have a Nomination Committee. The duties of such committee have been considered and adopted by the full Board.

The Company does not have a documented procedure for the selection and appointment of directors. The Board informally reviews the skill set of and market expectations for its directors on a regular basis and considers these factors when appointing / re-electing directors. The Board invites persons with relevant industry experience and financial experience to assist it in its appointment of directors.

When appointed, each new member of the Board participates in an induction program which encompasses: the duties, roles, and responsibilities of each Director; the operations of the Board and its Committees; and outlines the Company's culture and values as well as the strategic, financial, operational, and risk issues within the Company.

A biography profiling each Directors' skill, experience, and expertise is set out in the Directors' Report of the Annual Report along with their respective term of office.

Principle 3: Act ethically and responsibly

Katana has implemented a suite of policies including a Code of Business Conduct which provides guidelines aimed at maintaining high ethical standards and corporate behaviour. The principals of the policies include:

- Respect the law and act in accordance with it;
- Respect confidentiality and not misuse company information, assets or resources;
- Avoid real or perceived conflicts of interest;
- Act in the best interest of stakeholders; and
- Perform their duties in ways that minimise environmental impacts and maximise workplace safety.

Directors and employees are expected to comply with all Company policies and to act professionally with integrity, honesty and responsibility at all times. Katana encourages the reporting of instances which may involve a breach (or suspected breach) of the Code of Conduct.

Principle 4: Safeguard integrity in financial reporting

The Board has established an Audit and Risk Management Committee to facilitate the verification and the safeguarding of the integrity of the Company's financial reporting, internal control structure, risk management procedures, and the internal and external audit function.

The Audit and Risk Committee comprises a majority of independent Directors. The full board are members of the Audit and Risk Management Committee. The Committee's charter is published on the Company's website. The Audit and Risk Committee is chaired by Mr Peter Wallace, an independent director, who is not the chair of the board.

The committee meets at least twice per annum and meetings are co-ordinated to coincide with the release of the Company's interim and full year financial reports and audits. The Committee has access to external auditors and a high degree of financial literacy is prevalent amongst the committee members. The details, qualifications, and experience of each committee member and the attendance of committee members at Audit and Risk Management Committee meetings are contained in the Directors' Report.

The Managing Director and the Chief Financial Officer equivalent have provided the Board with a declaration in accordance with Section 295A of the *Corporations Act 2001*, assuring the Board that a sound system of risk management and internal control is operating effectively in aspects related to financial reporting risks.

The Audit and Risk Management Committee Charter is available on the Company's website in the 'Investors' section.

Katana ensures that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosures

The Company's continuous disclosure policy has been adopted to ensure compliance with obligations under the continuous disclosure regime of the Corporations Law and the Listing Rules of the Australian Stock Exchange Limited and to ensure that all Katana shareholders have access to material information about the Company and its prospects.

The disclosure obligations include:

- All employees, Company officers and Directors must comply with the ASX Listing Rules and Corporations Law provisions relating to a timely disclosure of price sensitive information to the ASX. The Company does this by releasing written announcements to the ASX.

The Fund Manager together with the board are accountable for the establishment, communication and maintenance of this policy and ensuring that material information is disclosed to the ASX.

The Continuous Disclosure Policy can be found on the company's website.

Principle 6: Respect the rights of security holders

The Company places considerable importance on effective communications with shareholders and other stakeholders. Katana's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the company. The strategy provides for the use of systems that ensure a regular and timely release of information about the company is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- Half Yearly Report
- Monthly Net Tangible Asset Backing ASX disclosure;
- Presentations at the Annual General Meeting;
- Annual Report
- Promote effective communication with shareholders; and

Encourage shareholder participation at AGMs.

The Company's Information Disclosure Policy is available on the Company's website in the Investor Centre section.

Principle 7: Recognise and manage risk

The Company is committed to the identification; monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Fund Manager is charged with implementing appropriate risk management systems within the Company and in particular with the investment process.

The Board monitors and receives advice on areas from the Fund Manager on operational and financial risk, and considers strategies for appropriate risk management arrangements. The Fund Manager has an Investment Committee that meets on a regular basis to analyse, monitor and review the investment portfolio.

Specific areas of risk identified initially and which will be regularly considered at Board meetings include financial performance, performance of portfolio, compliance within regulatory framework, markets, statutory compliance and continuous disclosure obligations. The Fund Manager has its own Investment Committee that regularly reviews the Company's portfolio and reviews the performance of individual stocks. The Investment Committee also makes recommendations on significant investments and conducts its own research to assist with this process.

The annual report details material financial and investment risks which arose during the reporting period (see notes to financial statements).

The board and committee have met during the year to review the entity's risk management framework and associated risks. The board and committee do not consider that the Company currently has any material exposure to economic risk. The Company faces economic risks inherent to its business, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has policies and procedures in place to help mitigate and manage the financial risks. The Board and committee do not believe that the company has any environmental or social sustainability risks.

The Managing Director and the Chief Financial Officer equivalent have provided the Board with a declaration in accordance with Section 295A of the *Corporations Act 2001*, assuring the Board that a sound system of risk management and internal control is operating effectively in aspects related to financial reporting risks.

The Company does not have an internal audit function, however manages part of this process via, internal controls and risk management overseen by the fund manager as part of their mandate terms and conditions. Information on the Company's charter of the Audit and Risk Committee is available on the Company's website in the 'Investors' section.

Principle 8: Remunerate fairly and responsibly

As the company does not presently have any employees including employment of a Managing Director and Senior Executives there is no requirement for remuneration committee

The company's policy and framework for remuneration of Non-Executive Directors are disclosed in the Remuneration Report that

can be found in the Annual Report.