

# BOARD CHARTER

NAOS Small Cap Opportunities Company Limited  
ACN 107 617 381  
("Company")

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## 1. Role of the Board

This Board Charter sets out the principles for the operation of the board of directors of the Company (**Board**) and describes the functions, structure and processes of the Board.

The Board is accountable to shareholders for the performance of the Company. The Board must always act honestly, conscientiously and fairly in all respects in accordance with the law applicable to the Company and must act in the best interests of the Company's shareholders and other stakeholders.

The Board's role includes guiding the Company's strategic direction, driving its performance and overseeing the activities and the operation of the Company.

This Board Charter and the policies adopted by the Board from time to time have been adopted on the basis that good corporate governance adds to the performance of the Company and creates shareholder value and engenders the confidence of the investment market.

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## 2. Responsibilities of the Board

The Board is responsible for the overall operation, strategic direction, leadership, integrity and growth and profitability of the Company. In meeting its responsibilities, the Board shall undertake the following functions:

### 2.1 Strategic Direction

- (i) Providing and implementing the Company's strategic direction;
- (ii) Directing and monitoring the Company's performance against strategies and business plans including budgets and financial plans;
- (iii) Approving and monitoring budgets, financial plans, capital management, major expenditure and investments;
- (iv) Determining the Company's dividend policy (if any), dividend re-investment plan (if any) and the amount and timing of all dividends;
- (v) overseeing all accounting policies, financial reports and material reporting and external communications by the Company;
- (vi) assessing the solvency and performance of the Company;
- (vii) appointing the Chair of the Board and, where appropriate, any deputy chair or

senior independent director;

## 2.2 Risk management and reporting

- (i) Reviewing and overseeing the operation of systems of risk management and internal controls ensuring that the significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with;
- (ii) Monitoring and appraising financial performance including the approval of annual and half year financial reports and liaising with the Company's auditors;
- (iii) Liaising with the investment manager, NAOS Asset Management Limited (**Manager**) to identify and manage risk;
- (iv) The Manager is 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 Board will seek to procure that the Manager puts in place 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;

## 2.3 Management

- (i) Monitoring and assessing the performance of the Manager and ensuring that their actions are consistent with corporate strategy;
- (ii) Ensuring that appropriate and effective remuneration packages and policies are implemented by the Company;
- (iii) Monitoring and reviewing business results, outsourced service providers and the Board itself;
- (iv) Ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance;

## 2.4 Remuneration

- (i) The Company recognises the ASX recommendation with respect to distinguishing the structure of non-executive directors' remuneration from that of executive directors and senior executives. However, as the Company's Board comprises of all non-executive directors, this recommendation does not apply to the Company;
- (ii) The allocation and amount of remuneration for non-executive directors will be reviewed periodically and will reflect market rates;

## 2.5 Performance

- (i) Establishing and monitoring corporate governance policies and codes of conduct;
- (ii) Undertaking an annual evaluation of the Board;

- (iii) Reviewing and overseeing internal compliance and legal regulatory compliance;

## 2.6 **Corporate governance**

- (i) ensuring compliance with the Company's Constitution and with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act;
- (ii) communicating with and protecting the rights and interests of all shareholders;
- (iii) ensuring overall compliance with the Company's policies and charters;
- (iv) overseeing the affairs of the Company and the Manager, including its control and accountability systems;
- (v) evaluating the overall effectiveness of the Board, any committees and its corporate governance practices;
- (vi) reviewing on an annual basis the performance and effectiveness of the Company's corporate governance policies and procedures and, if appropriate, amending those policies and procedures or adopting new policies or procedures;
- (vii) preparing the Company's annual corporate governance disclosure statements as required under the ASX Listing Rules;
- (viii) reviewing and approving all disclosures related to any departures from the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council;
- (ix) reviewing and approving the public disclosure of any Company policy or procedure;
- (x) supervising the public disclosure of all matters that the law and the ASX Listing Rules require to be publicly disclosed in a manner consistent with the Continuous Disclosure Policy;
- (xi) approving and monitoring delegations of authority;

## 2.7 **Code of Conduct**

- (i) adopting and applying appropriate ethical standards in relation to the management of the Company and the conduct of its business;
- (ii) monitoring compliance with the Company's Code of Conduct.

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## 3. **Board Composition**

### 3.1 **Structure**

The Board shall comprise at least three directors. The Board aims to comprise directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds that is appropriate to the Company and its strategy. The Board will determine the number of independent directors it considers appropriate given the size and nature of the Company.

### **3.2 Appointment and Retirement of directors**

The Board will consider the appointment of a director as and when a vacancy arises in accordance with the following considerations:

- (i) the skills, expertise and experience of a candidate;
- (ii) the relevant appropriateness of these skills, expertise and experiences when compared to those of the current Board;
- (iii) the terms of appointment must be recorded in a letter of appointment; and
- (iv) the terms of appointment must be in accordance with the Company's constitution, ASX listing rules and all applicable laws.

Prior to making any formal offer, a candidate must be given sufficient information about the Company to allow that candidate to conduct his/her personal due diligence. The information will extend to non-public information and care must be taken to ensure confidentiality.

A director must retire in accordance with the Company's constitution, ASX listing rules and all applicable laws.

### **3.3 Induction and Information Structure**

#### *Induction Program*

The Company Secretary is responsible for arranging for the new director to undertake an induction program to enable them to gain an understanding of:

- (i) the Company's investments;
- (ii) the Company's financial, strategic, operational and risk management position;
- (iii) their rights, duties and responsibilities; and
- (iv) any other relevant information.

As part of this induction program, a new director will meet with all incumbent directors (if this has not already taken place).

#### *Ongoing Information*

The Chair, directors, and relevant personnel of the Manager must be conscious to ensure that updated information is provided to the Board in a timely fashion to enable them to effectively discharge their duties as directors.

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. Any director has the authority to seek any information he/she requires from the Company and arrangements are also in place to procure all relevant information from the Manager can also be obtained for these purposes.

### **3.4 Diversity**

The Company is committed to diversity on the Board and developing policies to promote diversity to the extent appropriate for the size, nature and complexity of the Company at any given time.

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#### 4. Independent Director

Where this Charter requires one or more "independent" directors, the following criteria are to be applied.

An "independent" director is a non-executive director who:

- 4.1 is not a substantial shareholder (as defined in the *Corporations Act 2001* (Cth)) of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- 4.2 within the last three years, has not been employed in an executive capacity by the Company or any of its subsidiaries, or been a director after ceasing to hold any such employment;
- 4.3 within the last three years has not been a partner, director or senior employee of a provider of material professional services to the Company or any of its subsidiaries;
- 4.4 within the last three years has not been in a material business relationship (e.g. a material supplier or customer) with the Company or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- 4.5 has no material contractual relationship with the Company or any of its subsidiaries other than as a director of the Company;
- 4.6 do not have close family ties with any person who falls within any of the categories described above;
- 4.7 has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's capacity to bring an independent judgement to bear on issues before the Board and the director's ability to act in the best interests of the Company and its shareholders generally; and
- 4.8 is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's capacity to bring an independent judgement to bear on issues before the Board and the director's ability to act in the best interests of the Company and its shareholders generally.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence and should be disclosed by directors to the Board.

The Board should regularly assess whether each non-executive director is independent. Each non-executive director should provide to the Board all information that may be relevant to this assessment. If a director's independent status changes, this should be disclosed and explained to the market in a timely manner.

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## 5. Directors' Responsibilities

Each director of the Company is bound by all of the Company's charters and policies that exist from time to time, including but not limited to the Securities & Insider Trading Policy and Code of Conduct.

The directors of the Company must:

- 5.1 conduct their duties with honesty, integrity and diligence;
- 5.2 observe the rule and the spirit of the laws to which the Company is bound and comply with any relevant ethical and technical standards;
- 5.3 maintain the confidentiality of all information acquired in the course of conducting their role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board or is required by law or by the ASX Listing Rules;
- 5.4 observe the principles of independence, accuracy and integrity in dealings with the Board; and
- 5.5 act in accordance with this Charter and disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature, of which the director becomes aware and which the director reasonably believes is material, in that it may or may be perceived to influence his vote or compromise the reputation or performance of the Company.

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## 6. Role and duties of the Chair

The Company recognises that it is important that the Chair has a defined role and operates in accordance with clear functional lines. The role of Chair requires a significant time commitment. The Chair's other positions should not be such that they are likely to hinder effective performance in the role.

The Chair will:

- 6.1 chair board meetings;
- 6.2 establish the agenda for Board meetings, in consultation with the directors and the Company Secretary (or another person nominated by the Company to perform the role of company secretary); and
- 6.3 chair meetings of shareholders, including the Annual General Meeting of the Company.

The Chair will be selected based on relevant experience, skill, judgement and leadership abilities to contribute to the effective direction of the Company.

The Chair is responsible for:

- 6.4 leadership of the Board and for the efficient organisation and conduct of the Board's functions;
- 6.5 promoting a constructive governance culture and applying appropriate governance principles among directors and with management; and
- 6.6 facilitating the effective contribution of all directors and promoting constructive and respectful relations between the Board.

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## **7. Confidential Information and External Communication**

The Board has established the following principles to apply in respect of information of the Company:

- 7.1 any disclosure of information to a shareholder which is not disclosed to the market must be approved under the Continuous Disclosure Policy and must comply with the ASX Listing Rules; and
- 7.2 all directors are required to keep all information provided to them in their capacity as a director confidential, unless it is required by law or by the ASX Listing Rules.

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## **8. Conflicts of Interest**

The directors of the Company are required to act in a manner which is consistent with the best interests of the Company as a whole, free of any actual or possible conflicts of interest.

If a director considers that they might be in a position where there is a reasonable possibility of conflict between their personal or business interests, the interests of any associated person, or their duties to any other company, on the one hand, and the interests of the Company or their duties to the Company, on the other hand, the director must:

- 8.1 fully and frankly inform the Board about the circumstances giving rise to the possible or actual conflict;
- 8.2 if reasonably requested by the Board, within fourteen days or such further period as may be permitted by the Board, take such steps necessary and reasonable to remove any conflict of interest; and
- 8.3 abstain from voting on any motion relating to the matter and absent themselves from board deliberations relating to the matter as appropriate, including receipt of Board papers bearing on the matter.

If a director believes that they may have a conflict of interest or duty in relation to a particular matter, the director should immediately consult with the Chair (or, in the case of the Chair, the Chair should immediately consult with the other non-executive directors).

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## 9. Related Party Transactions

The Board has responsibility for reviewing and monitoring related party transactions and investments involving the Company and its directors.

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## 10. Meetings

The Board will meet regularly on such number of occasions each year as the Board deems appropriate.

A meeting of the Board will usually be convened by the Chair.

An agenda will be prepared for each Board meeting. The agenda will be prepared by the Company Secretary (or another person nominated by the Company to perform the role of company secretary).

All directors are expected to diligently prepare for, attend and participate in all Board meetings. At a minimum, a quorum of directors under the Company's constitution is a majority of the total number of authorised directors. Meetings of the Board may be held or participated in by conference call or similar means. Resolutions of the Board may be passed by circular resolution or in writing in accordance with the Company's constitution.

The Chair should ensure the availability and, if necessary, the attendance at the relevant meeting, of any member of the Manager for a matter included as an agenda item at the relevant meeting.

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## 11. Board Committees

The Company recognises the importance of establishing audit, remuneration and nomination committees as good corporate governance in circumstances where appropriate for the size, nature and complexity of a company. However, considering the size and nature of the Company, the functions that would be performed by such committees, are, in the Board's view, best undertaken by the Board instead. The Board will review its approach to such committees and in light of any changes to the size or nature of the Company and if required may establish committees to assist it in carrying out its functions. As and when required, the Board will adopt a policy or charter for any such committees.

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## 12. Company Secretary

The Company will nominate a Company Secretary or another appropriate person to fulfil the role of Company Secretary of the Company from time to time. This person is directly accountable to the Board through the Chair. This role is to:

12.1 advise the Board and its committees on governance matters;



- 12.2 coordinate all Board business including:
- (i) prepare agendas;
  - (ii) coordinate the timely completion and despatch of Board and committee papers;
  - (iii) ensure the business at Board and committee meetings is accurately captured in the minutes;
  - (iv) lodge communications and filings with the ASX, ASIC and other applicable regulatory authorities;
  - (v) monitor compliance with Board and committee policy and procedures; and
  - (vi) help to organise and facilitate the induction and professional development of directors.

The Board will appoint a person to fulfil the role of Company Secretary of the Company. Appointment and removal of a Company Secretary will be subject to Board approval.

All directors will have direct access to the Company Secretary.

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### **13. Independent Advice**

A director of the Company is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- 13.1 a director must seek the prior approval of the Chair (which shall not be withheld unreasonably);
- 13.2 in seeking the prior approval of the Chair, the director must provide the Chair with details of the nature of the independent professional advice, the likely cost of the advice and details of the adviser he or she proposes to instruct;
- 13.3 the Chair may set a reasonable limit on the amount that the Company will contribute towards the cost of obtaining the advice;
- 13.4 all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and to the director in their professional capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to any dispute between the director and the Company; and
- 13.5 the Chair may determine that any advice received by an individual director will be circulated to the remainder of the Board.

All directors are entitled to the benefit of the limitation of liability and indemnification provisions in the Company's constitution as applicable and in any Indemnification Agreement between the Company and the director and to the benefit of any D&O Insurance Policy or Policies the Company from time to time have in place, per and subject to the policy terms, and to such protections and rights as are accorded directors under applicable law. Directors shall also have inspection rights as provided by applicable law (including the right to inspect the Company's stock ledger, list of stockholders and other books and records for a purpose reasonably related to the director's role as such).

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**14. Remuneration**

The level of director remuneration will be approved by the Board or by shareholders as the Company's constitution and all applicable laws may require.

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**15. Revisions of this Charter**

This Charter and any amendments to it must be duly approved by the Board of directors of the Company.

Each director is responsible for review of the effectiveness of this Charter and the operations of the Board and to make recommendations to the Board of any amendments to this Board Charter.