

Matters reserved to the Capricorn Society Ltd (“CSL”) Board

Role of the Board

The CSL Board of directors (the “Board”) is responsible for protecting the rights and interests of the members and is accountable to them for the overall direction and governance of CSL. The Board should exercise leadership, enterprise, integrity and judgement in directing CSL so as to provide assurance of its continuing and lasting prosperity.

The Board is ultimately responsible for all matters relating to the operations of CSL including protecting the rights and interests of its members. The Board should apply and endeavour to achieve the highest possible standards of corporate governance.

The Board seeks to identify the expectations of the members, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board aims to govern CSL rather than manage it. In contrast, the role of senior management is to manage CSL in accordance with the direction of the Board.

Whilst at all times the Board retains full responsibility for guiding and monitoring CSL, the responsibility for the operation and administration of CSL is delegated by the Board to the Chief Executive Officer (CEO) and in turn to the senior executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and as such has in place procedures to assess the performance of the CEO and the senior executive team.

Despite this delegation to the CEO, there are matters that the Board reserves to itself as specified below:-

Responsibility of the Board

The Board collectively reserves to itself the following:-

CEO Appointment and Performance

- (a) appointing, removing and performance managing the Chief Executive Officer.

Strategy & Direction

- (b) determination of the ultimate strategic direction of CSL and monitoring the implementation of strategy;
- (c) establishing goals for management and monitoring the achievement of those goals;
- (d) approval, prioritisation and monitoring of all designated corporate strategic projects;
- (e) defining overall performance metrics for CSL.

Financial Management

- (f) approval of the annual budget;
- (g) monitoring the financial performance of CSL;
- (h) approving and monitoring financial and other reporting;
- (i) defining CSL’s Investment policy including Asset allocation;
- (j) approving all material acquisitions and divestments;
- (k) approval of material contracts and variations to those contracts;

- (l) mortgaging, charging, encumbering CSL assets;
- (m) liaising with CSL's external auditors
- (n) approval of borrowings and finance leases;
- (o) approval of bank accounts signatories for CSL bank accounts.

Corporate Governance

- (p) defining CSL's corporate governance framework;
- (q) all issues concerning Board composition and performance;
- (r) Member statutory reporting;
- (s) appointing any person as Director or Company Secretary of an entity over which CSL has a power to make or influence such appointment.

Corporate & Share Structure

- (t) changing CSL's internal corporate structure including but not limited to the creation of any subsidiary of CSL;
- (u) changing CSL's capital structure, including reductions of share capital, share buy-backs, the issue of new shares or securities or any other capital raising or capital movements;
- (v) approving the decision to cease operating all or any material part of CSL or any of its subsidiaries or joint ventures;

Risk Management

- (w) supervising CSL's framework of control and accountability systems to enable risk to be assessed and managed;
- (x) reviewing and ratifying systems of risk management and internal control;

Other

- (y) the prosecution, defence or settlement of litigation as per Board specific policy; and
- (z) determine remuneration policies and practices for CSL as a whole, including those affecting the Board, CEO and Senior Executives and exclusively engage and receive recommendations from Remuneration Consultants in respect of the Board, CEO and Senior Executives.

Materiality Threshold

The Board has agreed on the following guidelines for assessing the materiality of matters and as constituting a material matter:-

- (a) **Materiality – Quantitative**
Items are material if they involve a quantum which amounts to 5% of Net Profit after tax of the previous financial year.
- (b) **Materiality – Qualitative.** Items are also material if:-
 - they impact on the reputation of CSL;
 - they involve a breach of the law;
 - they affect CSL's rights to its own assets
 - they are outside the ordinary course of business;
 - if a series of transactions and accumulated, they would trigger the quantitative test; or
 - they will or are likely to have an effect on operations which triggers the Quantitative threshold.
- (c) **Material Contracts.** Contracts will be considered material if:-
 - they are outside the ordinary course of business;
 - they involve a joint venture or like type arrangement;
 - they are essential to the activities of CSL;
 - they are between or for the benefit of related parties; or
 - they otherwise trigger the quantitative tests.