

## Quoted Companies Alliance: New QCA Corporate Governance Code

### Corporate Governance Statement

The new Quoted Companies Alliance Corporate Governance Code (the “**QCA Code**”) makes clear it is the prime responsibility of the Chairman to ensure the Company applies the QCA Code to the best advantage of all stakeholders. The revised QCA Code is constructed around 10 broad principles, accompanied by an explanation of what those principles entail together with a set of disclosure requirements.

MXC Capital Limited (“**MXC**”, the “**Company**” or the “**Group**”), is an established operation with a clear business model and growth strategy. Our objective is to build value in the companies we invest in for the benefit of all stakeholders and to maximise returns from all aspects of our investment and advisory model. Applying appropriate corporate governance practices can but only help achieve our goals.

We have adopted the QCA Code and set out below detailed explanations of how we seek to comply with each of the QCA’s 10 principles.

We have identified one area where we are not in full compliance with the guidelines of the QCA Code and this is Principle 7. We explain in detail under the relevant principle why we have departed from the guidelines in these areas.

We trust that the result of our efforts to date provide stakeholders with access to the information they need and confidence that the Board holds corporate governance compliance in the highest regard.

**Peter Rigg**  
Non-Executive Chairman

**Date: 8 October 2019**

**Principle 1 – Establish a strategy and business model which promote long-term value for shareholders.**

The Board has set out the Company's business model and strategy, including key challenges in their execution in the Strategic Report of the Annual Report and Financial Statements for the year ended 31 August 2018. In addition, further information of how the Company performed against its stated strategy and its strategy for growth can be found in the Chairman's Statement, the Chief Executive Officer's Report and the Financial Review.

As a public company, MXC is focused on delivering value for all of the companies in which we invest as well as our shareholders. Furthermore, the Company's strategy is to maximise the returns from all aspects of our investment and advisory model.

**Principle 2 – Seek to understand and meet shareholder needs and expectations.**

MXC is committed to open communication with all of its shareholders.

Copies of the Annual Report and Accounts are issued to all shareholders who have requested them, and copies are available on the Group's investor website <http://mxccapital.com>. The Group's interim results and other market announcements are also made available on the Company's website. The Group makes full use of its website to provide information to shareholders and other interested parties.

The Board reviews proxy voting reports and any significant dissent is discussed with relevant shareholders and, if necessary, action is taken to resolve any issues. In compliance with best practice, the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at all general meetings and in future will be announced.

Shareholders are given the opportunity to raise questions at the Annual General Meeting and the Directors are available both before and after the meeting for further discussion with shareholders.

Ian Smith, Chief Executive Officer, is primarily responsible for communicating with investors. Meetings via the Company's broker are offered to shareholders to discuss strategy, financial performance and investment activity immediately after the full year and interim results announcements. The Non-Executive Directors are available to meet with shareholders if such meetings are requested. Feedback from such meetings with shareholders is provided to the Board to ensure the Directors have a balanced understanding of any issues and concerns raised.

The Board receives share register analysis reports on a regular basis to enable them to monitor the Company's shareholder base to understand and identify the profile of investors on the register.

**Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success.**

The Company recognises its employees, clients, suppliers, advisors and shareholders as forming part of the wider stakeholder group. Management identifies key relationships within the business and effort is directed to ensuring these relationships are managed appropriately. Regular reviews are undertaken to ensure any issues are addressed promptly.

The Board reviews the Company's interaction with its clients and the performance of its investments during quarterly Board meetings and these are summarised in packs provided to the Board.

The Company has a good relationship with its Nomad, broker and other advisers. Feedback from investors is provided by the broker as well as through direct engagement with investors by the Board.

The Company meets frequently with clients and communicates regularly with suppliers. Any feedback from clients is brought to the attention of the Board and any issues raised are addressed.

The Company's internal stakeholders are its employees. The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation.

#### **Staff policies**

The Group's employment policies are designed to ensure that they meet the statutory, social and market practices in the United Kingdom. The Group systematically provides employees with information on matters of concern to them, consulting them regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Given the small number of employees, employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees on the financial, strategic and economic factors affecting the Group, plays a major role in maintaining MXC's relationship with its staff.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitude and abilities.

The Board believes that its investment in the wider stakeholder network will assist the Company's management in achieving its long-term goals by creating an environment of inclusion, trust and communication which will have positive implications for the long-term success of the Company.

#### **Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation.**

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system. The business and management of the Company and its subsidiaries are the collective responsibility of the Board. At each meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control, corporate governance and risk management.

The Board has established a risk register which is bespoke to the Company's business. At least twice a year the register is reviewed, and the Board considers the appropriateness of the risks identified and the mitigating action taken by management on a risk by risk basis focusing on those deemed most critical.

Risk management is explained in the Strategic Report of the Annual Report and Financial Statements under the heading of Risk and Risk Management and details of the Group's financial risk management objectives and policies are set out in the notes to of the consolidated financial statements.

#### **Principle 5 – Maintain the board as a well-functioning, balanced team led by the chair.**

The Board, chaired by Peter Rigg, currently comprises one Executive and three Non-Executive Directors and it oversees and implements the Company's corporate governance programme.

As chairman, Peter Rigg is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Peter Rigg, Paul Guilbert and Simon Freer are the Company's independent directors. Further details pertaining to the Board and the roles carried out by each member are set out in the Board of Directors section of the Annual Report and Financial Statements as well as on the Group's website.

Each board member commits sufficient time to fulfill their duties and obligations to the Board and the Company. They attend quarterly board meetings and join board calls and offer availability for consultation when needed. The contractual arrangements between the directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. However, in all board members understand the need to commit additional time as and when required.

Detailed board packs include information on all business units and investments as well as the financial performance of the Group and are circulated ahead of board meetings. Key issues are highlighted and explained, providing board members with sufficient information to enable an informed discussion in the board meeting.

The Board is supported by its Audit Committee and its Remuneration Committee. The number of Board and Committee meetings held throughout the course of the financial year and further details of these committees are set out in the Corporate Governance section of the Annual Report and Financial Statements.

**Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.**

The Board of Directors section in the Annual Report and Financial Statements identifies the members of the Board at the time of publication and describes the relevant experience, skills and qualities they bring. The Chairman believes that the Board has a suitable mix of skills and competencies covering all essential disciplines bringing a balanced perspective that is beneficial both strategically and operationally and will enable the Company to deliver its strategy.

The Board consists of one executive director and three non-executive directors, all of whom are independent and comprises four men, ranging in age from 42 to 70. The nature of the Company's business requires the Directors to keep their skillset up to date. Periodic updates to the Board on regulatory matters are given by Company's professional advisers.

The Company's Nomad and lawyers are consulted on any significant matters where the Board believes external expertise is required. For example, external consultants have been engaged to advise on a number of matters including, *inter alia*, the establishment of an EBT and the sale to Ravenscroft of a 25% shareholding in one of the Group's subsidiaries, MXC Capital (UK) Limited.

External advisers attend board meetings as invited by the Chairman to report and/or discuss specific matters relevant to the Company and the markets in which it operates.

The Company Secretary also advises the Board on corporate governance and regulatory matters and attends the Board meetings. In keeping with best practice as set out in the QCA Code the Company has split the role of Chief Financial Officer and Company Secretary.

**Principle 7 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.**

The Board regularly reviews the effectiveness of its performance as well as that of its committees and individual directors. The Board of Directors section in the Annual Report and Financial Statements identifies the members of the Board at the time of its publication and describes the relevant experience, skills and qualities they bring.

The Corporate Governance statement in the Annual Report and Financial Statements for the year ended 31 August 2018 sets out how the Company has applied all principles the directors consider appropriate to a public company of MXC's size quoted on AIM, taking into account the recommendations contained within the QCA (Quoted Companies Alliance) Guidelines.

The Annual Report and Financial Statements for the year ended 31 August 2018 also sets out how the Chairman is responsible for ensuring the annual evaluation of the Board's performance and that of its committees and individual directors. The first performance evaluation of the Board, its Chairman and its committees was conducted in September 2017. This was conducted by questionnaire, evaluating the composition of the Board as a whole, the strength, skills & experience of each director, the effectiveness of the meetings and the monitoring and control mechanisms in place. Based upon the questionnaire responses and individual meetings with the Chairman, it was concluded following discussion, that the Board and its committees were operating efficiently and that the individual directors contribute effectively and demonstrate their commitment to the Company. The next evaluation will take place this year given the composition of the board has changed. An internal evaluation of the Board's performance will be conducted and will include questions on different aspects of the operation of the Board and its committees and the performance of individual directors.

In all cases Board appointments are made after consultation with advisers and with major shareholders in some cases. The Nomad undertakes due diligence on all new potential board candidates. All board members have appropriate notice periods so that if a board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internally or externally.

#### **Principle 8 – Promote a corporate culture that is based on ethical values and behaviours.**

The Board firmly believes that sustained success will best be achieved by adhering to a corporate culture of treating all stakeholders fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, MXC encourages its staff to operate in an honest and respectful manner.

The Chief Executive Officer takes the lead in developing the corporate culture and encourages all employees to contribute to its evolution. The Board believes that achieving a common awareness across all employees plays a major role in maintaining good employee relations.

MXC is committed to promoting a culture based on ethical values and behaviours across its business. Policies are in place covering key matters such as bribery, protection of intellectual property and sensitive information, conflicts of interest and whistleblowing. These are rigorously enforced.

The Company is committed to building an inclusive culture. Discrimination in all its forms (including on the basis of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation) is not tolerated at any level.

#### **Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.**

The business and management of the Company and its subsidiaries are the collective responsibility of the Board. At each Board meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control and risk management. The Board of Directors page and the Corporate Governance report in the Annual Report and Financial Statements sets out individual board members' specific responsibilities and skills.

There are two standing Board Committees - Audit and Remuneration. Each of these committees acts within defined terms of reference. The roles of the Audit Committee and the Remuneration Committee are set out in the Corporate Governance section of the Company's website as follows: <http://mxccapital.com/investor-centre/company-information/> as well as in the Corporate Governance report in the Annual Report and Accounts.

**Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**

The Company reports formally to its shareholders and the market generally twice each year with the release of its interim and full year results. The full year results are audited by an external firm of auditors with the interim statement usually subject to a review by the same external auditors

These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects and the reports are made available via the Company's website to anyone who wishes to review them. Interim announcements are made to the market as required under AIM.

The Company maintains a regular dialogue with stakeholders including shareholders to enable interested parties to make informed decisions about the Company and its performance. The Board believes that transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to.

The Board already discloses the results of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. To improve transparency, the Board has committed to announcing proxy voting results in future. In the event that a significant portion of voters vote against a resolution, an explanation of what actions it intends to take to understand the reasons behind the vote will be included.

Historical annual reports and other governance related material, including notices of all general meetings over the last five years can be found on the Company's website. The roles and responsibilities of the committees supporting the Board are set out in the Corporate Governance section of the Annual Report and Financial Statements as well as in the Corporate Governance section of the Company's website as follows: <http://mxccapital.com/investor-centre/company-information/>.