

TAU CAPITAL PLC

Statement of Compliance with the QCA Corporate Governance Code

This disclosure was last reviewed and updated on 27 September 2018

Introduction

The board of TAU Capital Plc (the “Company”) has adopted the 2018 QCA Corporate Governance Code (the “QCA Code”). The Board intends to take appropriate measures to ensure that the Company complies with the QCA Code.

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

As detailed below, the intentions and strategy of the company are clear and the methods for progressing this strategy through a disposal are outlined in the Company’s annual report and financial statements for the year ended 31 December 2017 (the “2017 Accounts”) in the Chairman’s Statement on page 2. The Company’s business model is currently that of an investing company, although, as detailed below, this will change following the completion of the disposal of the Company’s sole remaining investment.

On 18 September 2018 an Extraordinary General Meeting Circular was announced and distributed to shareholders, which included a proposal for the approval of the disposal of the Company’s sole remaining investment and an amendment to the Company’s investing policy be put to Shareholders (the “Proposal”). The comments below should also be taken in the context of the Company’s current investing policy (a summary of which can be found on page 4 of the Company’s 2017 Accounts), which is broadly to dispose of all assets and return funds to shareholders.

As noted in the 2017 Accounts (on pages 5 and 20), following the completion of the disposal of the Company’s sole remaining investment, the Company will no longer be classified as an investing company and will be classified as an AIM Rule 15 cash shell and as such will be required to make an acquisition or acquisitions which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission as an investing company (as defined under the AIM Rules)) on or before the date falling six months from completion of the Disposal or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million). Accordingly, from the completion of the disposal of the Company’s sole remaining investment, the Company’s strategy will be to fulfil either of the above AIM Rule 15 cash shell criteria. If the disposal is not approved by shareholders at the EGM on 4 October 2018, the Board will seek the cancellation of the admission of the Company’s Ordinary Shares to trading on AIM followed by an orderly liquidation of the Company and the return of all available cash to shareholders. The 2017 Accounts also includes a commentary within the director’s report on page 4, which sets out the nature of the Company’s business activities in relation to its direct and indirect subsidiaries. Additional details regarding this matter can be found on pages 16 and 20.

The 2017 Accounts details the Company’s intentions and strategy in relation to Stopharm LLP (on page 2), which is to progress the sale of this investment.

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The Board therefore believes that the purpose of the Company, its business model and its strategy are clearly stated.

The Company intends to provide further disclosures in respect of the key challenges in the execution of the Company's business model and strategy (and how those challenges will be addressed) in Company's annual report and financial statements for the year ended 31 December 2018 (the "2018 Accounts").*

Principle 2 Seek to understand and meet shareholder needs and expectations

The Company maintains an enquiries email address (enquiries@fim.co.im) on its website. Enquiries that are received will be directed to the Independent Non-Executive Director, Philip Scales, who will consider an appropriate response, although the Company may be required to exercise discretion as to how shareholder questions shall be responded to.

Because the current strategy is to sell the current investment and this has been made clear to Shareholders via regulatory announcements (which are available on the Company website also), the Board believes that regular shareholder contact is less applicable as with a regularly trading company. Contact is maintained with the Company's larger shareholders (where possible as not all wish to be contacted). This will be reviewed and updated following the result of the Shareholder vote on 4 October 2018 in the context of the Company becoming an AIM Rule 15 Cash Shell or if the proposal is not approved, the Board will seek the cancellation of the admission of the Company's Ordinary Shares to trading on AIM followed by an orderly liquidation of the Company and the return all available cash to shareholders.

The Company is required to hold an AGM in each year, which gives investors the opportunity to enter into dialogue with the Board and for the Board to receive feedback and take action if and when necessary. Where voting decisions are not in line with the Company's expectations the Board intends to engage with those shareholders to understand and address any issues as appropriate.

The Board believes that there is a history of established dialogue with its Shareholders based on the mutual understanding of the objectives of the Company, including regular updates to Shareholders on its strategy and how objectives were achieved. The Board as a whole have responsibility for ensuring that a satisfactory dialogue with Shareholders occurs, which the Board believes is the case.

Contained on page 6 of the 2017 Accounts are details of how the Company responds to the views of Shareholders: On 25 July 2012, following the approval by shareholders, the Company restated its Investing Policy and committed to realising assets and distributing net proceeds as soon as practicable to shareholders, subject to retaining sufficient cash to meet current and future liabilities. The Company disposed of all public equity investments during 2014.

On 25 August 2018, a Company subsidiary executed a conditional agreement for the sale of its remaining investment (see note 4 and note 15 of the 2017 Accounts or pages 22 and 28 respectively). The sale of the Stopharm holding is also conditional, on approval of the Company's shareholders.

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

The Board has oversight, accountability and contact with key resources and relationships. The Board understands the importance of engagement with its stakeholders and that this strengthens relationships and helps with business decisions in order to deliver the investment policy.

On the basis of the Directors' experience and their knowledge from the operation of the Company, the Directors believe that the key resources and relationships on which the Company relies (aside from the Company's shareholders) are its shareholders, members of staff of professional advisors, auditors, regulators and industry bodies. The Company encourages feedback from its stakeholders through email communication, telephone calls, face-to-face meetings and discussions. The Board monitors and reviews any feedback received from its stakeholders to ensure an alignment of interests. In particular, the Board has sought feedback from its Shareholders and are grateful for their support and patience these last few years in the Company's attempt to sell its remaining asset.

Among our service providers and advisors, we would like to highlight the Company's Nominated Adviser and the Administrator / Company Secretary with whom the Board representatives communicate and work with in order to ensure compliance of the Group operations with the requirements of AIM. Such dialogue helps the Company in its strategy and aim to become a long term-trusted partner for the shareholders.

Shareholders

As a publicly listed company, there is a requirement to provide information to ensure that all shareholders understand the Company that they are invested in and what direction the Company is taking. Regulatory requirements include:

- Regulatory News Releases on key events
- Maintaining an up-to-date website
- Annual reports and accounts posted to all shareholders
- Holding an Annual General Meeting
- Maintaining relations via meetings and other general communications

Details of attempts to sell the remaining asset are included in the 2017 Accounts (on page 2).

As stated above the Company is required to hold an AGM in each year, which gives investors the opportunity to receive feedback from shareholders and take action if and when necessary.

Regulators and professional advisers

As an AIM listed Company, the Company is subject to the AIM Rules for Companies and its professional advisor, the AIM Nominated Adviser (the "Nomad") is regulated by the London Stock Exchange – ("AIM Regulation"). The Company has a good working relationship with its Nomad and is advised in the first instance by its Nomad of all AIM regulatory requirements as follows: providing advice and guidance on the AIM rules, monitoring compliance with the regulations and development of AIM rules.

FIM Capital Limited, ("FIM") the Company's Administrator also monitors and advises the Company on its statutory obligations under the 2006 Company Act under which it is constituted.

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Auditors

There is no statutory requirement under the Companies Act 2006 (of which the Company is constituted) for a company to have its accounts audited if it chooses not to do so. However, the Board believe in transparency and accountability to its shareholders. The audit function also offers the opportunity for the Directors to receive feedback. A copy of the Directors' and Auditors' reports accompanied by copies of the annual accounts are posted to shareholders as well as being available from the Company's website.

The Board will continue to work closely with the Company's stakeholders to deliver the investing policy in its current form and will act accordingly pending the EGM result.

The Company will take into account feedback received from stakeholders, making amendments where appropriate and where such amendments are consistent with the Company's longer-term strategy. However, no material changes to the Company's working processes were deemed to be required over the year to 31 December 2017, or more recently, as a result of any stakeholder feedback received by the Company.

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

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing existence. Note 3 and note 10 to the financial statements (on pages 17 to 20 and 24 to 27 of the 2017 Accounts respectively) include certain details of the Company's objectives and policies, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to market risk, credit risk and liquidity risk.

The Company is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Board recognises effective systems and controls are imperative to the management of the business. The Company also carefully monitors cash flow to ensure it remains a going concern.

Going forward, following the completion of the disposal of the Company's sole remaining investment, the Board anticipates that certain of the Company's risks will change in line with changes in the Company's strategy and business model, and the Board will consider the risks associated with the Company seeking to execute an acquisition or acquisitions which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission as an investing company (as defined under the AIM Rules) on or before the date falling six months from completion of the Disposal or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million).*

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

The Board comprises three board members who have a diverse knowledge base including a high level knowledge of public quoted Companies and the regulatory framework. Two of the directors are considered independent: Philip Lambert, Chairman and Independent Non-Executive Director and Philip Scales, Independent Non-Executive Director and Company Secretary. Terence Mahony is a Non-Executive Director. Philip Lambert and Philip Scales have served on the Company's Board since the admission of the Company's ordinary shares to trading on AIM in 2007, however the Board considers Mr Lambert and Mr Scales bring an independent judgement to bear on Board decisions.

Since the incorporation of the Company, at every annual general meeting one third of the Directors are subject to retirement by rotation in accordance with its Articles of Association. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof. Subject to this provision, Philip Lambert and Philip Scales have each been put forward four times for re-election at an annual general meeting since 2008 and have been re-elected by shareholders on each occasion.

As the Company only has a single investment and there being only three directors, matters normally dealt with by Committees are dealt with by the Board as a whole. The Company will monitor and review the need to form Committees to support the function of the Board pending the result of the forthcoming EGM and in the context of the Company becoming an AIM Rule 15 cash shell and seeking a reverse takeover or putting the Company into liquidation and returning cash to shareholders.

The time commitment expected from the directors and the number of board meetings attended were not included in the 2017 Accounts*, however, future Report and Accounts will contain meetings attendance records and other disclosures in respect of Principle 5*.

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

The Board considers that all three directors have strong current relevant experience to successfully deliver the Company's strategy over the medium to long-term. The 2017 Accounts do not contain a summary of the relevant experience, skills and personal qualities and capabilities that each director brings to the board, however, a Statement of the Directors' Responsibilities is contained on page 6 of the 2017 Accounts and their biographies are displayed in full on the Corporate website (<https://www.taucapitalplc.com/investors/board-of-directors/>) as follows*:

Philip Lambert, Chairman and Independent Non-Executive Director: Throughout his career Philip has been extensively involved in the European pension industry in Europe. He was a member of the Pension Managers Advisory Committee to the Board of Directors of the New York Stock Exchange. Philip was a member of the Investment Committee of the National Association of Pension Funds in the UK. He was a member of the Advisory Committee to the ABN AMRO Investment Funds. In the past Philip has taken on several external appointments. He was chairman of the Dutch National Association of Company Pension Funds (OPF), chairman of the Dutch Real Estate Board (ROZ) and chairman of the Investment Committee of ABP, at the time the second largest pension fund in the world, his tenure as

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a member and later as the chair of this committee (ABP) has spanned 9 years. During the period 1991 to 1994 he was chairman of the European Federation for Retirement Provision (EFRP).

Philip started his career with Unilever in 1975. In 1983 he was appointed Managing Director of the Dutch Unilever Pension Fund. In 1993 he was appointed Pension Officer and Head of Corporate Pensions Division of Unilever with responsibility for pension schemes and pension fund investments worldwide. Philip took a civil law degree at Leiden University in 1970.

Terence Mahony, Non-Executive Director: Terence is a recognised leader in emerging markets investing, with an extensive global financial career spanning over 40 years. Terence first worked with the Bank of London and South America in London and Zurich, followed by broking positions at White Weld and Paine Webber. Terence's fund management experience began in Boston with the Baring Puma Latin American fund which he launched in 1991 for Barings as Director and CIO for Latin America. After Barings, he returned to Hong Kong in 1993 as the first CIO of HSBC's new Global Emerging Markets strategy. At HSBC he launched HSBC's first Global Emerging Markets Fund. From 1996 to 1999 he was Managing Director for Emerging Markets Equities, CIO of Global Emerging Markets Equity strategy and President of Trust Company of the West (TCW) Asia Limited. From 2000 to 2008, he was a director and member of the investment committee of Investment Manager Selection (IMS) Limited in London. In 2008, as a member of the Board, he was asked to fill in as interim CIO for Indochina Capital. Terence is Vice-Chairman of VinaCapital, one of the largest asset management company in Vietnam with 3 closed ended funds listed on AIM. In addition, he serves on the boards of various investment funds as a non-executive director, namely: Pacific Assets Trust plc, LIM Asia Special Situations Fund, Polunin Capital EM Active Fund. Terence is resident in Hong Kong.

Philip Scales, Independent Non-Executive Director and Company Secretary: Philip Scales is Managing Director of FIM Capital Limited. Prior to this, Philip was the Managing Director of Northern Trust International Fund Administration Services (Isle of Man) Limited. Philip has over 30 years' experience of working offshore, primarily in corporate and mutual fund administration. A director of a number of listed companies, Philip is a Fellow of the Institute of Chartered Secretaries and Administrators.

The upkeep of their skill sets is not specifically covered in the 2017 Accounts as the Board believes that this is excessive, taking into consideration the size of the Board and simple nature of the Company. The Directors attend conferences and receive regular industry updates to keep their knowledge and expertise current. Additionally, the Directors receive an *ad hoc* guidance on certain matters concerning the AIM Rules for Companies from the Company's Nomad as well as receiving updates on the regulatory environment from the Company Secretary. FIM also provides a specialist fund administration and Company Secretarial to the Company and are available to advise and support the Board on corporate governance and secretarial matters.

From time to time it has been necessary for the Board to seek external legal advice on matters relating to the sale of Stopharm and the Key Investor Information Document ("KIID"). The purpose of the KIID was to inform retail investors about the nature and risks of the products offered by outlining an investment product in a precise, factual and standardised document. Additionally, all Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

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Richard Horlick is employed by the Company as a Consultant, and works closely with the Board and Investment Adviser. Richard joined the Board of Tau on launch in 2007 and stood down on 1 January 2014. However, he remained as a Consultant and worked closely with the Board.

Richard was a founding partner of Spencer House Capital Management, LLP. Prior to this, he was a main board director of Schroders plc where he was head of investments and a member of the General Management Committee. From 1994 to 2002, Richard held a number of positions at Fidelity. He was president and CEO of Fidelity Management Trust Co the institutional investment arm of Fidelity in the US and also the Trust Bank for the Fidelity Mutual funds. Richard was previously responsible for the investment and development of Fidelity's institutional business outside the US, and was a member of the operating committee of Fidelity International. Between 1984 and 1994, he was a director and portfolio manager at Newton Investment Management. Prior to this, he was a corporate finance executive specialising in M&A at Samuel Montagu & Co. Richard graduated from Cambridge University with a Masters degree in Modern History.

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

There is no formal board or director evaluation system in place, however, the Board believes that the Independent Directors have remained independent throughout their office as noted in Principle 5 above. Due to the close-knit working environment and size of the Board, assessment of the Board as a unit and the individual Directors is done on an ongoing and *ad-hoc* basis to ensure that they are committed to the progress and success of the Company and that their contribution is effective (and these areas are the only criteria against which board and individual effectiveness are considered).

As noted in the disclosure in relation to Principle 5 above, the Company does not have any committees and there are therefore no procedures for the evaluation of the effectiveness of committees.

A summary of each Directors experience and skill set is outlined on the website. The Directors are also identified and their roles and responsibilities are highlighted in the Report and Accounts.

The Board intends to review undertaking performance evaluations once the EGM convened for 4 October has been held and by no later than the end of 2018. The issue of succession planning will also be considered.

Board appointments are made after consultation with advisers and with major shareholders in some cases. Detailed due diligence is carried out on all new potential board candidates.

The Board will consider using external advisers to review and evaluate the effectiveness of the Board and Directors in future to supplement its own internal evaluation processes. Additionally, the Board will consider the need to undertake formal and periodic succession planning. Should the Company form committees, then the Board will consider the need for procedures to evaluate of the effectiveness of committees. Should the Board wish to complete formal evaluation processes materials and guidance in respect of this process would be available from the Company's Administrator, FIM Capital Limited.*

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

The Board has a forward-looking approach to culture within the Company in order to achieve a level of discipline that aides with the management and oversight of risk of the business. The Board is also mindful that the tone and culture set by the Board will impact many aspects of the Fund and the way that stakeholders behave and form views.*

There are several values that are important, including promoting a culture of respect and tolerance and the importance of all stakeholders' views. The Board aims to lead by example and do what is in the best interests of the Company and its stakeholders.

Under the Board's instruction, the Company's Administrator, FIM Capital has put policies in place that communicate disciplinary policies clearly; ensure every employee knows the consequences of unethical behaviour; ensure employees can report misconduct anonymously and has a confidential complaint process in place.

The directors are all experienced board members of listed companies and have a good understanding of best practice and effective corporate governance.

In 2016, the Company adopted a share dealing code for PDMR dealings in securities of the Company in accordance with the requirements of the Market Abuse Regulation.

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

No Committees currently exist as previously described in the disclosures in respect of Principle 5 above. The Board carefully considered the need for separate Committee functions, and deemed these to be excessive due to the size and activity of the Company, and consequently there are no Committee terms of reference in effect.

The Non-Executive Chairman is responsible for the effectiveness of the Board together with the responsibility to oversee the company's corporate governance practices. Given the size and nature of the Company, the Board does not consider it necessary for the Company to have a Chief Executive.

The services of each of the Board members as directors are provided under the terms of their letters of appointment. The responsibilities of the board members are outlined in the annual Report and Accounts and summarised as follows:

Responsible for proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Whilst there has been no formal adoption of matters reserved for the Board, the Directors review and approve the following:

- Strategy and management
- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents / Press announcements
- Adherence to Corporate Governance and best practice procedures

The structures and risk appetite disclosures on the website and the Report and Accounts are deemed sufficient in relation to the size and investment strategy of the Company.

The Board will monitor and ensure that Corporate governance practices evolve in line with best practice as appropriate with the Company's growing size and needs.

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

The Company intends to publish omitted disclosures required under QCA Code principles 1-9 and the reasons for their omission in its annual report and financial statements for the year ended 31 December 2018*.

Details of the directors' remuneration can be found on page 23 to 24 of the 2017 Accounts. No Committees currently exist (as previously described in the disclosures in respect of Principle 5 and 9 above) and therefore there are no committee reports in the 2017 Accounts.* Should the Company form committees, then the Board will consider the need for the preparation of committee reports and the inclusion of these in the Company's report and accounts at that point in the future.*

There is a good level of communication between the Directors and the Administrator, FIM Capital Limited. The information provided to shareholders regarding updates on the Company via regulatory announcements are also considered to be sufficient, taking into consideration the size and low activity level of the Company.

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting and investors can email the Directors and Company Secretary with any queries they may have. The Company maintains an enquiries email address (enquiries@fim.co.im) on its website.

All historical information is maintained on the website along with shareholder updates.

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The Company's financial reports for the last five years can be found here <http://www.taucapitalplc.com/investors/financial-reports/>.

Notices of General Meetings of the Company for the last five years can be found here <http://www.taucapitalplc.com/investors/events-calendar/>.

If a significant proportion of independent votes were to be cast against a resolution at any general meeting, the Board's policy would be to engage with the shareholders concerned in order to understand the reasons behind the voting results. The outcome of all resolutions tabled at general meetings, including details of voting, are to be posted on the Company's website and also announced via RNS.

Following this process the Board would make an appropriate public statement via this website regarding any different action it has taken, or will take, as a result of the vote.

Committees

As detailed in Principle 5 there are no Board committees (and therefore no committee reports) and this will be highlighted in future Report and Accounts*.

The Company will monitor and review the need to form Committees to support the function of the Board pending the result of the forthcoming EGM on 4 October 2018 and in the context of the Company becoming an AIM Rule 15 cash shell and seeking a reverse takeover or putting the Company into liquidation and returning cash to shareholders.

NOTE

***The Company has not included the annual report and accounts disclosures required by the 2018 QCA Corporate Governance Code in the Company's annual report and accounts for the financial year ended 31 December 2017 (the "2017 Accounts"), as these disclosures had not been finalised as of the date of the publication of those annual report and accounts.**

The Company was progressing a process for the disposal of its sole remaining investment and an amendment to the Company's investing policy at the same time as the it was seeking to finalise its 2017 Accounts. The process for the finalisation of the 2017 Accounts was significantly linked to this disposal process. In addition, the completion of this disposal process will lead to the Company being classified as an investing company to being classified as an 'AIM Rule 15 cash shell' rather than an investing company. In the context of the above matters, the Board determined that the completion of the 2017 Accounts and the progression of the disposal process was a priority. The Company intends to include the annual report and accounts disclosures required by the 2018 QCA Corporate Governance Code in the Company's annual report and accounts for the financial year ending 31 December 2018.