

GRESHAM HOUSE PLC QCA CORPORATE GOVERNANCE CODE WEBSITE DISCLOSURES

This information was last reviewed 28 September 2018

Background

With effect from September 2018, all companies with shares admitted to trading on the AIM market of the London Stock Exchange are required to set out details of a recognised corporate governance code that the Board of Directors has chosen to apply and provide appropriate disclosures of how the company complies with the code that they have adopted, and, if applicable, provide details and the rationale for areas of non-compliance.

Chairman's Corporate Governance Statement

As Chairman of Gresham House, I have overall responsibility for ensuring that corporate governance is embedded within the business. Corporate governance is at the heart of this organisation to maintain integrity and deliver value for shareholders and clients.

The Board recognises the importance of sound corporate governance and intends to comply with the QCA Code insofar as reasonably practicable given the company's nature and size. The Board believes that the QCA Code provides Gresham House with practical and rigorous corporate governance framework to support the business.

The Board sets expectations for the business and works towards ensuring that these flow down through the group.

The Board of Gresham House plc ("**Gresham House**") has adopted the Quoted Companies Alliance Corporate Governance Code (the "**QCA Code**"). The QCA Code requires that Gresham House applies the following ten principles and publishes certain related disclosures:

1. Establish a strategy and business model which promote long-term value for shareholders;
2. Seek to understand and meet shareholder needs and expectations;
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success;
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation;
5. Maintain the board as a well-functioning, balanced team led by the chair;
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities;
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement;
8. Promote a corporate culture that is based on ethical values and behaviours;
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board; and
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Set out below is an outline of how the QCA Code is applied by the Company. Further information on compliance with the QCA code will be provided in our next annual report.

Anthony Townsend
Chairman
28 September 2018

Application of the QCA Code and required disclosures

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

Gresham House's strategy is explained fully on pages 12 to 17 of Strategic Report section of the Annual Report and Accounts for the year ended 31 December 2017.

The Company's overarching strategic objective is to deliver long term value to shareholders and clients whereby Gresham House becomes an "asset to covet". This will be achieved by delivering organic growth in AUM, delivering acquisition growth in AUM, delivering operating profitability to shareholders and delivering operational efficiencies.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Board recognises the importance of regular and effective communication with shareholders and management talks regularly with Gresham House's major shareholders and ensures that their views are communicated fully to the Board.

There is open communication between the management of the group and major shareholders on strategy and clear correspondence with existing and potential investors for each launched fund.

The Company has an on-going programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations. These meetings allow the Chief Executive and the Finance Director to update shareholders on strategy and the group's performance.

Shareholders with queries should email info@greshamhouse.com or contact the Company by using the "Contact Us" function in the group's website. Further shareholder information is available in the Investor Relations section on the group's website.

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

The successful delivery of the Company's business model allows the Company to target value to shareholders, clients, people and society.

The Board has a significant role to play in the development of the business. The Board aims to support the long-term aspirations of this growing asset management group.

Impact investing is a term used to describe how investments can generate social and environmental impact alongside a financial return. Gresham House aims to deliver sustainable financial returns in the longer term and to achieve this, it is Gresham House's policy to give appropriate consideration to Environmental, Social and Governance ("ESG") factors. Achieving social impact is an aspect of long-term asset management which can be built into a robust investment process without impacting the financial return. Further references to ESG within Gresham House can be found on page 30 of the Annual Report and Accounts for the year ended 31 December 2017.

The Company takes into account feedback from its stakeholders in its decisions and actions.

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

The risk management section on pages 25 to 29 of the Annual Report and Accounts for the year ended 31 December 2017 details the risk to the business and how these are mitigated.

Gresham House follows a structured approach to the management of risks across the group. The Company does this by using a documented risk management framework. Underpinning that framework are the four following principles:

- (i) Risks are owned: Governance and Culture;
- (ii) Risks are discussed and understood: Risk appetite, tolerance and limits;
- (iii) Appropriate action is taken: Risk management and controls; and
- (iv) The Group learns from its risk taking: Risk reporting and communication.

Gresham House accepts that risk is inherent in its business activities and seeks to maintain a risk profile that delivers the best potential growth within an acceptable risk level. The purpose of a risk management framework is to support the creation of a risk aware culture by ensuring that business decisions are made on an informed basis to reflect agreed business strategy and risk tolerance.

The group maintains a risk register and records all key risks which are relevant to the group. Identified risks are assigned to risk owners who ensure that the mitigation controls remain effective.

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

The Board operates as a collective decision-making forum. In the event that one or more Directors cannot support a consensus decision, then a vote would be taken and the views of the dissenting directors recorded in the minutes. There were no such dissensions during 2017.

All Directors receive accurate, timely and clear information in a form and of a quality appropriate to enable them to discharge their duties.

The Board is comprised of four Non-Executive Directors and two Executive Directors. In judging independence, the Board takes into account whether or not a Director is independent of management and any business or any other relationship that could affect or interfere with the exercise of objective judgement by that Director, or his/her ability to act in the best interests of the Company and its subsidiaries. Using these criteria, the Board considers the four Non-Executive Directors to be independent.

The Board has established three Committees to deal with specific aspects of the group's affairs: Audit, Remuneration and Investment Committees.

There were ten Board meetings, three meetings of the Audit Committee and one meeting of the Remuneration Committee held during 2017 and attendance of the Directors is set out on page 35 of the Annual Report and Accounts for the year ended 31 December 2017.

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

The experience and skills of the Directors are set out on pages 32 to 33 of the Annual Report and Accounts for the year ended 31 December 2017. The Board considers that it is comprised of members with the appropriate balance of skills to allow it to discharge its duties and responsibilities effectively.

The Board has established an Investment Committee, the purpose of which is to promote and maintain a prudent and effective allocation of the Company's balance sheet capital. In addition, the Company has developed an Advisory Group of experienced business people to act as advisors, deal introducers and business counsellors. They will be able to provide industry insights for the Company's investment appraisals and support for investee companies working alongside the Investment Committee.

The Company has not established a Nomination Committee. Given the small size of the Board, the Board as a whole fulfils the function of the Nomination Committee. No new Non-Executive Director will be appointed without first being interviewed by each Non-Executive Director.

All directors have access to the advice and services of the Company Secretary.

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

The Chairman has introduced a formal Board evaluation process and is satisfied that each Director contributes effectively to their role. The Board evaluation process consists of two stages. In the first stage, a template is distributed to each Director including questions relating to the Board performance and efficiency. In the second stage, the Chairman of the Board discusses with each Director their views about Board performance. The findings of the evaluation process are then recorded in a report transmitted to the Board for consideration and discussion. The Board evaluation process is carried out on an annual basis.

The Company Secretary supports the Chairman in addressing the training and development needs of Directors.

All Directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement by rotation and re-election by shareholders in accordance with the Articles of Association whereby one third of the Directors retire every year, or where their number is not a multiple of three, then the number constituting at least one third retire from office. Notwithstanding the foregoing, every Director shall retire who was not appointed at either of the two previous AGMs and who has served for more than two years since his/her appointment or last re-appointment. Directors are not appointed for specific terms nor do they have any automatic right of re-appointment.

Succession planning is in place to ensure there is cover for key roles in the event of loss of services of any of the directors or senior management.

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

Following the management buy-in in 2014, the team has grown and evolved. The right people working productively and efficiently at Gresham House is critical to success. The Company aims to create a culture of empowerment for the team, where individual flair and entrepreneurial thinking is encouraged. This commitment to people is at the core of Gresham House's values and has resulted in a diverse and dynamic team.

The Board is supportive and encourages a work environment based on the principles of integrity, professionalism, honesty, trustworthiness, and efficiency, and is committed to ensure that Gresham House's internal policies and procedures outlining the standards of conduct for Gresham House's directors and employees are at all times implemented.

Loyalty to clients is demanded by the Board in all Gresham House operations. It is the Company's priority to always put the interest of clients and shareholders first and to maintain and preserve the confidentiality of the information received when conducting business. All of the Company's directors and employees are subject to obligations of confidentiality during and after employment with Gresham House and are responsible for upholding high ethical and professional standards when performing their duties.

Gresham House's managers are responsible for developing and maintaining policies and procedures to ensure that the ethical values inspiring Gresham House's culture are recognised, respected, and implemented at all times.

Gresham House has appointed a compliance function responsible for ensuring that Gresham House's policies and procedures are correctly implemented as well as for investigating any complaints regarding the conduct of Gresham House's directors and employees.

Gresham House has a commitment to making socially responsible investments and believes that financial returns can be maintained through the application of environmentally and socially responsible investment processes.

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

The Corporate Governance Report on pages 34 to 37 of the Annual Report and Accounts for the year ended 31 December 2017 sets out the Company's governance structures and explains why they are appropriate and suitable for the Company.

The Board is responsible for the overall strategy and management of the group. There is a formal schedule of matters specifically reserved for Board decision including investment and performance objectives and policies, financial reporting and control, the approval of borrowings by the group, any investments or disposals over certain thresholds and shareholder communications.

The Audit Committee is a formally constituted Committee of the Board with defined terms of reference. It consists of the four Non-Executive Directors under the chairmanship of Richard Chadwick. The specific responsibilities of the Audit Committee include a review of the group's annual and half yearly results, a review of internal and financial controls applicable to the group, the terms of appointment of the auditor together with their remunerations, and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditor. It also provides a forum through which the auditor may report to the Board.

The Remuneration Committee is also a formally constituted Committee of the Board with defined terms of reference. It consists of the four Non-Executive Directors under the chairmanship of Anthony Townsend. The Committee is responsible for reviewing the performance of the executive directors and to set the scale and structure of their remuneration and the basis of their service agreements, and meets at least annually. The Committee is also responsible for recommending the allocation of long-term incentive arrangements to employees. Responsibility for setting the remuneration of senior staff will sit with the executive directors mindful of the policies being set by the Remuneration Committee.

Further information on the Investment Committee and Advisory Group may be found above under Principle 6.

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

Management talks regularly with Gresham House's major shareholders and ensures that their views are communicated fully to the Board

Other forms of communication include the annual and interim financial statements, announcements released to the London Stock Exchange and the AGM.

As soon as practicable following any general meeting has been concluded, the results of the meeting are released through a regulatory news service and a copy of the announcements placed on the Investor Relations section of the group's website.

In the event that a significant proportion of votes was cast against any resolution at a general meeting, an explanation of the actions proposed to be taken in response would be outlined.

The Investor Relations Section of the group's website includes historical annual reports (together with notices of meetings) and other governance related material such as investor presentations and marketing materials.

Date of last review: 28 September 2018