



Gresham House

Specialist asset management

GRESHAM HOUSE PLC

QUOTED COMPANIES ALLIANCE - CORPORATE GOVERNANCE CODE

APPLICATION AND DISCLOSURES

This information was last reviewed 21 March 2022

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 is meeting the principles of the code that they have adopted, and, if applicable, provide a well-reasoned explanation where a company departs from those principles.

Chairman's Corporate Governance Statement

As Chairman of Gresham House plc ("**Gresham House**" or the "**Company**"), 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 of directors of the Company ("**Board**") recognises the importance of sound corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code (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 a 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 Company and its subsidiaries ("**Group**").

The QCA Code is constructed around the following ten principles and a set of disclosures that focus on the pursuit of medium to long-term value for shareholders:

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.

The following prescribed disclosures provide an explanation of how the Company applies the QCA Code principles. Further information on the application of the QCA Code is also provided in the annual report.

Anthony Townsend

Chairman

21 March 2022

QCA CORPORATE GOVERNANCE CODE APPLICATION AND DISCLOSURES

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

Annual Report & Accounts Disclosure

Gresham House's purpose, business model and strategy are explained fully on pages 2 to 63 of the Strategic Report section of the Company's Annual Report and Accounts for the year ended 31 December 2021 ("**Annual Report**").

The key challenges in the execution of the strategy and how those will be addressed is explained in the Risk Management Framework on pages 56 to 63 of the Annual Report.

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

Website Disclosure

The Board recognises the importance of regular and effective communication with shareholders, particularly the need for open communication on the Company's strategy. Management has regular dialogue with the Company'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, the Annual General Meeting and regular face to face meetings with major shareholders and their management. 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 Officer and the Chief Financial Officer to update shareholders on strategy and the group's performance and are an opportunity for shareholders to express their views by raising questions. This engagement helps the Board to develop a good understanding of the needs and expectations of all elements of the Company's shareholder base.

With the pandemic restrictions making a traditional AGM untenable in 2021, shareholders were invited to a separate webinar to receive an overview from the management team of the performance of the business in the year as well as provide an opportunity to ask questions live at the event. If questions were not answered on the day, we followed up with shareholders to provide an open, two-way communication process.

The Company held its first Capital Markets Day to provide a deeper dive into the divisions and activity across the business. This was held as a live broadcast online and included interactive questions and answers sessions.

There is open communication between the management of the group and major shareholders on strategy and clear correspondence with existing and potential investors in the Company and its underlying funds. There is proactive engagement with new and existing shareholders to understand their key drivers and needs for investing in the Group. Shareholder engagement is also assessed as part of the scope of the annual Board evaluation process.

Shareholders with queries should email info@greshamhouse.com or contact the Company via the group's website. Further shareholder information is available in the Shareholder Information section on the group's website, www.greshamhouse.com.

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

Website Disclosure

The Board promotes the success of the Company for the benefit of its members as a whole and in doing so have regard for the interests of stakeholders including shareholders, clients, employees, regulators and the wider society in which it operates. This is demonstrated through its business model.

Shareholders

We maintain regular and open communication with shareholders through investor roadshows and other shareholder communications. With the pandemic restrictions making a traditional AGM untenable in 2021, we invited shareholders to a separate webinar to receive an overview from the management team of the performance of the business in the year as well as provide an opportunity to ask questions live at the event. If questions were not answered on the day, we followed up with shareholders to provide an open, two-way communication process. We also held our first Capital Markets Day to provide a deeper dive into the divisions and activity across the business. This was held as a live broadcast online and included interactive questions and answers sessions.

Investors

Against the backdrop of political and environmental uncertainty and volatility, we maintain our focus as asset managers on the core concerns of our clients and shareholders: superior and sustainable investment performance. We have developed a number of new investment solutions for clients in the year, through considered product development and segregated mandates to meet investor needs. We continue to report in a transparent and clear manner to investors whose capital we are managing and utilise investor meetings, seminars and site visits to engage with investors.

Employees

Overall staff numbers increased from 122 to 185 in 2021, and we remain committed to retaining and nurturing our talent. We have established a 'Gresham House ethos' of entrepreneurialism and individual flair that permeates through all departments and functions. We engaged with staff through the employee survey in the autumn of 2021, achieving very high engagement at 91% of staff and the results included a number of positive enforcements of the business and the culture, such as a 96% advocacy rate for Gresham House as a good place to work. We are also working on the areas that can be developed to continue to build the unique culture and values we operate by at Gresham House.

Community

We continue to deliver responsibly to the communities that are impacted by our activity. We continue to engage with and support communities and charities, with the British Heart Foundation and Centrepont being the charities selected by the employees to support in 2021. We have raised £30k in the year through events such as the Big Sleep out, the Blenheim Palace Triathlon and Race the Thames and Gresham House contributed £25k to each charity in the year. Not only have these been excellent opportunities to raise money and awareness of these good causes, they were also a great opportunity for the team to build strong relationships within and outside Gresham House.

We continued the Give As You Earn scheme, which allows individuals to contribute to charities in a tax efficient manner with the Company providing matching contributions.

We continue to develop our diversity and inclusion work and have had three interns experience work at Gresham House as part of the #100BlackInterns programme to promote diversity in the asset management industry.

Regulator

As an ISO 9001 certified business, we maintain robust internal processes and procedures centred on delivering efficient and compliant business practices. In line with this, we have continued to increase the resourcing in our compliance function. We have maintained an open and responsive dialogue with the FCA through the regulatory reporting and general compliance framework.

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

Annual Report & Accounts Disclosure

Gresham House's Risk Management Framework is set out on pages 56 to 64 of the Annual Report and includes details of how the Board has embedded effective risk management in order to execute and deliver the business strategy and it identifies the principal risks to the business and how these are mitigated.

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

Annual Report & Accounts Disclosure

Our Corporate Governance section explains Director independence, time commitment required from Directors and attendance of the Directors at meetings and is set out on pages 66 to 82 of the Annual Report.

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

Annual Report & Accounts Disclosure

The experience and skills of the Directors are set out on pages 64 to 65 of the Annual Report. The Corporate Governance sections explains how the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company is achieved and is set out on pages 66 to 82 of the Annual Report.

The role of the Advisory Group, the Company Secretary and the Senior Independent Director is explained in the Corporate Governance Section on pages 66 to 82 of the Annual Report.

The Board receive ongoing presentations and briefings from the Company's legal, financial, PR and other advisers on market and technical developments throughout the year as well as the NOMAD who briefs the Board on the AIM Rules, at least once a year.

External advice sought on significant matters

During the year the Board sought external advice on the following significant matters:

- FIT Remuneration LLP were engaged to undertake executive remuneration review, design and benchmarking services;
- Waterman Group were engaged to deliver health and safety training;
- Nurole Ltd were appointed to undertake an external board evaluation and to assist in the search for a new non-executive director; and
- Eversheds Sutherland were engaged to assist with the Mobeus acquisition, with Jefferies and Canaccord acting as joint brokers to the admission of shares in relation to same.

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

Annual Report & Accounts Disclosure

The Board performance and effectiveness process is set out on page 67 of the Annual Report.

Website Disclosure

Board Evaluation

The Board evaluation process is carried out annually by the Chairman and consists of two stages. In the first stage, a template is distributed to each Director including questions relating to the Board's performance and efficiency in relation to the conduct of Board and Committee meetings. The scope of the evaluation includes shareholder engagement, strategy, risk management, budget, and board succession. In the second stage, the Chairman 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 most recent Board evaluation was carried out in July 2021 and was externally facilitated by NuReview. It focused on the core areas of strategy and business, risk management and ESG, Board dynamics and processes and composition and diversity.

The July 2021 evaluation noted that the Board has the right strategy to fulfil the Company's purpose and that the Board is independent and provides healthy challenge to the Executive Directors. It also noted that ESG considerations are integral to long term strategy and risks are clearly communicated to investors and the main drivers for shareholder value are clearly connected to the Company's strategy. The Board will seek to develop how it looks ahead to assess the skills that it may require for the future. The Board will continually assess their skill sets to ensure they are up to date and will focus on ESG professional development. The Chairman is satisfied that each Director continues to contribute effectively to their role. 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

Annual Report & Accounts Disclosure

The Company's corporate culture is explained in the Chairman's Statement on pages 6 to 7 and the Corporate Governance statement on page 69 of the Annual Report.

Website Disclosure

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.

The Board receives and reviews the detailed results of the Company's annual employee engagement survey. This process and their oversight thereof ensures the Company has the means to determine that ethical values and behaviours are recognised and respected.

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.

The Board recognises the importance of its role in promoting and monitoring the Company's desired culture and ensuring it is consistent with the Company's long-term strategic objectives. The Board encourages a work environment based on the principles of integrity, professionalism, honesty, trustworthiness, and efficiency, and is committed to ensure that internal policies and procedures outlining the standards of conduct for Directors and employees are at all times implemented.

Management are responsible for developing and maintaining policies and procedures to ensure that the ethical values inspiring the Company's culture are recognised, respected, and implemented throughout the business. The Company has a compliance function responsible for monitoring the implementation of the Company's policies and procedures as well as for investigating any complaints regarding the conduct of Directors and employees. There have been no conduct complaints received during the period.

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

Website Disclosure

The Board currently comprises two Executive and six Non-Executive Directors (including one alternate Director).

The Board is led by the Chairman who is responsible for corporate governance as a whole and ensuring the Board is effective in directing 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 decisions, 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 Board operates as a collective decision-making forum. In the event that one or more Directors cannot support a consensus decision, a vote would be taken, and the views of the dissenting Director recorded in the minutes. There were no such dissensions during 2021. Procedures are in place to enable individual Directors to seek independent advice at the expense of the Company and appropriate cover is in place, which insures Directors against certain liabilities that they may incur in carrying out their duties on behalf of the Company.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board governance procedures are followed and supports the Chairman in addressing the training and development needs of Directors. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Richard Chadwick is the Senior Independent Director (SID), who is available to the other Non-Executive Directors and shareholders, should they wish to discuss matters in an alternative forum. Richard has announced his intention to retire at the conclusion of the Company's AGM in 2022, and following his retirement, Gareth Davis will take over as SID.

The SID's role is to act as a sounding board for the Chairman, providing him with support in delivering his objectives and leading the evaluation of the Chairman's performance on the other directors' behalf. He is responsible for the Chairman's succession, working closely with the Nomination Committee. The SID is also available as an additional point of contact for shareholders should they wish to raise matters with him rather than the Chairman or Chief Executive Officer.

The Board has established four Committees to deal with specific aspects of the Group's affairs: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee.

The Company has also established an Investment Committee, attended by three Directors, the Managing Director of the regulated business, and an external advisor.

Audit Committee

The Audit Committee is chaired by Richard Chadwick and operates within defined terms of reference. The Committee comprises the six Non-Executive Directors of the Company (including one alternate Director) who each have relevant experience to carry out their roles. The CEO and CFO are also invited to attend the meetings. The responsibilities of the Audit Committee include reviewing the integrity of the Group's annual and half yearly results, reviewing the internal and financial controls applicable to the Group, approving the terms of appointment of the auditor together with the auditor's remuneration, 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 and is scheduled to meet normally at least three times a year.

Following Mr Chadwick's retirement at the conclusion of the forthcoming Annual General Meeting of the Company, Mr Chadwick's alternate Director, Ms Sarah Ing, will be appointed as a Non-Executive Director and Audit Committee Chair of the Company.

Nomination Committee

The Nomination Committee comprises the six Non-Executive Directors (including one alternate Director) and is chaired by Anthony Townsend. The Committee operates within defined terms of reference and is responsible for the review and recommendation of Board and Committee memberships, succession planning and Board appointments. No new Non-Executive Director will be appointed without first being recommended by the Nomination Committee. When considering Board appointments and succession planning, the Committee will have regard to the composition and structure of the Board, including diversity, and the balance of skills and experience of the Directors. The Committee is satisfied that the Board as a whole is comprised of members with the appropriate balance of experience, skills and capabilities to discharge its duties effectively and contribute to the Company's strategic objectives.

Remuneration Committee

The Remuneration Committee is also a formally constituted Committee of the Board with defined terms of reference. It consists of all of the six Non-Executive Directors (including one alternate Director) under the chairmanship of Simon Stilwell. The CEO and CFO are also invited to attend the meetings. The Committee meets at least once annually and is responsible for reviewing the performance of the Executive Directors and setting the scale and structure of their remuneration and the basis of their service agreements. The Committee is also responsible for recommending the allocation of long-term incentive arrangements to employees. Responsibility for setting the remuneration of senior staff sits with the Executive Directors, being mindful of the policies being set by the Remuneration Committee.

Sustainability Committee

In July 2021 the Company established a Sustainability Committee which comprises all the six Non-Executive Directors (including one alternate Director) and is chaired by Gareth Davis. The Committee is constituted under a defined terms of reference and will meet at least twice a year. The Committee's principal duties are to understand ESG risks and opportunities within the overall context of materiality to the Group and its Clients, agree targets with the Board on ESG outputs and monitor performance against these, ensure communication of the ESG strategy for the Company is articulated to shareholders and appropriate stakeholders and engage with shareholders and appropriate stakeholders to understand their views on ESG risks and ensure alignment.

Investment Committee

The Investment Committee is chaired by Tony Dalwood, and the other members are Kevin Acton, Simon Stilwell, Rupert Robinson and Bruce Carnegie-Brown. The purpose of the Investment Committee is to promote and maintain a prudent and effective allocation of capital across the Company's balance sheet. The Investment Committee meets when required. All investment decisions require the following approvals:

- Investments or disposals below 2% of NAV require the approval of the CEO alone;
- Investments or disposals between 2% and 5% of NAV require a majority approval of the Investment Committee; and
- Investments or disposals above 5% of NAV require the recommendation of a majority of the Investment Committee and the approval of the Board.

The papers for and minutes from the Investment Committee meetings are distributed to the Board.

Advisory Group

The Company has developed an Advisory Group of experienced business professionals to act as advisers, deal introducers and business counsellors. They are available to provide industry insights for our investment appraisals, support for investee companies working alongside the Investment Committee and extending the Group's network.

Matters reserved for the Board

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 at each meeting including:

- A review of the performance of the Group by the Chief Executive, financial review from the Chief Financial Officer, a business update from the Managing Director of the Company's FCA regulated business covering strategic activity.
- Assessment and update on compliance and risk management from the Chief Legal Officer and Company Secretary.
- Assessment of the Company's strategy, deal opportunities, the current market and expected future developments.
- Assessment of investor relations via reports from the Company's broker and registrar.
- Any legal, personnel or secretarial matters reported by the Company Secretary.
- Each Board meeting is minuted and the previous minutes are approved at the subsequent Board meeting.

Other matters reserved for the attention of the Board, which are considered by the Board as necessary, include:

- Board membership and determining the terms of reference of the Board and establishing the overall control framework.
- Stock Exchange related matters, including the approval of communications to the Stock Exchange and communications with shareholders.
- Key commercial matters, including approval of all investments and divestments exceeding 5% of the NAV of the Group alongside Investment Committee approval.
- Any new borrowing/lending facilities.
- The review and ratification of granting of share options and other incentives by the Remuneration Committee under the Company's share and incentive scheme(s) once introduced.
- The appointment, termination, and regular assessment of the performance of the principal advisers, including tax advisers, corporate lawyers, Broker, Registrar and PR advisers (where appropriate).
- The approval of the budget and financial plans.
- The approval of annual and half yearly financial reports, to 31 December and 30 June respectively, dividends, accounting policies and significant changes in accounting practices.
- The review of the adequacy of corporate governance procedures.

- The review of the adequacy of compliance procedures for the Company and its FCA regulated subsidiaries.
- The review of the Group-wide risk assessment and the effectiveness of internal controls (to be performed at least annually), content and timeliness of reporting, treasury and hedging policies, resource requirements, working capital requirements and solvency for dividends and distributions.
- The approval of changes to the Group's capital structure, dividend policy, treasury policy, borrowing facilities and any banking relationships, cash management, the Group's business strategy, acquisitions and disposals of investments and capital expenditure.
- The approval of any related party transactions.
- Ensuring legal, tax and AIM Rules for Companies compliance.

The Company continually assesses the need to evolve its governance framework in line with its plans for growth.

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

Annual Report & Accounts Disclosure

The Audit Committee report is contained in pages 70 to 72 of the Annual Report.

The Remuneration Committee report is contained in pages 73 to 78 of the Annual Report.

The Sustainability Committee report is contained on page 79 of the Annual Report.

The Directors' report is contained in pages 80 to 82 of the Annual Report.

Website Disclosure

Relations with shareholders

The Board recognises the importance of regular and effective communication with shareholders, particularly the need for open communication on the Company's strategy. Management has regular dialogue with the Company'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, the Annual General Meeting and regular face to face meetings with major shareholders and management. These meetings allow the CEO and the CFO to update shareholders on strategy and the Group's performance. The Company also has an on-going programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations. The Company also held its first capital markets day in November 2021, providing greater insight to the divisions and activity of the business.

As soon as practicable following the conclusion of any general meeting, the results of the meeting are released through a regulatory news service and a copy of the announcements placed on the Shareholder Information section of the Company's website (<https://greshamhouse.com/gresham-house-plc/#shareholder-information>). In the event that a significant proportion of votes was cast against any resolution (20%) at a General Meeting, an explanation of the actions proposed to be taken in response would be outlined.

The Shareholder Information section of the Company's website includes historic Annual Reports (together with notices of meetings) and other governance related material, such as investor presentations and marketing materials.

Date of last review: 21 March 2022