

Corporate governance statement

Governance codes

The Board considers that the principles and recommendations of the AIC Code of Corporate Governance (February 2019) ('**AIC Code**') provide the most appropriate framework for Gresham House Strategic plc's (**GHS**) governance and reporting to shareholders. The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the UK Code) as well as setting out additional principles and recommendations on issues that are of specific relevance to GHS.

Throughout the year, GHS has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below:

- The Company has chosen not to appoint a Senior Independent Director as the Board considers that this would be unnecessary for a board with four members. Shareholders may contact the Chairman of the Audit Committee if they have concerns which they do not feel able to raise with the Chairman.
- The Directors do not consider it appropriate to establish a nomination, remuneration or a management and engagement Committee. The functions carried out by such committees are dealt with by the full Board.

- As the Company has no employees and its functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

GHS was founded in 2015 as a new company, with a new name, new shareholders, an entirely new investment strategy and manager, accordingly the Board considers all the directors to be independent and within their recommended terms of office. The Board's succession and refreshment plans were reviewed and agreed at their September board meeting as follows:- Mr Potter's present intention is to retire during 2023 when he hopes the fund will have reached his target of £100 Million AUM. The Board intend to appoint a new director, and potential successor, in 2021. Should Mr Potter (for any reason) be unable to continue as Chairman prior to this recruitment and handover, either Helen Sinclair or Ken Lever would take over the Chairmanship on a temporary basis. Both have extensive chairing experience. Details of how the Company has complied with the principles and provisions of the AIC code are set out below.

A copy of the AIC Code can be obtained via the AIC's website, www.theaic.co.uk.

| AIC Code | Principle | Evidence of compliance/explanation of departure from AIC Code |
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| A | A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. | <p>The Board is responsible for the effective oversight and long term sustainable success of the Company, generating value for shareholders and controlling of all aspects of the Company's affairs, notwithstanding any delegation of responsibilities to third parties. The Board oversees the role of the Investment Manager who aims for a high level of engagement with investee company stakeholders, including management, shareholders, customers, suppliers, analysts and competitors, to identify market pricing inefficiencies and support a clear equity value creation plan, targeting above market returns over the longer term. More information on the investment portfolio can be found on page 8 and more details on the Manager's approach to investing is on pages 9 to 15 of the Annual Report. Furthermore, the Investment Manager's commitment to Environmental, Social and Governance (ESG) matters can be under our section 172 statement on pages 17 to 20 of our Annual report.</p> <p>More information on the GHS investment policy can be found on the Company website at https://greshamhouse.com/strategic-equity/public-equity/gresham-house-strategic-plc/</p> |
| B | The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. | The Purpose of GHS is to generate consistent, long-term returns for shareholders through investment in mainly publicly listed equities. This is delivered through the application of private equity techniques, constructive engagement with Boards and management and professional due diligence alongside a value based, strategic equity investment philosophy. The Company has no employees and its functions are undertaken by third parties. The Board continually reviews each third-party provider to ensure their values, strategy and culture is aligned with the vision of the Board of directors. |
| C | The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. | The Board holds quarterly Board meetings (with additional meetings arranged as necessary) where it considers investment performance, investor relations, share price performance and other relevant matters. GHS is subject to various risks in pursuing its objectives and in order to effectively assess and manage risk, appropriate controls and policies are in place and are regularly reviewed and assessed by the Board and the Audit Committee. |
| D | In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. | <p>On pages 18 to 20 of our Annual Report, we describe our key stakeholders, how we gain an understanding of their interests and how we engage with them.</p> <p>At the 2020 AGM all resolutions were passed with [over 99%] in favour of all resolutions.</p> |

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| F | <p><i>The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.</i></p> | <p><i>David Potter leads the Board by chairing over Board meetings; agreeing the agendas, ensuring, among other matters, that appropriate weight is given to topics such as strategy and financial performance; he ensures that Board debates are balanced, open and inclusive. The Chairman ensures that the Board is provided with information of appropriate quality and form, in a timely manner. In addition to formal Board meetings, there is also an ongoing informal interaction between the Directors and the Manager.</i></p> <p><i>In view of the Chairman's appointment on the incorporation of GHS, Mr Potter's intention is to retire during 2023 when he hopes the fund will have reached to the target of £100m AUM, with the current COVID-19 environment halting any corporate or M&A activity. The Board intend to appoint a new director, and potential successor to the Chair, in 2021. However, in the event of the Chairman being indisposed anyone of the non-executive directors will take the Chair on an interim basis whilst a suitable successor was identified.</i></p> <p><i>The Board's policy on tenure is that the maximum period that any Director shall serve as a director of the Company shall be limited and no Director shall be eligible to serve beyond the 12th Annual General Meeting following his or her appointment. As a general rule directors will retire after 9 years service but the Board recognises that the investment business is a long term matter and deep and long lived experience can be of value. In the event that a Director is appointed at an Annual General Meeting, for these purposes, that Annual General Meeting will not count towards the 12 years.</i></p> |
| G | <p><i>The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.</i></p> | <p><i>During the year under review, the Board consisted only of non-executive Directors and all of the Directors are deemed to be independent of the Manager. The Board have an Investment Manager Agreement in place and this agreement is reviewed annually.</i></p> |
| H | <p><i>Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.</i></p> | <p><i>The Board considers the required time commitment annually and during the year under review all Directors continued to devote sufficient amount of time to the business of GHS. The Directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Company, including financial, legal, regulatory and industry experience as well as the ability to provide constructive</i></p> |

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| | | <i>challenge to the views and assumptions of the Investment Manager and hold third party service providers to account.</i> |
| I | <i>The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.</i> | <i>The Board is supported by the Company Secretary, who is independent of the manager, who ensures that appropriate policies and procedures are in place in order for the Board to function effectively and efficiently. A formal agenda is produced for each meeting and papers are distributed several days before meetings take place allowing all Board members to contribute even if they are unable to attend. Directors are also regularly provided with any relevant information and have access to the Company Secretary and independent advisors, if deemed necessary.</i> |
| J | <i>Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession Plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</i> | <i>Given the size of the Board, the Directors do not consider it appropriate to establish a nomination committee. The functions that would normally be carried out by these committees are dealt with by the full Board. The Board fully endorses the AIC Code principle to promote diversity of gender, social and ethnic backgrounds on the Board and would always consider this when making any new Director appointments. Further information on the process taken to appoint new directors is contained on page 16 of the annual report. Regarding the tenure of Board appointments, in view of the long term nature of investments the Board considers all members with lengthy experience of the markets and GHS investment to have value and represent deep corporate memory, given that GHS had no employees. The Board supports the AIC guidance on tenure.</i> |
| K | <i>The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.</i> | <i>The Board considers the skills, experience, knowledge and length of service of the Directors to be appropriate. This is reviewed annually as part of the board effectiveness review. The Board recognises the importance of succession planning to refresh the Board and the AIC provisions relating to this.</i> |
| L | <i>Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.</i> | <i>The Board has formalised a process to conduct a regular evaluation of its performance and that of individual Directors and its Audit Committee on an annual basis. This process is led by the Chairman (supported by the Company Secretary) and is conducted internally using a questionnaire designed to assess the strengths and weaknesses of the Board and its Committees, the composition of the Board and how effectively Board members work together. Each Director is required to complete a questionnaire covering the assessment of the composition, functioning and operation of the Board as a</i> |

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| | | whole and a similar review of the effectiveness of the Audit Committee and Investment Manager is also carried out. |
| M | The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements. | The Board reviews the appointment of the external auditor each year, taking into account relevant legislation, guidance and best practice appropriate for a company of its size, nature and stage of development. Each year the Board discusses the performance of the external auditor and the effectiveness of the audit process by discussing the results of the external audit, including their views on material accounting issues and key judgements; considering the robustness of the audit process; reviewing the quality of the people and service provided by the external auditor; and assessing their independence and objectivity. |
| N | The board should present a fair, balanced and understandable assessment of the company's position and prospects. | <p>The Audit Committee supports the Board in assessing that the company's accounts present a fair, balanced and understandable assessment of the company's position and prospects. In its assessment, the Committee in particular focuses on:</p> <ul style="list-style-type: none"> • Monitoring the integrity of the financial statements of the Company; • Reviewing the significant issues/judgements relating to the financial statements, and how these issues were addressed, especially in regard to unquoted investments; • Ensuring that the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; • Reviewing and making recommendations to the Board relating to the content of the Financial Statements and accompanying narrative included within the Annual Report. <p>The Directors' Responsibility Statement can be found on page 25 of the Annual Report.</p> |
| O | The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. | <p>The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Further details are provided in note 12 of the Annual Report on pages 42 to 44.</p> <p>The Board maintains a risk register to identify any new risks and makes the necessary adjustments required to existing risks and the controls and mitigation measures in place in respect of these risks.</p> |

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| P | Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. | <p>As the Board is solely composed of Non-Executive Directors, the consideration of their remuneration does not involve any variable or performance-related bonuses, or other benefits such as pensions. The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and reflects the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.</p> <p>All Directors do have shares in GHS and the details of their shareholdings are set out on page 22 of the Annual Report.</p> |
| Q | A formal and transparent procedure for developing a remuneration policy should be established. No director should be involved in deciding their own remuneration outcome. | <p>The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and reflects the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. Consideration is also given to the level of fees in similar companies. The annual fee for members of the Board with effect from 1 January 2020 is as follows: Chairman £55,000, other Non- Executive Directors: £27,500. The total aggregate annual fees payable to Directors under the Company's Articles of Association (Articles) is £250,000, this is currently £137,500.</p> <p>Therefore, the Board is responsible for deciding the level of fees to be paid to the non-executive Directors and the Chairman and each Director abstains from voting on their individual remuneration. The details of the Remuneration Policy and Directors fees can be found on pages 22 of the Annual Report. The Board believes that maintaining a separate Remuneration Committee would add little value.</p> |
| R | Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. | The process of reviewing the Directors' fees is described above however, as there are no performance related elements of remuneration, there is very little scope for the exercise of discretion or judgement. |