

Statement of compliance with the QCA Corporate Governance Code

Chairman's Statement

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. Our report sets out in broad terms how we comply at this point in time.

Our values are based on being smart thinking, dynamic and collegiate. We act with integrity and demonstrably care about our clients and our staff. The Board believes this culture is key to creating a sustainable, growing business. This culture supports the Group's core mission to help ambitious companies grow for the benefit of their shareholders. We have a clear business model and growth strategy to expand our business by offering more services to our existing and new clients.

It is the Board's job to ensure that the Group is managed for the long-term benefit of all our clients, staff, shareholders, and our other key stakeholders, with effective and efficient decision making, including the maximising of revenue opportunities across finnCap and Cavendish. Sensible corporate governance is an important part of that job, reducing risk and adding value to our business.

The Chairman (Jon Moulton) leads the Board and is responsible for directing the Company. He manages the Board agenda and ensures that all Directors have the capability, structure and support to effectively contribute their various talents and experience in the development and implementation of the Group's strategy.

The Chairman is responsible for ensuring that the Board implements, maintains and communicates effective corporate governance processes and for promoting a culture of openness and debate designed to foster a positive governance culture throughout the Group.

In the last 12 months, Richard Snow joined our Board as Chief Financial Officer in May 2020 (with Tom Hayward continuing to serve on the Board as Chief Operations Officer and Managing Partner of Cavendish). Also in May 2020, Vin Murria resigned as a non-executive director. Vin did not serve on any Board Committees and the Company does not consider that this has had any impact on its compliance with the QCA Code.

The Board considers that it does not depart from any of the principles of the QCA Code.

Jon Moulton
Chairman

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

The 2020 Annual Report incorporates an explanation of our strategy and business model. A copy may be accessed [on our website](#).

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

The Company commits to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what investors think about us and, in turn, helping these audiences understand our business is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows and our regular reporting.

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

Shareholders are given the opportunity to raise questions at the Annual General Meeting (“AGM”) and the Directors are available both before and after the meeting for further discussion with shareholders. Due to government guidance on COVID-19, the 2020 AGM is planned to be held as a closed meeting, but shareholders are invited to submit questions by email to investor.relations@finncap.com

Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting (indeed, we have provided significantly more notice for our 2019 and 2020 AGMs). The Chairs of the Board and all committees, together with all Directors, as far as possible attend the AGM (all Directors attended the 2019 AGM) and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld are announced at the meeting. The results of the AGM are subsequently published on the Company’s corporate website.

Due to government guidance on COVID-19, the 2020 AGM is planned to be held as a closed meeting, but shareholders are invited to submit questions by email to investor.relations@finncap.com

Internally, staff also hold approximately 70% of the Company’s ordinary share capital (including Directors) and regular briefing updates are given to staff.

To request a meeting please contact: investor.relations@finncap.com

Institutional shareholders

The Directors are actively seeking to maintain a constructive relationship with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer and Chief Financial Officer, as appropriate, supported by the Company’s financial PR advisers. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results. The Board as a whole are kept informed of the views and concerns of shareholders by briefings from the Chief Executive Officer and the Chief Financial Officer. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Senior Independent Director are available to meet with shareholders if required to discuss issues of importance to them.

The Chief Executive Officer and Chief Financial Officer are primarily responsible for updating the market with developments. All the Non-Executive Directors are available to meet with major

shareholders. Feedback from such meetings with shareholders is provided to the Board to ensure the Directors have a balanced understanding of the issues and concerns of major shareholders. Trading updates and press releases will be issued as appropriate and shareholder opinion and feedback is compiled from investor meetings and reviewed by the Board.

To request a meeting please contact: investor.relations@finncap.com

The Board continually monitor the Company's shareholder base, with updates provided by the Company Secretary at each Board meeting.

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

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making. Aside from our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups. The majority of employees have an equity interest in the Company, providing strong alignment with other shareholders and the Board closely monitors feedback it receives from all shareholders to ensure alignment of interests.

Employees

Our employees are central to our success in delivering high quality service and advice to our clients. In a complex year of integration and a challenging operating environment, and after the year end with COVID-19, our employees have worked hard to support the business and to sustain our culture which is central to our employee engagement

The finnCap cultural values – Smart Thinking, Collegiate, Dynamic - were established and defined by our employees and define both how we succeed and behave and form a central part of each employee's half yearly assessment. In 2019, our Group HR Director undertook a wide staff survey, covering more than 90% of our workforce, to identify the key issues concerning employees and ensure that they were reflected in the Management Committee and Board's analysis of our business. Employees, regardless of whether they are shareholders or not, are also given an opportunity to provide input on the Group's business and strategy at regular strategy sessions led by the Group's management team.

Andy Hogarth, Senior Independent Non-Executive Director, is available to employees to discuss concerns in relation to the Group's business or operations, and his contact details have been circulated to all employees.

Clients

Our ambition to be a full-service financial services firm for ambitious growth companies requires us to provide and maintain high quality service for our clients at all times. We recognise that the success of our clients is critical to our own success and that this applies equally to our advisory clients, quoted clients and institutional clients. We have dedicated teams across sectors and advisory lines offering bespoke advice to our quoted, advisory and institutional clients based on a proper understanding of that clients' needs and often based on a relationship built over a number of years. We undertake independent, internal peer reviews of transactions to ensure that each one meets our internal standards and to identify where we can improve service. We also hold weekly client service meetings to identify client issues and resolution, a key aspect for retaining our listed client base. We believe that the effect of these processes is reflected in the number of listed clients who have remained with us for more than 5 years.

In the unusual event we fail to meet our clients' high standards, our complaints procedure ensures that executive directors are involved at an early stage. Information about complaints is circulated to the Board's Risk & Compliance Committee for appropriate oversight and in order for non-executive Directors to monitor the Group's client relationships.

Regulators and industry bodies

Our two operating companies are regulated by, inter alia, the Financial Conduct Authority and, in finnCap Ltd's case, the London Stock Exchange. We have an open and transparent dialogue with the regulatory and industry bodies that we work with and we employ leading compliance professionals to monitor and police our adherence with best practice. We also require our employees to undertake specific training on regulation and best practice as required by their roles. During 2019 we held three formal review meetings with the FCA. We were subject to no censures or disciplinary action in the period.

Community and Environment

We are committed to making a positive contribution to the wider community in which we operate including through the payment of taxes, managing our environmental impact and through creating the opportunity of employment and work experience. Our employees are actively involved in two important community charity initiatives: Stepping into Business – where we offer Enterprise programmes to school children to help them learn essential life skills for future careers in business - and Modern Muse where we provide mentors and role models to young women aged 13-18 to help them witness women in the modern workplace and encourage them to become business leaders. Through AmbitionNation we have developed Female Leaders Series events to promote and enhance equality in the workplace.

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

We operate a clearly defined robust, scalable and enterprise-wide risk management and control framework through which we aim to identify actual and potential risks and amend our controls and safeguards accordingly. This is managed through financial and non-financial controls, set out below.

Audit, risk and internal control

Financial controls

The Group has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by Executive Management, the Audit Committee, the Risk and Compliance Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- The Board is responsible for reviewing and approving overall Group strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Group including treasury, tax and dividend policy. Results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.

Non-financial controls

The Board has ultimate responsibility for the Company's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors;
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks;
- An appropriately staffed compliance department with a clear annual work plan;
- A General Counsel to ensure legal risk is properly managed and legal rigour is enforced in all our business negotiations; and
- A robust IT strategy which is vital to the security and continuity of the Group.

Further information about the Group's Risk Management Framework can be found in our 2020 Annual Report and Accounts.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chairman

The Board comprises the Non-Executive Chairman, five Executive Directors (including an Executive Deputy Chairman) and two Independent Non-Executive Directors with a gender balance of three-quarters male and one-quarter female.

The Chairman is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged. The Chief Executive Officer is responsible for the management of the Group's business and for implementing the Group's strategy.

The Board and each of its committees receive regular and timely reports on the Group's operational and financial performance. Board packs are circulated in advance of each Board meeting and minutes reviewed and approved following each meeting. The Board are able to take independent advice as well, if required.

The Board regards Andy Hogarth and Barbara Firth as independent non-executive Directors. The Board has appointed Andy Hogarth as the Senior Independent Director to be available to Shareholders if they have concerns over an issue that the normal channels of communication (through the Chief Executive Officer or the Chief Financial Officer) have failed to resolve or for which such channels of communication are inappropriate.

The Board is satisfied that it has a suitable balance between independence on the one hand and knowledge of the Group on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman uses a checklist to assess Board effectiveness on an annual basis, and the Board completed its first review in 2019. No changes were deemed necessary as a result of the review.

The Board has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

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

Further information relating to the composition and functioning of the Board may be found within the Corporate Governance Report section of our 2020 Annual Report. A copy may be accessed on our website.

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

The Chairman regularly assesses the individual contributions of each of the members of the team to ensure that:

- their contribution is relevant and effective;
- they are committed; and
- where relevant, they have maintained their independence.

The performance of the team as a unit was assessed in December 2019 to ensure that the members of the Board collectively function in an efficient and productive manner. No changes were deemed necessary as a result of the review.

The Board will consider the benefits of an external evaluation of the Board every 3 years.

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

The Board recognises that core values provide a framework which influences every level of the Group. The Chief Executive Officer takes the lead in demonstrating corporate culture, being smart thinking, collegiate and dynamic, and encourages employees to continue to contribute to the furtherance of these values. Sharing and demonstrating these values plays a major role in maintaining the best employee relations. The core values, originally developed by an employee culture committee, are clearly set out in the Employee Handbook and form a key part of Employee Performance and Development Reviews. The Human Resources and Marketing teams promote the Group's values which underpin conditions of employment and everyday working practices. The Board believes that the strong culture which is evident within the Group creates a thriving environment and helps to build a team atmosphere.

During 2019, all staff were given training on the FCA's Senior Manager and Certification Regime ("SMCR"), which included training on the expected levels of conduct. Materials have also been made available to employees on a dedicated "conduct" page of the Intranet.

The Group has in place a Whistleblowing Policy clearly set out in the Employee Handbook and includes details of how to raise concerns internally and externally.

As well as being a key supporter of Stepping Into Business, the Group supports a number of staff-led charitable initiatives.

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

The executive members of the Board have overall responsibility for managing the day-to-day operations of the Group and the Board as a whole is responsible for monitoring performance against the Group's goals and objectives. The Corporate Governance report in the Annual Report and Accounts sets out individual Board members' specific responsibilities, contributions and skills.

The roles of the various committees, including their terms of reference, are set out in the Corporate Governance section of the Company's website as follows:

<https://www.finncap.com/investors/corporate-governance> as well as in the Corporate Governance report in the Annual Report and Accounts.

Board meeting programme

The Board meets at least six times per year in accordance with its scheduled meeting calendar. Meetings are typically scheduled at least six months' in advance, to align as reasonably practicable with the Company's financial calendar, whilst also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required.

Detailed Board packs include information on all business units and financial performance and are circulated ahead of Board meetings. Key issues are highlighted and explained, providing Board members with sufficient information to enable a relevant discussion on the Board meeting.

Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Group's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board, including but not limited to ensuring responsibility for overall Company strategy, approval of major investments (whether capex or opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group through the Executive Team.

The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates.

There is no formal internal audit function. However, the Group is a small organisation and as such the CFO is close to all transactions to evaluate the efficacy of all financial information. In addition the CFO has regular conversations on an ad hoc basis with the fee generating departments in order to compare forecast review to actual and discuss any variances. However, the Audit and Risk and Compliance committees provide additional review and identifies if any further internal controls are necessary on an annual basis.

Executive team

The Executive Team consists of Sam Smith, Stuart Andrews, Tom Hayward, Richard Snow and Baron Leigh of Hurley with input from the Heads of Department. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Company's business and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

Board committees

The Board is supported by the Audit, Remuneration, Nomination and Risk and Compliance committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties.

Audit Committee

The Committee considers financial reporting and internal controls. It also reviews the scope and results of the external audit and the independence and objectivity of the auditors. It meets at least twice a year and reviews the interim and annual financial statements before they are submitted for approval by the Board. The Committee considers annually whether the auditors remain independent for the purposes of the audit and whether a separate internal audit function is required. The committee is chaired by Barbara Firth and includes Andy Hogarth.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors, Chairman of the Board and senior management of the Group and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the Directors have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The committee is chaired by Andy Hogarth and includes Barbara Firth.

Nomination Committee

The Nomination Committee comprises not less than three members, the majority of whom are Non-Executive Directors. The Committee is chaired by the Senior Independent Director unless the matter under discussion is their own succession. Other Directors are invited to attend as appropriate and only if they do not have a conflict of interest. The Committee is also assisted by executive search consultants as and when required. The Committee's principal responsibility is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. The committee is chaired by Andy Hogarth and includes Barbara Firth and Jon Moulton.

Risk and Compliance Committee

The Risk and Compliance committee meets regularly (at least six times a year) and considers and review the major risks emerging from the market and if the processes and procedures adhered to within the Group adequately manage these risks and comply with the strict regulatory environment in which the Group operates. The committee is chaired by Jon Moulton and includes Barbara Firth, the CFO, the COO, the Head of Compliance and General Counsel. This committee reports to the Board at Board meetings.

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

The Company's methodology for maintaining a dialogue with shareholders and other stakeholders is also set out in Principle 2. The Board believes that transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to.

The Non-Executive Directors attend the AGM and have the opportunity to attend other meetings with shareholders and do so from time to time or as requested. The Board is kept informed on market views about the Group.

All shareholders are invited to make use of the AGM to raise any questions regarding the management or performance of the Group. Due to government guidance on COVID-19, the 2020 AGM is planned to be held as a closed meeting, but shareholders are invited to submit questions by email to investor.relations@finncap.com

Following the Company's first AGM as a public company in 2019, the outcome of the votes were published here on the website and this is a practice the Company will continue.