

Corporate Governance report

I am pleased to present our Corporate Governance report for the year ended 31 March 2023. In what has been a very busy year for finnCap and the Board, we continue to adopt and apply the principles of the Quoted Companies Alliance's Corporate Governance (QCA Code). This report sets out how we have applied those principles during the year. We also describe our governance framework that supports the implementation of the principles, and our approach to good corporate governance. Just like last year, this report is structured under the headings of the ten QCA Code principles for ease of reference. I'm pleased to confirm the Board's belief that we have complied with the ten principles of the QCA Code throughout the year.

We have experienced a period of significant change and challenge during FY23, including:

- The continued impact of a difficult market environment, and the need to restructure our cost base and discretionary spend
- Overseeing the handover between our outgoing CEO (Sam Smith) and the appointment of her internal successor (John Farrugia)
- Managing further Executive Director change following the departures of Stuart Andrews and Tom Hayward from the Board
- Responding to the approach from Panmure Gordon
- Considering the terms of, and agreeing, the proposed all-share merger with Cenkos Securities plc (Cenkos)

I'm pleased with how the Board has responded to these challenges and worked together to make decisions in the best interests of our shareholders, colleagues and other stakeholders.

We continue to develop our governance framework and processes to ensure they meet our business needs and to support high corporate governance standards. During the year, that development has included formalising a rolling schedule of governance activity for the Board and its Committees, the establishment of the People & Culture Committee – an additional sub-committee of the Board (to provide oversight over our people strategy and initiatives, and to promote a positive culture across the business), and the introduction of an electronic Board portal to facilitate a more efficient and secure method of sharing Board papers and other materials.

Our principal committees have all reviewed and, where appropriate, updated their Terms of Reference, and the Schedule of Matters reserved to the Board has also been updated, ensuring these documents reflect our governance framework and the operation of the relevant entities.

We continue to receive updates on all relevant regulatory and corporate governance developments. Our Company Secretary provides a report to each scheduled Board meeting, including a forward-looking view of potential legislative and governance developments that may impact us in the future. The Compliance function provides regulatory updates via the Risk & Compliance Committee.

Assuming all outstanding approvals for our merger with Cenkos are received, the new Board will be chaired by Lisa Gordon and will combine executive and non-executive directors from both businesses. We share the view that good governance processes will support the future success of the combined group, and believe our respective governance structures are sufficiently similar, so the transition will not present any significant challenges.

Strategy and business model (Principle 1 of the QCA Code)

Our strategy and business model, including the key risks and challenges in delivering them, are set out in the strategic report on pages 2 to 27.

The Board regularly discusses the Group's long-term strategy and monitors the Executive team's performance in delivering that strategy. The Board also discusses Group performance against our KPIs at each meeting.

Shareholder relations (Principle 2)

The Board is committed to listening and communicating openly with its shareholders to ensure our strategy, business model and performance are clearly understood. Helping these audiences understand our business and strategy is a key part of driving our success.

The Annual General Meeting is the main forum through which the Board is available for engagement with shareholders. Through our Executive Directors (primarily our CEO and CFO), we engage with our shareholders through our investor engagement programme, including investor roadshows and our regular financial reporting.

The Board is kept informed of the views and concerns of shareholders through briefings following engagement activity conducted by the Executive Directors and Non-Executive Directors, and any significant investment reports are also circulated to the Board. All Non-Executive Directors (in particular, the Chair and Senior Independent Director) are available to meet with major shareholders. See more on Board engagement in our s172(I) statement on page 21.

Our stakeholders (Principle 3)

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions. The Board is regularly updated on wider stakeholder feedback to stay abreast of stakeholder insights into issues that matter to them and our business, so the Board can understand and consider these issues in decision-making.

In addition to our shareholders, the Board has identified our key stakeholder groups as our employees, our clients, our community and the environment, our regulators and relevant industry bodies. Information on how we engage with each key stakeholder group is on pages 23 to 24.

People & Culture Committee

The Board established a People & Culture Committee during FY23. The Committee is chaired by Annette Andrews, and its members include Barbara Firth (Independent Non-Executive Director), the CFO, the HR Director and the Group Head of Compliance. The Committee's primary role is to provide oversight and input into the development of key people policies (including culture and conduct).

The People & Culture Committee met four times during the year. It discussed key initiatives around diversity and inclusion facilitating regulatory conduct and employment law refresher training to the Board and senior executives, and reviewing potential HR and whistleblowing platforms to support more efficient and effective processes and reporting.

Risk management (Principle 4)

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, ensure appropriate controls and safeguards are in place, and mitigate risks within agreed risk appetite.

The Board has ultimate responsibility for the systems of internal control and risk management, with oversight of financial risk management systems and internal controls delegated to the Audit Committee. The Risk & Compliance Committee has delegated responsibility for assessing the quality, integrity, implementation and reliability of the Group's risk management processes. The Audit Committee and Risk & Compliance Committee reports are on pages 36 and 37 respectively. Given the size of the business and the Board, and in order to support a more efficient process in the oversight of risk management and internal control effectiveness, the Board intends to merge the Audit and Risk & Compliance Committees into a single entity during FY24.

Further information on our approach to risk management and the principal risks facing the Group is on pages 13 to 18.

Key financial and non-financial controls are set out below:

Financial controls

- The Board is responsible for reviewing and approving overall Group strategy, approving revenue and capital budgets and plans, and determining our financial structure, 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, 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 profit, cash flows, capital expenditure and balance sheets. Results are reported against budget and compared with the previous year, and forecasts for the current financial year are regularly revised in the light of actual performance.

Non-financial controls

The principal elements of the internal control system include:

- Close management of the Group's day-to-day activities by the Executive Directors
- An organisational structure with defined levels of responsibility to promote entrepreneurial decision making and rapid implementation, while minimising risks
- An appropriately staffed compliance department with a clear annual work plan
- A robust IT strategy, which is vital to the Group's security and continuity.

The Board (Principle 5)

The Board oversees corporate governance, and it is the Board's job to ensure finnCap Group plc is managed for the long-term benefit of our clients, employees, shareholders and other key stakeholders, with effective and efficient decision-making, including maximising revenue opportunities across our trading subsidiaries.

As at the date of this report, the Board comprises: the Chair, three Executive Directors and three Independent Non-Executive Directors, with a gender balance of 72% male and 28% female directors. The Board is satisfied this is an appropriate balance

between independence and knowledge so it can 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 Board has effective procedures to monitor and deal with conflicts of interest, including recording other external commitments and interests of its Directors.

The Board has delegated specific responsibilities to various Committees as follows:

- The Nominations Committee is responsible for receiving and recommending changes to the composition of the Board and its Committees
- The Remuneration Committee is responsible for overseeing the Group's overall Remuneration policy and the remuneration of the Executive Directors
- The Audit Committee is responsible for overseeing financial performance, financial risk, internal controls and external audit.
- The Risk & Compliance Committee is responsible for overseeing finnCap's risk management policies

Further information on each of the Board Committees is in their respective reports in this Annual Report.

Board and Committee Meetings

The Board has regular scheduled meetings at least six times a year and meets at other times as necessary. At its scheduled meetings, the Board reviews financial performance, strategy and key risks, and monitors KPIs. Detailed Board packs are prepared and circulated several days in advance of formal scheduled meetings and all Directors receive appropriate information on a timely basis so they can discharge their duties accordingly.

During FY23, we introduced an online Board portal to support a more efficient and secure approach to managing Board and Committee meetings and to distributing papers and other materials to the Board. The system is used to support all Board and committee meetings, and for the quarterly meetings of the Boards of the Group's trading subsidiaries. It is also a document library for previous meeting documents, key governance documents and other materials to which Board and Committee members may wish to refer.

Attendance at Board and Committee meetings during the year ended 31 March 2023 is outlined in the table below. For directors who were appointed to, or stepped down from the Board during the year, the table reflects their attendance at meetings from the relevant date.

<i>Directors</i>	<i>Position</i>	<i>Board (6 meetings)*</i>	<i>Nominations Committee (2 meetings)</i>	<i>Audit Committee (4 meetings)</i>	<i>Remuneration Committee (7 meetings)</i>	<i>Risk & Compliance Committee (5 meetings)</i>
Robert Lister	Chair (Non-Executive Director)	6	2	4	7	5
John Farrugia (appointed 8 July 2022)	CEO	4				
Richard Snow	CFO	6				4
Geoff Nash (appointed 8 July 2022)	Executive Director					
Annette Andrews	Independent Non-Executive Director	6	2		7	
Andy Hogarth	Senior Independent Director	6	2	4	7	
Barbara Firth	Independent Non-Executive Director	6	1	4	7	5
Past Directors						
Sam Smith (stepped down 1 September 2022)	CEO	2				
Stuart Andrews (stepped down 15 May 2022)	Managing Director, finnCap	-				
Tom Hayward (stepped down 20 January 2023)	COO	5				4

* In addition to the six scheduled Board meetings, the Board also met at short notice on a further twelve occasions during the year. These additional meetings were predominantly to discuss CEO succession, the approach from Panmure Gordon in Q3 FY23, and the proposed all-share merger with Cenkos in Q1 FY24. In general, all Directors attended these additional meetings. On the rare occasions when a Director was unable to attend, the Chair ensured the Director was fully briefed either before or after the meeting to capture their views.

Roles and responsibilities

Chair

Robert Lister is our Non-Executive Chair. He is responsible for the effective leadership, operation and governance of the Board, ensuring all Directors contribute effectively to the Board's discussions and our strategic development. He also ensures our culture and values are reflected in how the Board operates.

Independent Non-Executive Directors

Annette Andrews, Barbara Firth and Andy Hogarth are considered by the Board as Independent Non-Executive Directors (NEDs). The NED role is to oversee and scrutinise the Executive Directors' performance. Our NEDs are expected to devote enough time for the proper performance of their duties, equating to approximately two to three days a month, including attending all Board and Committee meetings for which they are members (or which they chair). In FY23, significantly more time was needed, given the additional meetings and corporate activity.

Executive Directors

The Executive Directors are responsible for day-to-day business management and, in the case of the CEO, the Group's strategic development. They have general authority to manage our business, subject to a list of matters reserved for consideration by the Board.

The CEO and CFO sit on the boards of the Group's trading subsidiaries, finnCap Ltd and Cavendish Corporate Finance LLP, (with Geoff Nash) and are the regulated entities' 'Senior Managers' for the purposes of the Senior Managers & Certification Regime (SMCR). They meet regularly in this capacity, reviewing matters relating to risk management, legal and compliance issues, employee conduct, technology risks, financial procedures and other issues as required.

To support the Executive Directors in managing the business, finnCap Group plc has established a Group Executive Committee, comprising the Executive Directors, a Senior Partner in finnCap Cavendish, the Co-Heads of Corporate Finance, the Head of Equities and the Head of HR. The Group Executive Committee meets [weekly] to monitor implementation of our strategy.

Subsidiary committees

finnCap Ltd and Cavendish Corporate Finance LLP, as the Group's operating subsidiaries, each have an Executive Committee (ExCom), comprised of key revenue generators and department heads. Each ExCom meets regularly to discuss and decide on matters specific to the relevant subsidiary's business, performance and employees.

finnCap Ltd and Cavendish also each have new business committees that consider taking on new clients or transactions. finnCap Ltd has other committees including a Nomad Committee, Sponsor Committee and Opinions Committee, which assist in meeting finnCap Ltd's regulatory obligations in providing services to its clients.

Directors' skills and capabilities (Principle 6)

The Board has a blend of sector, financial and listed company experience, and the Executive Directors have broad experience in financial services, investment banking and M&A.

With the support of our Company Secretary, nominated advisor (Nomad) and other advisors, the training and development needs of the Board are met through regular updates on legal, regulatory and governance issues as appropriate. During FY23, all Board directors attended regulatory and employment law training workshops facilitated by our legal advisers. These sessions ensured all Directors were fully briefed in developments in regulator expectations around financial and non-financial conduct.

On joining the Board, Directors receive a tailored induction programme, including meetings with members of the Board and senior management, access to Board and Committee papers and minutes, and meetings with relevant external advisers, including finnCap Group plc's Nomad. As the only Board appointments during the year were internal, and both John Farrugia and Geoff Nash are long-serving senior employees, there was no specific induction process beyond Nomad briefings and provision of Board-related information.

Biographies of each Director, including details of their experience and roles on the Board, are on page 28.

Board performance evaluations (Principle 7)

The Board evaluated its own performance in FY23 through an internally facilitated process. Each Director was asked to identify areas of effectiveness and good practice, and areas of the Board's operation that could be improved. This approach was adopted to elicit more qualitative feedback than from a standard questionnaire-based approach. The Company Secretary collated the responses, which were then reviewed by the Chair and discussed at the Board meeting in May 2023.

In general, the feedback was that the Board had operated well given the circumstances of a very challenging year. Board relationships are felt to be constructive, with an appropriate level of challenge and debate at Board meetings. Recognising the significant management distractions during the year, the feedback also indicates that although the quality of executive reports to the Board is good, there are opportunities to improve KPI reporting and strategic updates.

The Board will use this feedback to continue to develop and improve its process and individual executive director performance during FY24. The Board intends to continue to conduct an annual performance evaluation process, with the format of the FY24 process to be discussed and agreed during the year.

The Chair is responsible for an annual appraisal of CEO's performance, and the CEO for each of the other Executive Directors.

Corporate culture (Principle 8)

The Board recognises that core values provide a framework that influence every level of our organisation. Our values are smart thinking, collegiate and dynamic. All employees are encouraged to live our values at work as we believe sharing and demonstrating these values plays a major role in creating an enjoyable work environment and engaging our employees. These values are set out in our Employee Handbook and form a key part of employee performance and development reviews.

All employees receive training on the FCA's Senior Manager and Certification Regime (SMCR), which applies to the Group's regulated subsidiaries finnCap Ltd and finnCap Cavendish. This includes training on expected levels of conduct. Materials are also available to employees on our intranet. Employee conduct is a standing item on Risk & Compliance Committee's agenda, the quarterly meetings of the Group's Senior Managers, and the Group and regulated subsidiaries' Executive committees.

The Board receives feedback on Group culture through updates from the Executive Directors, including employee engagement surveys, and direct interactions with employees. Updates are also provided following each meeting of the People & Culture Committee.

Whistleblowing

The Group has well-established policies on whistleblowing and financial crime. Employees may report in confidence, and anonymously if preferred, any concerns they may have about suspected impropriety or wrongdoing in any matters affecting the business. No matters were reported in the year.

Governance structure (Principle 9)

The Board is satisfied that our governance structures and processes are fit for purpose. The roles and responsibilities of the Board, its Committees and Directors are described above and in the reports of the principal Committees set out in this Annual Report.

There is a formal Schedule of Matters reserved to the Board, including but not limited to ensuring responsibility for overall strategy, approval of major investments (capital expenditure or operational expenditure), approval of external financial reporting, annual budgets, dividend policy, and Board structure. The Board also monitors the exposure to key business risks, and reviews the strategic direction of the Group's trading subsidiaries, their annual budgets and their performance in relation to those budgets.

Each of the Board's Committees operates under specific Terms of Reference approved by the Board and reviewed annually, available on our website: www.finncap.com

Our governance framework is supported by robust internal controls, delegated authorities and authorisation processes, and these are reviewed on an ongoing basis so they operate effectively.

Shareholder and stakeholder communications (Principle 10)

Our approach to maintaining a dialogue with shareholders and other stakeholders is explained in *Shareholder relations (Principle 2)* and *Our stakeholders (Principle 3)* above. The Board believes transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to.

Our website (www.finncap.com) provides information about our business activities, access to all regulatory announcements and copies of all our Annual Reports to date.

Our Non-Executive Directors attend the AGM and can attend other meetings with shareholders, and do so from time to time or as requested. All shareholders are invited to attend the AGM to raise any questions regarding the Group's management or performance.

Robert Lister

Chair

12 July 2023