

Governance

Introduction

The Board recognises the importance of high standards of corporate governance and considers that the Company's success is enhanced by the imposition of a strong corporate governance framework.

The Board has agreed to apply the Quoted Companies Alliance Corporate Governance Code ("the QCA Code"). The QCA Code is based around 10 broad principles of good corporate governance, aimed at delivering growth, maintaining a dynamic management framework and building trust. The application of the QCA Code requires Cenkos to apply these 10 principles and to publish certain related disclosures on its website and within its Annual Report.

The Board does not consider there to be any practices that differ from the expectations set by the QCA Code during 2021.

The following sets out how Cenkos has measured itself against these principles in terms of the substance and form of good Corporate Governance.

The QCA Code has ten principles of corporate governance that the Company has committed to apply within the foundations of the business. These principles are:

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

There follows a short explanation of how the Company applies each of the principles.

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

Over the past 18 years the Company has established a successful platform that has been profitable in every year of its existence and delivered strong returns to shareholders. The prime strategy is to become the pre-eminent UK institutional broker to growth companies and investment funds admitted to trading or listed on a UK market. We aim to achieve this through:

- Understanding the needs of our clients, enabling us to deliver successful fund raisings and advice through an innovative and entrepreneurial approach.
- Delivering sustainable, diversified and growing income streams.
- Growing revenues by retaining existing clients and gaining new clients.
- Creating a strong team culture aimed at attracting and developing talent.
- Using our strong balance sheet and capital position to grow the business.
- Managing costs and risks carefully.
- Upholding a strong ethical and regulatory culture.
- Delivering increased shareholder returns.

We have an integrated business model that allows the combined expertise from within the Company to work together for the benefit of our clients.

Our business is about providing an integrated service to our clients. We offer advice and access to equity finance at all stages of our clients' development and provide corporate finance, Nomad and broking, research and execution services to small and mid-cap growth companies and investment funds across a wide range of sectors.

Further details concerning the Company's strategy and business model can be found on pages 5 to 8 of the Company's 2021 Annual Report and Accounts.

Principle Two: Seek to understand and meet shareholder needs and expectations.

The Board believes that it is important to maintain open and constructive relationships with shareholders and is committed to this. During the year, the Chief Executive Officer was in regular contact with the Company's major institutional shareholders and was responsible for ensuring that shareholders' views were communicated to the Board. As well as being in dialogue with the institutional shareholders, the Chief Executive Officer was in regular dialogue with several significant individual shareholders. Internally, staff also hold approximately 20% of the Company's ordinary share capital and regular briefings and updates are provided to staff.

Principle Three: Considering wider stakeholder and social responsibilities.

The Board recognises that the long-term success of the Company is reliant upon open communication with its internal and external stakeholders: shareholders, clients, regulators and of course its employees. The Company has close ongoing relationships with a broad range of its stakeholders and provides them through regular contact with the opportunity to raise issues and provide feedback to the Company.

Further details concerning the Company's wider stakeholder and social responsibilities can be found on pages 18 to 20 of the Company's 2021 Annual Report and Accounts.

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

The Board is responsible for determining the Company's risk appetite and for ensuring that the risk management framework is appropriate and operating effectively. The day to day management of risk has been delegated by the Board to the senior managers across the Firm overseen by the Executive Committee and underpinned by proportionate systems and controls. The management of risk is embedded into the Company's culture where each employee takes on the responsibility of ensuring that the management of risk is built into all their working practices. The Company continues to develop its risk management framework and an IT Solutions provider is assisting in enhancing the risk management framework, in implementing an automated system to assist management on reviewing its risk.

Further details concerning the Company's risk management framework can be found on pages 13 to 16 of the Company's 2021 Annual Report and Accounts.

Principle Five: Maintain the Board as a well-functioning, balanced team led by the Chairman; and **Principle Six:** The directors have the necessary up to date experience, skills and capabilities.

The Board has been undergone a number of changes to its composition and these changes are detailed further on page 32.

The Board currently consists of two Executive and three Non-executive Directors. The Directors collectively bring a broad range of business experience to the Board which is considered essential for the effective management of the Company. The Board is responsible for strategic and major operational issues affecting the Company. It reviews financial performance, regulatory compliance, monitors key performance indicators and will consider any matters of significance to the Company, including corporate activity. Certain matters can only be decided by the Board, and these are contained in the schedule of matters reserved to the Board. The Board also delegates certain responsibilities to committees of the Board and reviews the decisions of those committees at each of its meetings. The day-to-day management of the Company's business is delegated to the Chief Executive Officer. He is assisted by the Executive Committee. The Non-executive Chairman is responsible for leading the Board, ensuring its effectiveness, and steering its agenda. The Non-executive Directors bring independent judgement, knowledge, and experience to the Board.

Further details concerning the current Directors and their biographies can be found on pages 29 to 30 of the Company's 2021 Annual Report and Accounts.

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

An evaluation of the performance of the Board was undertaken by the Non-executive Chairman of the Board in respect of 2021. The evaluation followed on from previous issues that arisen in respect of the 2020 evaluation. The evaluation process included Board members having individual meetings with the Non-executive Chairman and also completing a questionnaire. The review assessed if improvements had been made following a number of recommendations made in the 2020 evaluation in respect of board structure, functionality, administration, management, strategy, and succession planning. The Chairman assessed the feedback and reported her findings to the Board. Some of the main themes and recommendations resulting from the Board evaluation included:

- Increasing the employee engagement process;

- Enhancing the flow and content of management information to the Board to allow the Board to have more time to consider strategic issues;
- Further development on the Company's strategy and on its business plans; and
- Further consideration on succession planning to include the senior and middle management levels.

The performance of the Chief Executive Officer is appraised annually by the Chairman. The performance of the remaining executive Directors is appraised annually by the Chief Executive Officer.

Further details including an explanation of how the evaluation was undertaken and the results of evaluation can be found on page 33 of the Company's 2021 Annual Report and Accounts.

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

The corporate governance arrangements that the Board has adopted are designed to instil a firm ethical code to be followed by all staff. The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company which in turn will impact the Company's performance. The Company strives to achieve and maintain an open and respectful dialogue with shareholders, clients, regulators, and its staff. The importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

During the year, all staff members undertook relevant training on the FCA's Senior Manager and Certification Regime. This culture is reinforced by all staff having to also undertake compulsory mandatory online training on various regulatory and compliance related issues as well as on ethical values and behaviours with the Chartered Institute for Securities and Investment.

To assist in strategic and organisational change initiatives, corporate cultural developments, and employee engagement a number of initiatives have been undertaken in 2021 to improve the culture and employee engagement in the Company.

Further details including Culture and Engagement can be found on page 22 of the 2021 Annual Report and Accounts.

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

The ultimate authority for all aspects of the Company's activities rests with the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved for the Board. Certain responsibilities have been delegated to Board committees. The respective Chairman of those committees reports on those committee issues to the Board. The Chairman is responsible for the effectiveness of the Board, while the Chief Executive Officer is responsible for the executive running of the Company on a daily basis.

The Board retains full and effective control over the Company and holds regular meetings at which financial, operational, regulatory, and other reports are considered. The Board is responsible for the Company's strategy and key financial and compliance issues.

There are certain matters that are reserved for the Board, they include:

- approval of the Company's strategic aims and objectives;
- review of the Company's performance and ensuring that any necessary corrective action is taken;
- strategic acquisitions or disposals;

- any decision to cease to operate all or any part of the Company's business;
- major changes to the corporate structure and management and control structure;
- any changes to the Company's listing;
- changes to governance and key business policies;
- ensuring maintenance of a sound system of internal control and risk management;
- financial reporting and approval of half yearly and annual report and accounts and preliminary announcements of final year results; and
- reviewing material contracts and capital projects and contracts not in the ordinary course of business.

The Board has delegated certain functions to Board Committees. The respective Chairman of those Committees report on those Committee issues to the Board. The three main Board Committees are:

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises all the Non-Executive Directors and is chaired by Jeremy Miller. The Committee has primary responsibility for: monitoring the quality and effectiveness of internal controls and the risk management systems; and ensuring that the financial performance of the Company is properly measured and reported. It receives reports from Company advisors and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Committee meets not less than three times year and it has unrestricted access to the Company's auditors.

Remuneration Committee

The Remuneration Committee comprises all the Non-Executive Directors and is chaired by Andrew Boorman. It determines salary levels, discretionary bonuses and the terms and conditions of service of the Executive Directors. It makes its decisions in consultation with the Chief Executive Officer. No Director plays a part in any decision about their own remuneration. This Committee also reviews bonus and equity arrangements for the Company's other senior employees and in addition has responsibility for supervising the incentivisation schemes and plans.

Nominations Committee

The Nominations Committee comprises the Non-Executive Directors band is chaired by Lisa Gordon the Non-executive Chairman. It will consider appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition.

Further details concerning the reporting and governance structure of the Board and its Committees can be found on pages 31 to 34 of the Company's 2021 Annual Report and Accounts.

Principle Ten: Shareholder Communication

The Board believes that it is important to maintain open and constructive relationships with shareholders. The Chairman and the Chief Executive Officer is in regular contact with the Company's major institutional shareholders throughout the year and is responsible for ensuring that shareholders' views are communicated to the Board.

All shareholders can raise questions with the Board at the Annual General Meeting and are encouraged to attend. However, due to the lockdown restrictions that were in place, this meeting was held as a closed meeting in 2021. The results of all General Meetings are announced as soon as possible following the conclusion of the meeting.

All result announcements, annual reports, regulatory news announcements and items detailing recent transactions concerning clients are made available on the Company's website (www.cenkos.com).

The Chief Executive Officer meets regularly whether by video, conference call or in person with the main institutional shareholders and with the larger individual shareholders at least twice a year (normally after the announcement of the interim and final results of the Company). The staff also hold approximately 20% of the Company's ordinary share capital and regular briefings and updates are also provided to staff by the Chairman and Chief Executive Officer.

Further details detailing how the Company maintains a dialogue with shareholders and other relevant stakeholders can be found on pages 18 to 20 of the Company's 2021 Annual Report and Accounts

Dated: 18 March 2022