

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.
- Delivering increased shareholder returns.

We have an integrated business model that, subject to regulatory and legal provisions, allows the combined expertise from within the Company to work together for the benefit of our clients.

We offer advice and access to equity finance at all stages of our clients' development.

We 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, investment funds and increasingly larger companies.

We focus on companies that seek admission of their shares to trading on the UK's LSE's AIM or Main Market or companies that are already quoted on those markets.

Further details concerning the Company's strategy and business model can be found on pages 6-7 of the Company's 2020 Annual Report and Accounts.

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

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders.

The Board believes that it is important to maintain open and constructive relationships with shareholders and is committed to this. The Chairman and the Chief Executive Officer are in regular contact with the Company's major institutional shareholders and they are responsible for ensuring that shareholders' views are communicated to the Board. As well as being in dialogue with the institutional shareholders the Chief Executive Officer is also in regular dialogue with several significant individual shareholders. Internally, staff also hold approximately 25% of the Company's ordinary share capital and regular briefing updates are given 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 other stakeholders. The Company has close ongoing

relationships with a broad range of its stakeholders and provides them via regular contact with the opportunity to raise issues and provide feedback to the Company.

Further details concerning Stakeholder Interests and Engagement are detailed on pages 19 to 20 of the Company's 2020 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 Group'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 executives 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 our working practices.

Further details concerning the Company's Risk Management Framework can be found on pages 14 to 17 of the Company's 2020 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.

During 2020 several changes to the Board's composition took place these are detailed further on page 32 of the Company's 2020 Annual Report and Accounts. Since the publication of the Company's 2020 Annual Report and Accounts Jim Durkin retired from the Company on 12 May 2021 and from the position of Chief Executive Officer. Julian Morse was appointed to this position. Jeremy Osler was appointed as an Executive Director of the Company on 12 May 2021.

As at 1 December 2021 the Board 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.

Further details concerning the individual Directors and their biographies can be found on pages 29 to 30 of the Company's 2020 Annual Report and Accounts, and the Company's website.

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

An evaluation of the performance of the Board and its Committees was undertaken by the Non-Executive Chairman of the Board in respect of 2020. This took place at the end of 2020 and at the beginning of 2021. The evaluation process included a written questionnaire for completion by each Director. The review assessed a number of Board issues

including composition, 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:

- Continue to increase the employee engagement process including the introduction of regular presentations by senior staff and heads of department to the Board
- Broaden the focus on succession planning to include the senior and middle management levels.
- Considering enhancements of the flow and content of Management information to the Board to allow the Board to have more time to consider strategic issues.

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.

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 their 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.

We seek to maintain the highest standards of business conduct to ensure good outcomes for our clients and thereby help safeguard our reputation for the long term. To achieve this, we seek to retain experienced staff who can build professional relationships and trust by acting with honesty, fairness, reliability and competence. Our corporate and investment trust clients are at the core of what we do and a key factor in determining the long-term success of the business is that over half of our clients having been with the Company for more than five years. Our people are key to maintaining these long-term relationships, offering continuity and a high level of service.

During 2020, 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 (CISI). The Company support staff development through Continuous Professional Development programmes supported by the CISI, other relevant professional bodies and through ongoing support from legal and other professional service providers.

Also, to assist in strategic and organised change initiatives, corporate cultural development, and employee engagement an external firm was appointed to undertake a cultural assessment. Following this various enhancements and actions have been undertaken in 2020 and 2021 to improve the culture and employee engagement in the Company.

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

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 Group'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 Group'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 2020 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 also can raise questions with the Board at the Annual General Meeting. All members of the Board are normally available to answer questions at that meeting. The results of all General Meetings are announced as soon as possible following the conclusion of the meeting. If a significant proportion of votes was ever cast against a resolution by shareholders in General Meeting, the Company would, on a timely basis, provide an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

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 25% of the Company's ordinary share capital and regular briefings and updates are also provided to staff by the Chairman and Chief Executive Officer.

Dated: 22 March 2021

Updated on 1 December 2021