

## **CITY OF LONDON GROUP PLC ("COLG" or "the Company")**

### **SCHEDULE OF MATTERS RESERVED TO THE BOARD**

*In constructing the Reserved Matters for the City of London Group (COLG) board, due consideration was made with respect to the objective of achieving an appropriate and effective balance between the responsibilities and obligations of the AIM Rules to which COLG must adhere, with the Regulatory requirements applicable to subsidiary companies such as Recognise Financial Services Ltd (RFSL).*

The following is a schedule of matters which are reserved to the COLG Board from time to time (the "Board") for decision.

In this document the following terms have the following meanings:

**The Company:** City of London Group plc (COLG)

**Group:** City of London Group plc (COLG) and its subsidiaries from time to time

#### **1. Role and key principles of the Board**

The role of the Board is to:

- 1.1 Assume responsibility for the overall leadership of the Group and set the Group's values and standards;
- 1.2 Approve the Group's strategic aims for long term success, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and regulatory requirements and review management performance;
- 1.3 Set, instill and monitor the Group's culture, values and standards in the Boardroom and throughout the Group, which are centered firmly on the customer;
- 1.4 Act in the best interests of the shareholders and the Company and in accordance with the Directors' duties under UK law, including those set out in sections 171 to 177 and 182 of the Companies Act 2006 (and any successor legislation from time to time in force);
- 1.5. Review the Group's performance in light of the Group's strategic aims, objectives, business plans and budgets, and regulatory obligations and ensure that any necessary corrective action is taken;
- 1.6. Make well-informed decisions based on a clear line of sight into the Group's business; and
- 1.7. Oversee the application of Group policies and procedures adopted in accordance with this document throughout the Group.

#### **2. Matters Reserved for the Board**

- 2.1 The Board delegates certain of its authority to its authorised and constituted committees, and to its Subsidiary Boards. Those matters which are reserved for the Board's approval and cannot be delegated are set out below.

### **3. Strategy and management**

- 3.1 Review and approve the Group's corporate strategy from time to time;
  - 3.2 Approve any strategic proposals and major operational issues at the Group level;
  - 3.3 Approve the overall annual operating and capital expenditure budgets and three year business plans for the Group ("the Group Budget and Plan") and any material changes to them. So far as Recognise is concerned, such approval will extend automatically to any matter within the Recognise annual operating and capital expenditure budgets and three year business plan ("the Recognise Budget and Plan") which is put to the Board within the Group Budget and Plan;
  - 3.4 Review and monitor business results and performance against the Group Budget and Plan in light of the Group's strategic aims and objectives, taking into account the applicable legal and regulatory framework;
  - 3.5 Oversee the Group's operations ensuring:
    - 3.5.1 competent and prudent management
    - 3.5.2 sound planning
    - 3.5.3 maintenance and sound management of an adequate system of internal control
    - 3.5.4 adequate accounting and other records and financial reporting policies and procedures
    - 3.5.5 compliance with statutory and regulatory obligations;
  - 3.6 Challenge management, including discussing all strategic proposals, such as new distribution channels, key risk policies and major operational issues;
  - 3.7 Review, approve and monitor major investments, divestments and strategic commitments, including cessation of any of the Group's businesses (or a material part of those businesses) or entry into new businesses or geographic locations. So far as Recognise is concerned, such approval will extend automatically to any matter within the Recognise Budget and Plan which has already been put to the Board within the Group Budget and Plan; and
  - 3.8 Approve any proposal to wind up any member of the Group or other voluntary proceeding seeking liquidation, administration, reorganisation, readjustment or other relief under any bankruptcy, insolvency or similar law.
- ### **4. Structure and capital**
- 4.1 Approve major changes to the Group's capital structure, such as reduction in capital, share issues and share buy backs (including the use of treasury shares);
  - 4.2 Approve the allotment of shares in the Company and allotment of shares in subsidiaries (where this is other than to companies within the Group);

- 4.3 Acquisitions and disposals of shares (of the Company and of its operating subsidiaries) where the consideration exceeds £3,000,000 (including such acquisitions or disposals between companies within the Group);
- 4.4 Approve major changes to the Group's corporate structure, including, but not limited to acquisitions and disposals of shares, businesses or undertakings which are material relative to the size of the Group (taking into account initial and deferred consideration), and material transactions, equity investments, acquisitions, mergers or disposals. So far as Recognise is concerned, such approval will extend automatically to any matter within the Recognise Budget and Plan which has already been put to the Board within the Group Budget and Plan;
- 4.5 Approve changes to the Group's management and control structure;
- 4.6 Approve the Group regulatory capital requirements and the basis for allocation of capital through the annual Group Budget and Plan as well as the Consolidated Internal Capital Adequacy Assessment Process (ICAAP) and Consolidated Internal Liquidity Adequacy Process (ILAAP); and
- 4.7 Approve any amendments to (including any request for cessation or suspension of) the Company's admission to trading on AIM or its status as a public limited company.

## **5. Financial reporting and Regulatory Matters**

- 5.1 Approve the half-yearly report, and any preliminary announcement of the full year results;
- 5.2 Approve the annual report and accounts, including the strategic report, corporate governance statement, audit committee report and directors' remuneration report;
- 5.3 Approve the Company's dividend policy;
- 5.4 Declare any interim dividend or distribution payment and recommend to shareholders any final dividend payment or distribution;
- 5.5 Approve any significant changes in accounting policies or practices;
- 5.6 Approve the Company's treasury policies including foreign currency exposure and the use of financial derivatives;
- 5.7 Approve the appointment, re-appointment or removal of the external auditor to be put to shareholders in general meeting;
- 5.8 Approve the remuneration of the external auditor;
- 5.9 Approve material unbudgeted capital or operating expenditures (outside pre-determined tolerances);
- 5.10 Approve any transaction that has the potential to impact adversely, by £5,000,000 or more, on the Group's regulatory capital or which would cause the Group's capital adequacy to fall below the minimum level agreed with the relevant regulator; and

- 5.11 Approve donations to registered parties (namely parties registered under Part II of the Political Parties, Elections and Referendums Act 2000).

## **6. Internal controls and Risk Management**

### **Following recommendations by the Group Audit & Risk Committee as appropriate:**

- 6.1 Oversee and ensure the maintenance of a sound system of internal control and risk management, including:
- 6.1.1 Approving procedures to identify the main risks associated with the Group's business and the implementation of appropriate systems to manage these risks;
  - 6.1.2 Approving the Group's risk appetite statements and risk management framework;
  - 6.1.3 Receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives;
  - 6.1.4 Approving Group procedures for the detection of fraud and the prevention of bribery and undertaking an annual assessment of these processes;
  - 6.1.5 Approving the statement on internal controls and risk management for inclusion in the Annual Report;
  - 6.1.6 Ensuring that the subsidiary Boards:
    - a) establish, maintain and implement appropriate systems to plan and control Group operations and risks and to comply with relevant legislation and regulations; and
    - b) provide regular and sufficient information to the Board, to enable it to comprehend fully the major risks faced by the Group and to discharge its monitoring duties in relation to these matters; and
  - 6.1.7 undertaking an annual assessment of these processes.

## **7. Contracts**

- 7.1 Approve major capital projects or investments entered into by the Company, or any of its subsidiaries, where total development costs exceed £5,000,000, or which are otherwise transformative in nature, and oversee the execution and delivery of those investments. So far as Recognise is concerned, such approval will extend automatically to any matter within the Recognise Budget and Plan which has already been put to the Board within the Group Budget and Plan;
- 7.2 Approve any financially or strategically material contracts including outsourcing entered into by the Company, or any of its subsidiaries. So far as Recognise is concerned, such approval will extend automatically to any matter within the Recognise Budget and Plan which has already been put to the Board within the Group Budget and Plan;
- 7.3 Approve any contract, entered into by the Company, or any of its operating subsidiaries, where the consideration (or aggregate consideration) exceeds £1,000,000;
- 7.4 Approve and oversight of any acquisition or disposal of interests of more than 3 per cent in the voting shares of any company or the making of any takeover offer;

- 7.5 Approve the borrowing or raising money which would result in the Group's aggregate borrowing exceeding £100,000,000;
- 7.6 Creating or granting any encumbrance over the whole or any part of the business, undertaking or assets of the Group or over any Shares or agreeing to do so save, in each case, to the extent that such encumbrance is connected with borrowings which do not require approval under clause 7.5 above; and
- 7.7 Approve any guarantees, indemnities, letters of comfort or letters of support, outside the ordinary course of business of the Group or which represent amounts above £1,000,000.

## **8. Delegation of Authority**

- 8.1 Establish and maintain Group Board Committees and approve their terms of reference from time to time;
- 8.2 Set out the division of responsibilities between the Chair, the Chief Executive Officer and other executive directors, which should be clearly established, in writing and agreed by the Board; and
- 8.3 Receive reports from Board committees on their activities.

## **9. Board composition and appointment**

*Following guidance and recommendations from the Nomination Committee, where appropriate:*

- 9.1 Approve changes to the structure, size and composition of the Board, as well as appointments to the Board and Board committees, including committee chairs;
- 9.2 Approve the appointments of the Board Chair and the Chief Executive Officer;
- 9.3 Approve the appointment of the senior independent director;
- 9.4 Approve the re-appointment of Non-Executive Directors at the end of their term of office;
- 9.5 Approval of the appointment and removal of the Group Company Secretary;
- 9.6 Be advised of the proposed appointments of Directors to Subsidiary Boards, before such appointments are formalised;
- 9.7 Determine the independence of non-executive directors in light of their character, judgement and relationships;
- 9.8 Periodically review succession planning for the Board and senior executives to ensure it is adequate and will maintain an appropriate balance of skills and experience within the Group and on the Board;
- 9.9 Approve the Board's diversity policy promoting diversity on the Board and the associated targets and actions on how to increase representation both on the Board, and across the Group; and

- 9.10 Consider the continuation in office of any director at any time other than one director nominated by Max Barney Investments Limited, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and the terms of their service contract.

## **10. Remuneration**

*Following recommendations from the Remuneration Committee and subject always to applicable law and regulations (including banking regulations):*

- 10.1 Approve the Company's remuneration strategy and policy;
- 10.2 Determine the remuneration of the non-executive directors, subject to any limits in the articles of association; and
- 10.3 Approve any compensation payments to be made by the Company, in line with its remuneration policy, following the termination of the appointment of any director or the Company Secretary.

## **11. Communication**

- 11.1 Approve media releases concerning matters decided by the Company's Board;
- 11.2 Approve any circulars, prospectuses, listing particulars and related press releases and announcements, and any resolutions to be put to shareholders in general meeting; and
- 11.3 Review and approve the Group PR strategy.

## **12. Corporate governance**

- 12.1 Oversee the Group's overall corporate governance arrangements, including compliance with the relevant laws and regulation which are applicable to the Group;
- 12.2 Authorise conflicts of interest or potential conflicts of interest of Directors where permitted by the Company's Articles of Association;
- 12.3 Undertake a formal and rigorous annual review of the Board's own performance, its Committees and individual Directors, reviewing the results, conclusions and recommendations and taking any necessary actions; and
- 12.4 Ensure there is a satisfactory dialogue with shareholders and receive regular reports on their views.

## **13. Policies**

Monitor, review and approve the Company's Policies which may include but are not limited to the following:

- Code of Conduct
- Anti-Money Laundering policy
- Fraud and Bribery prevention policy

- Whistleblowing policy
- Share dealing policy
- Inside information policy
- Health and safety policy
- Environmental and sustainability policy
- Communications policy
- Corporate social responsibility policy
- Charitable donations policy
- Remuneration policy
- Anti-Facilitation of Tax Evasion policy
- Data Protection/GDPR policy
- Modern Slavery policy
- Equality and Diversity policy
- Group Tax Strategy
- Pension policy
- Human Resources policy

#### **14. Other**

- 14.1 Approve the arrangements for overall levels of insurance for the Group including Directors' and Officers' liability insurance and indemnification of directors;
- 14.2 Consider and approve the prosecution, commencement, defence or settlement of litigation or an alternative dispute resolution mechanism involving amounts above £100,000 or which is otherwise material to the interests of the Group;
- 14.3 Approve the appointment of the Company's principal professional advisers; and
- 14.4 Approve amendments to this schedule of matters reserved to the Board.

#### **Note:**

*If a matter needs to be considered urgently between scheduled Board meetings a paper should be circulated as far in advance as possible and a telephone (or video) conference arranged to hold a Board meeting. This should be timed so that as many directors as possible can attend. Any director who cannot attend should still be sent the relevant papers and have the opportunity to give their views to the Board Chair, another director or the company secretary before the meeting. If the matter is routine and discussion is not necessary the approval of all the directors may be obtained by means of a written resolution. In all cases, however, the procedures should balance the need for urgency with the overriding principle that each director should be given as much information as possible, the time to consider it properly and an opportunity to discuss the matter prior to the commitment of the Company or other member of the Group.*

**Adopted: 13 September 2017**

**Approval of Revision: 14 May 2019**