

City of London Group plc Corporate Governance

Statement of compliance with the UK Corporate Governance Code

The directors recognise the importance of sound corporate governance taking into account the Company's size and stage of development. The Board of directors have formally adopted the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC") and believes that the Code provides a suitable benchmark for the Company's corporate governance framework. A copy of the Code is available from the Financial Reporting Council's website www.frc.org.uk.

The Board has considered the 2018 version of the Code applicable to financial years beginning on or after 1 January 2019 and work has begun on updating the Company's corporate governance arrangements to take account of the new Code. The Board will report against the new code in next year's Annual Report and in its corporate governance statement.

This corporate governance statement provides a high level overview of how the Company has applied the principles of the Code and complied with its provisions.

A. Leadership

The Board currently comprises five directors: the non-executive and non-independent Chair, two executive directors and two independent non-executive directors. Biographical details of each director who served during the year, together with details of their significant commitments are set out on pages 18 and 19 of the 2019 Annual Report. Due to the size of the Company, the Board does not consider it necessary to appoint a Senior Independent Director at this stage. This will be kept under review.

The directors have a duty to promote the success of the Company and to this end the Board has clearly defined responsibilities set out in a formal schedule of matters reserved for its decision which includes:

- setting the Company's strategy;
- approving any major changes to the Group's structure or share capital;
- approving the annual report and accounts and shareholder communications;
- ensuring a sound system of internal controls and risk management;
- approving major contracts;
- determining the remuneration policy (on the recommendation of the remuneration committee); and
- making appointments to the Board and other offices.

Attendance at Board and Committee meetings

The Board meets at least six times each year with additional meetings scheduled when required. At each meeting, the Board receives regular business updates from across the Group as well as financial, strategic, performance, investor relations and governance updates.

Ahead of each board and committee meeting, papers are circulated by the company secretary to provide Board members with sufficient time to consider the matters to be discussed. There is an agreed procedure for directors to take independent professional advice if necessary at the Company's expense. This is in addition to them having access to advice from the company secretary.

To assist the Board in carrying out its functions, the Board has delegated certain responsibilities to its audit and risk, remuneration and nomination committees all of whom operate within a scope and remit defined by specific terms of reference determined by the Board and reviewed regularly. Further details including the composition and role of each committee and the work undertaken by the Committee during the year are provided on pages 21 to 23 of the 2019 Annual Report.

Role of the Chair and Chief Executive Officer

The roles of the Chair and Chief Executive Officer are separate, with clear division of responsibilities which have been set out in writing and approved by the Board to ensure that no one individual on the Board has unfettered authority.

The Chair is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items. In addition, the Chair ensures that the Board is composed of the right balance of skills and experience and promotes a culture of challenge, openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

Although the Chair is not deemed independent within the definition of the Code, the Board believes that he remains independent in character, skill and judgement.

The Chief Executive Officer is responsible for managing the day-to-day operations and the implementation of the strategy of the Company.

B. Effectiveness

The directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Company, including financial, legal, regulatory and industry experience as well as the ability to provide constructive challenge to the views and actions of executive management in meeting agreed goals and objectives.

The Nomination Committee leads the process for the appointment of new directors to the Board. The appointment of any new director is made on the basis of assessing the candidate's merits and measuring his or her skills and experience against the criteria identified by the Board. Whilst the Board has not put in place a policy on Diversity, the Board fully endorses the Code principle to promote diversity of gender, social and ethnic backgrounds on the Board and would always consider this when making any new director appointments. On joining the Board, new directors receive a tailored induction, involving meetings with senior employees and the external advisors in order to enhance their understanding of the business.

In compliance with the Code, the Board undertook an evaluation of its own performance, that of the Board Chair, individual directors and its committees. The results of the evaluation revealed no significant concerns amongst the directors with regard to the composition, operation and effectiveness of the Board or its committees. However there were some areas identified to further improve the effectiveness of the Board such as succession planning.

The Board recognises the importance of succession planning to refresh the Board and the Code provisions relating to this. Whilst the Board has no succession plans in place at this time, it is envisaged that should a Board member be unable to fulfil their duties for a period of time, one of the other directors with the most appropriate experience would step in to perform the role on an interim basis until a longer-term solution was identified. Longer term succession planning will be reviewed and put in place during the course of the year.

The Company considers the annual re-election of directors to be good corporate governance and has therefore chosen to follow this practice. As such, all directors will retire and stand for re-election at the AGM.

The Board has considered and reviewed the independence and effectiveness of each non-executive director, taking into account the results of the Board evaluation and any factors that may affect a director's judgement and therefore their independence. The Board believes that all non-executive directors continue to meet the independence criteria as outlined within the Code and continues to allocate sufficient time to the company to discharge their responsibilities effectively.

The non-executive directors serve on the basis of letters of appointment, which are available for inspection at each annual general meeting and at the Company's registered office. Further details on their terms of appointment can be found on page 27 of the 2019 Annual Report.

Directors' declarations of interest is a regular Board agenda item. A register of directors' interests (including any actual or potential conflicts of interest) is maintained and reviewed regularly to ensure all details are kept up to date. Authorisation is sought prior to a director taking on a new appointment or if any new conflicts or potential conflicts arise.

C. Accountability

As set out on page 79 of the 2019 Annual Report, Company law requires the directors to prepare financial statements for each financial year and the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

Please refer to page 79 of the 2019 Annual Report for further information.

There is an ongoing process, which is kept under regular review by the Board, for identifying, evaluating and managing, rather than eliminating, the significant risks faced by the Group. The Board believes that the Group's system of internal controls continues to be sufficient for the business.

The directors acknowledge their responsibility for the Group's system of internal and financial controls, including suitable monitoring procedures, in order to provide reasonable, but not absolute, assurance of the maintenance of proper accounting records and the reliability of the financial information used within the business. The Board has reviewed the effectiveness of the system of internal controls which operated during the period covered by this directors' report and accounts.

Please refer to pages 22 and 23 of the 2019 Annual Report for further information on the key controls which the Company has in place.

The directors confirm that they consider the annual report and accounts, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Please refer to pages 14 and 15 of the 2019 Annual Report for the Company's Going Concern and Viability Statement and see pages 10 to 16 of the 2019 Annual Report for an explanation of the Company's strategy and business model.

Please refer to pages 21 to 23 of the 2019 Annual Report for further details on the role, composition and activities of the Audit and Risk committee.

D. Remuneration

Please refer to pages 25 to 27 of the 2019 Annual Report for further details on the role, composition and activities of the remuneration committee.

E. Relations with shareholders

The Board is committed to ensuring there is open and effective communication with the Company's shareholders and that the directors understand the views of major shareholders on matters such as governance, strategy and performance. The Company's Chief Executive Officer maintains a regular dialogue with investors and provides the Board with regular reports on feedback from shareholders. During the year, non-executive directors also met with the Company's major shareholders to discuss governance matters and to hear their views about the Company.

The Company's Annual Report is sent to all shareholders and, on request, to other parties who have an interest in the Group's performance.

All shareholders are encouraged to attend and vote at the Company's AGM on 5 September 2019.

Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the AGM should contact the company secretary at the address shown on the inside back cover of the annual report.

The Company endeavours to send the notice of AGM and supporting papers to shareholders at least 20 working days before the meeting and responds promptly to any enquiries received from shareholders.

September 2019