

UK CORPORATE GOVERNANCE CODE STATEMENT OF COMPLIANCE

The Board of Directors has voluntarily adopted the 2018 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 <https://www.frc.org.uk/>.

This Statement of Compliance below outlines how City of London Group plc (“COLG” or the “Company”) has applied the relevant principles of the Code and complied with its provisions which came into effect for the Company’s 2020/21 financial year.

During the year under review, the Company complied with all the provisions of the Code.

Section 1 – Board Leadership and Company Purpose

The Board’s role is to ensure the long-term success of the Company by implementing the Company’s strategy and business plan, overseeing its affairs and providing constructive challenge to management as it does this. In addition to this, the Board oversees financial matters, governance, internal controls and risk management. To assist the Board in achieving this, 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;
- in liaison with Recognise Bank Limited, Group matters reserved include:
 - ensuring a sound system of internal controls and risk management;
 - determining the remuneration policy (on the recommendation of the remuneration committee); and
 - making appointments to the Board and other offices.

The formal schedule of matters reserved for the Board’s decision is available on the Group’s website.

For the year ahead, the Company continues to focus on the Group’s long-term growth strategy of serving the vital UK SME market through its wholly owned subsidiary, Recognise Bank Limited (“RBL”), which recently became a fully authorised bank. An overview of the Company’s strategy and further information on the progress made to date since obtaining a banking licence for RBL is contained in the Company’s 2022 Annual Report and Accounts on page 6. Following the successful authorisation of the bank, the Company is undertaking a wider review of its purpose, value, culture and governance structure. The Board remains committed to a culture of openness with all its stakeholders, including its staff, and has put in place a number of policies to ensure a healthy corporate culture exists. Through RBL, it is focused on operating and developing its businesses in a customer-centric way so that the Group can maintain a reputation for fairness and high standards of business conduct.

The Board recognises the importance of building strong relationships with stakeholders and understanding their views in order to help the Company deliver its strategy and promote the development of the business over the long-term. The Board is committed to having effective engagement with its stakeholders and receives regular updates from Group Executive Directors which are taken into account in its discussions and in its decision-making process under Section 172. Pages 25 and 26 include a Section 172 statement which summarises the Board’s engagement with the

Company's main stakeholders and gives some examples of how their views have been taken into account in the Board's decision-making.

Employee engagement continues to be actively undertaken by business heads within the Company and RBL, and any material issues are escalated to the Board through Group Executive Directors. The Board believes that the arrangements in place are effective but will continue to keep this under review as the Company grows.

The Company seeks to ensure that it always acts lawfully, ethically and with integrity. As such the Group has in place a Diversity & Inclusion Policy and an Anti-Bribery and Corruption Policy. It also has in place a Whistle Blowing Policy, which is designed to ensure that employees (or others) with a cause of concern can legitimately raise these concerns without fear of reprisals.

Section 2 – Division of Responsibilities

The Directors possess a wide range of skills, knowledge and experience relevant to the strategy of the Company, including banking, financial (including corporate finance), legal, regulatory, technology and industry experience as well as the ability to provide constructive challenge to the views and actions of group executive management in meeting agreed strategic goals and objectives.

The roles of the Chair and Group Executive Directors are separate, with a 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 Group Executive Directors are responsible for managing the day-to-day operations and the implementation of the strategy of the Company. The Chair, Phil Jenks, as well as chairing Board meetings, is Chair of the Nomination Committee and is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items. He promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between the non-executive directors and Group Executives. Philip Jenks is deemed independent within the definition of the Code and the Board believes that he remains independent in character, mindset and judgement. Louise McCarthy is the Chair of the Remuneration Committee.

Directors' declarations of interests are 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. New directors are required to declare any conflicts, or potential conflicts, of interest to the Board at the first Board meeting after his or her appointment. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

The Board has access to the advice of the company secretary.

Section 3 – Composition, Succession and Evaluation

The Board currently comprises eight directors, all of whom, including the Chair, are non-executive directors. Of the three directors during the year who were not independent, two were appointed under the terms of the Company's relationship agreement with Parasol V27 Limited and one under the terms of the Company's agreement with Max Barney Investments Limited. As mentioned above, the Chair was considered independent on appointment when assessed against the criteria of provision 10 of the Code and the Board believes that he remains independent in character, mindset and judgement. All non-executive directors continue to dedicate sufficient time to meet their Board responsibilities.

Biographical details of each director together with details of their significant commitments are set out on pages 28 to 31 of the annual report.

The appointment letters for the Chair and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

Under provision 12, the Board has appointed Simon Wainwright as the Senior Independent Director. Simon Wainwright is also a non-executive director of RBL.

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 which operate within a scope and remit defined by specific terms of reference determined by the Board and reviewed regularly. All committees have independent non-executive directors as members. Further details including the composition and role of each of these committees are provided on pages 34, 35 and 36 of the annual report. The terms of reference of each committee are available on the Company's website at <https://www.cityoflondongroup.com/news-and-investors/>.

The number of Board and Committee meetings held during the year can be found on page 36 of the annual report.

A Board evaluation was conducted in 2019 and no concerns were found. Due to the number of changes at board level last year, the Board decided to postpone the next board evaluation, which will be carried out in the current year. The Board has yet to put in place a longer-term succession plan for the Board and senior Group executives, as the Group has been in a period of transition. However, a wider review of the Company's governance structure is in course and this will include the development of a new succession plan. 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 confirms that each of the directors proposed for re-election at the AGM continues to demonstrate the necessary commitment and to be a fully effective member of the Board.

Further information on the Board's process in relation to new appointments and diversity can be found on page 33 of the annual report.

Section 4 – Audit, Risk and Internal Control

As mentioned above, the Board has delegated certain responsibilities to its committees including its audit and risk committee. The Committee is chaired by Richard Gabbertas and its other members are Louise McCarthy and Moorad Choudhry. Richard has recent and relevant financial experience as a chartered accountant and senior auditor at a top four Audit firm. The committee as a whole has competence in the sector in which the Company operates. Other individuals, including the other directors of the Board and representatives from the finance function are invited by the committee to attend meetings.

The role of the committee is to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and assess whether they are fair, balanced and understandable before recommending their approval to the Board. In addition, the Committee reviews the effectiveness of the Company's internal financial controls and risk management systems. A process is in place whereby the risks across all group businesses are reviewed by both the Committee and Board via a risk register on a quarterly basis.

A summary of the principal risks facing the Company and the mitigating actions in place are contained on pages 15 to 20 of the annual report and the Company's statement on climate change is on pages 21 and 22.

The Company's going concern and viability statements are contained on pages 23 and 24 of the annual report.

Further information on the work undertaken by the Committee during the year can be found on pages 34 and 35 of the annual report.

Section 5 – Remuneration

The Board has established a Remuneration Committee of independent non-executive directors. The Chair of the Committee is Louise McCarthy. Philip Jenks and Moorad Choudhry are also members of the Remuneration Committee. Richard Gabbertas was a member until 30 September 2021.

The Company's remuneration policies and practices are designed to support its long-term strategy and promote the long-term sustainable success of the Company and comply with the requisite regulatory requirements. The Company relies on market information for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity when determining remuneration packages.

The remuneration of the Chair and the Non-Executive Directors is determined by the Board and is regularly reviewed. Fees for the Chair and the Non-Executive Directors reflect the time commitment and responsibilities of the role and UK market levels. Fees do not include share options or other performance-related elements.

From time to time, the Committee awards shares under the Company's share option plans to employees subject to certain performance conditions and targets being met. These awards are subject to cancellation, clawback and/or malus for up to three years following award.

Further information on the role of the Committee and work undertaken by the Committee during the year can be found on pages 35 and 37 of the annual report.

October 2022