

## CORPORATE GOVERNANCE

Shore Capital Group Limited (the “Company” or the “Group”) has sought to comply with a number of provisions contained in the UK Corporate Governance Code, issued by the Financial Reporting Council (the “Code”) in relation to matters for which the Board is accountable to shareholders, so far as is considered appropriate for a company of its size and nature.

### Board of Directors

The Board currently comprises four executive and two non-executive directors. It carries ultimate responsibility for the conduct of the business of the Group. The Board maintains full control and direction over appropriate strategic and financial issues through regular meetings and reports to ensure that the Board is supplied with all the information it needs. The Board considers each of the non-executive directors, Dr Zvi Marom and James Rosenwald III, to be independent in character and judgement. Whilst both Dr Z Marom and Mr J B Rosenwald III own shares in the Company, they each have significant other business interests and activities. The Board as a whole considers their shareholdings in the Company to be an advantage for the shareholders as in addition to their fiduciary duties, their interests are aligned with shareholders generally.

The directors provide the Group with the knowledge, mix of skills, experience and networks of contacts required. The non-executive directors combine breadth of business and commercial experience with independent and objective judgement. The combination of non-executive and executive directors enables the Board to provide effective leadership and maintain a high standard of integrity across the Group.

The Board has two committees, the Audit Committee and the Remuneration Committee (see below). The Board does not have a Nominations Committee or a senior independent director. This is because with two non-executive directors and a Board of only six in total, nominations can be readily handled without a committee by the Board as a whole, whilst the non-executive directors are accessible to shareholders in the event of issues arising.

The Board has an informal annual review process to assess how each of the Directors is performing. The performance of the executive directors is reviewed by the Executive Chairman against previously agreed objectives and the Executive Chairman’s performance is in turn appraised by the non-executive directors. Remuneration is directly linked to these reviews and determined by the Remuneration Committee. Remuneration is set at the level required to attract, retain and motivate high calibre directors and a significant proportion of total remuneration is linked to corporate and individual performance.

The Board of Shore Capital Group Limited met 5 times during 2016. The number of meetings of the Board and the Audit and Remuneration Committees and individual attendance by members is set out in the following table.

|                                      | <b>Board</b> | <b>Audit</b> | <b>Remuneration</b> |
|--------------------------------------|--------------|--------------|---------------------|
| Total number of meetings in 2016     | 5            | 3            | 1                   |
| Number of meetings attended in 2016: |              |              |                     |
| Howard Shore                         | 5            | n/a          | n/a                 |
| Lynn Bruce                           | 5            | 3            | n/a                 |
| Dr Zvi Marom                         | 5            | 2            | 1                   |
| James Rosenwald III                  | 5            | 2            | 1                   |

The Board has a formal schedule of matters reserved for its decision and delegates certain matters to committees as set out below. The Board determines the Group's overall strategy; creation, acquisition or disposal of material corporate entities and investments; development and protection of the Group's reputation; public announcements including statutory accounts; significant changes in accounting policy, capital structure and dividend policy, operating plans and review of key performance indicators, resolution of litigation, Group remuneration policy and Board structure, composition and succession.

### **Audit Committee**

The Board has appointed an Audit Committee with written terms of reference. It comprises two nonexecutive directors, Dr Zvi Marom and James Rosenwald III, together with Lynn Bruce and is chaired by Lynn Bruce. The terms of reference of the Audit Committee are available for inspection by any person at the Group's registered office during normal business hours. The Audit Committee undertakes a detailed review of the Company's half yearly and annual financial reports, is responsible for reviewing whether the accounting policies are appropriate and for monitoring internal compliance and external audit functions, including the cost effectiveness, independence and objectivity of the auditor. The committee meets periodically with the auditor to receive a report on matters arising from their work.

The committee receives a report from the external auditor concerning their internal processes to ensure that the independence and objectivity of the auditor are safeguarded at all times. The committee is satisfied that the safeguards and procedures established by the auditor are sufficient to counter threats or perceived threats to their objectivity.

### **Remuneration Committee**

The Board has appointed a Remuneration Committee which comprises one non-executive director, James Rosenwald III and one executive director, Lynn Bruce, and is chaired by James Rosenwald III. While the inclusion of an executive director is a departure from the Code, the executive director's remuneration is fixed at the same level as that of the independent non-executive directors. Therefore the Board considers that she has sufficient independence for the purposes of this committee. The terms of reference of the Remuneration Committee are available for inspection by any person at the Group's registered office during normal business hours. The Remuneration Committee has given full consideration to Section B of the Best Practice Provisions annexed to the Listing Rules of the UK Listing Authority. The principal function of the Remuneration Committee is to determine the Group's policy on executive remuneration. It makes its decisions in consultation with the Chairman and Chief Executive. No director plays a part in any decision about their own remuneration. The Committee meets periodically when it has proposals to consider and in any event no less than once each year.

The main aim of the committee's policy is to attract, retain and motivate high calibre individuals with a competitive remuneration package. Remuneration for executives comprises basic salary, performance related bonus, pension benefits, other benefits in kind and options granted pursuant to the Shore Capital Group Share Option Plan. No director has a service contract for longer than 12 months.

### **Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 to 13 of the Annual Report and Accounts 2016, together with the financial position of the Group, its liquidity position and borrowing facilities. In addition note 25 to the financial statements includes policies and processes for managing its capital; its financial risk management

objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with an established business model. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### **Internal control**

In accordance with Principle C.2 of the Code, the Board of Directors has overall responsibility for the Group's systems of internal controls, including financial, operational and compliance, which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and comply with the Financial Reporting Council risk guidance. The controls are used in identifying, evaluating and managing significant risks of the Group on an ongoing basis. These internal controls have been in place from the start of the year through to the date of approval of this report. They include:

- ensuring that an appropriate organisational structure exists with clear lines of responsibility and delegation of authority;
- the allocation of responsibility for important business functions to experienced and suitably qualified staff;
- detailed budgets and plans which are approved by the Group Board;
- regular consideration by the Board of actual results compared with budgets and forecasts;
- compliance by subsidiaries with Group operating procedures and policies;
- annual review of the Group's insurance cover;
- defined procedures for the appraisal and authorisation of capital expenditure and capital disposals; and
- regular reporting of the Company's liquidity position.

An internal annual review has been carried out of the effectiveness of the Group's systems of internal financial controls. In addition, the Group has considered the need to introduce a group internal audit function but has decided that it is inappropriate for a Group of this size. It should be noted that many of the activities which would be covered by such a function are already carried out as part of the compliance function.

### **Relations with shareholders**

The Group communicates with shareholders through both the interim and annual reports. In addition, all shareholders may attend the Company's Annual General Meeting where they may raise matters relating to their shareholdings and the business of the Group.

Communication with the Group's largest institutional shareholders is undertaken as part of the Group's investor relations programme and any feedback arising is provided to the Board.

This summary has been extracted from the Company's Report and Accounts 2016.