

Corporate governance

General

The Board of Shore Capital Group Limited (the Group) has elected to adopt the Quoted Companies Alliance (QCA) 2018 Corporate Governance Code in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-quoted companies to adopt and comply with a recognised corporate governance code. This report sets out how we comply with the QCA Code. Disclosures may also be found on the Group's website under the AIM Rule 26 section - www.shorecap.co.uk/aim-rule

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The strategy and business operations of the Group are summarised in the Operating Review on pages 6 to 11 of the 2018 Annual Report and Accounts - [here](#). The Group Board is responsible for the strategy of the Group which is designed to create long term value for shareholders.

Principle 2: Seek to understand and meet shareholder needs and expectations

Communication with its shareholders is important to the Group and it communicates with shareholders through both the interim and annual reports. In addition, all shareholders may attend the Group'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 (usually following the announcement of its interim and final results) and any feedback arising is provided to the Group Board. The two joint CEOs attend these events.

The Group also issues ad hoc releases to the market with operational and financial updates as required. Any shareholder queries should be addressed to info@shorecap.gg

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

There is an Employee Handbook which includes rigorous policies on whistle-blowing, ethics and treating customers fairly. All staff are periodically required to undergo compliance training including in relation to anti-money laundering, anti-bribery and market abuse.

The Group supports charitable activities undertaken by employees and matches funds raised at various events.

The Group aims wherever appropriate to be environmentally conscious. During the year, it recycled a large amount of waste paper and arranged for used printer cartridges and office furniture and equipment to be collected for recycling and environmentally sound disposal. It has adopted low energy lighting systems where appropriate.

Stakeholders including suppliers are able to make contact by telephone, email or post to their contact person in the Group and matters are passed to the Group Board where necessary.

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Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group Board has developed a detailed risk map outlining the key risks that it has identified across its various business activities. For each risk identified, the risk map details the control(s) that have been implemented to mitigate that particular risk. This enables the Group Board to identify those risks that pose the greatest risk to the Group.

The Group's policies for managing the financial risks arising from its activities, including the use of derivative instruments, are set out in note 26 on pages 78 to 84 of the 2018 Annual Report and Accounts - [here](#). In addition, the Group has policies and procedures in place to mitigate the other risks to which it is exposed, including reputational risk, operational risk and insurance risk. The Group's activities comprise equity capital market activities, asset management and principal finance and its income is therefore subject to the level of general activity, sentiment and market conditions in each of the markets in which it operates.

The Group Board exercises oversight over the Group and the operating boards, including their sub-committees appointed to oversee the management of operations and operational risk, in particular in the following manner:

- i the operating boards are required to escalate certain matters to the Group Board in accordance with the agreed escalation procedure.
- ii issues of importance may be escalated direct to the Group Board by the relevant risk committee or the compliance committee.
- iii the Group Board meets no fewer than four times per annum to which is submitted a Compliance Report which summarises relevant regulatory compliance issues within the Group, risks, trends, regulatory news and compliance developments likely to impact the Group and its operating subsidiaries. The Compliance Reports are included in the Group Board packs and are considered at Group Board meetings.

The Group has personal account dealing rules in place, monitored by the Compliance Department, which apply to all employees and are designed to ensure that Group companies and employees comply with all relevant laws and regulations relating to personal dealing and that no client is disadvantaged by such dealings.

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

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

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in addition to their fiduciary duties, their interests are aligned with shareholders generally. The terms and conditions of appointment of the non-executive Directors are available for inspection by any person at the Group's registered office and also at the Group's AGM.

The non-executive Directors of the Group Board have been selected with the objectives of increasing the breadth of skills and experience of the Group Board, and bringing constructive challenge to the executive Directors. The Group has determined that the composition of the Group Board and its committees brings a desirable range of skills, personal qualities and experience for delivering the strategy, based upon the size and nature of the business of the Group. All Directors are subject to re-election by shareholders at the Annual General Meeting within a three year rotation period. Any Directors appointed during the financial year must be formally elected at the Annual General Meeting following their appointment.

The Group believes that the successful functioning and effectiveness of the Group Board is premised upon a number of key factors, in addition to Group Board composition:

- Agenda and frequency of meetings, and monitoring of attendance;
- Access to the appropriate advice and administrative services – via the Company Secretary and external resources as required;
- Thorough induction of new Directors to the Group Board and its committees;
- Performance assessment of the Group Board as a unit and of its members individually.

The Chairman and the Group Board hold these factors in the highest regard and commit to performing an annual evaluation to review and assess their application in practice. The non-executive Directors attend board meetings and are also available to address ad hoc matters as and when required.

| | Board | Audit | Remuneration |
|--------------------------------------|--------------|--------------|---------------------|
| Total number of meetings in 2018 | 5 | 3 | 2 |
| Number of meetings attended in 2018: | | | |
| Howard Shore | 5 | n/a | n/a |
| Lynn Bruce | 5 | 3 | n/a |
| Dr Zvi Marom | 5 | 3 | 2 |
| James Rosenwald III | 5 | 3 | 2 |
| Simon Fine | 3 | n/a | n/a |
| David Kaye | 3 | n/a | n/a |

The Chairman determines the agenda for board meetings and supporting documents are provided by the Group's administration team.

The Group 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 Group Board

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structure, composition and succession. The Compliance Department of the Group is responsible for identifying any director conflicts and ensuring that they are appropriately managed.

The Group maintains D&O insurance.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

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 Group Board to provide effective leadership and maintain a high standard of integrity across the Group. The Directors' biographical details are set out on page 21 of the 2018 Annual Report and Accounts - [here](#).

The Compliance Department carries out Induction Training for any new director.

Directors are permitted to take external professional advice at the Group's expense in connection with the performance of their duties as a director.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Group 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 Chairman against previously agreed objectives and the Chairman's performance is in turn appraised by the non-executive Directors. Remuneration is 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.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

Shore Capital's success has been built on the quality, innovation and drive of its people. We attract the brightest and most talented professionals and seek the most energetic and able people to enhance the business.

Clients value our skills to help them grow their businesses and create wealth. We operate an open and collaborative working culture in which team-work delivers solutions to clients that help them achieve their business objectives.

Great relationships engender greater trust and co-operation and we have known many of our clients for over a decade. In the tradition of merchant banking, we aim to create productive mutually beneficial long-term relationships with our clients, focused on working with them, rather than just for them.

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The Group has robust policies in place, monitored by the Compliance Department, set out either in the Group's Compliance Manual or in self-standing policy documents covering subjects including anti-bribery, Treating Customers Fairly, anti-money laundering, whistleblowing and corruption policies and corporate entertaining.

Four of the Group's operating subsidiaries are authorised and regulated by the Financial Conduct Authority which provides a regulatory framework designed to ensure that financial markets are, inter alia, honest, fair and effective.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Group Board has two committees, the Audit Committee and the Remuneration Committee. The Group 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 Group Board as a whole, whilst the non-executive Directors are accessible to shareholders in the event of issues arising.

Audit Committee

The Board has appointed an Audit Committee with written terms of reference. The terms of reference of the Audit Committee are available for inspection by any person at the Company's registered office during normal business hours and for 15 minutes prior to and during the Company's Annual General Meeting. It comprises two non-executive directors, Dr Zvi Marom and James Rosenwald III, together with Lynn Bruce and is chaired by Lynn Bruce. The Audit Committee undertakes a detailed review of the Group'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 two directors, James Rosenwald III and Lynn Bruce. 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 Company'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.

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It makes its decisions in consultation with the Chairman. 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.

The Group Board has a formal schedule of matters reserved for its decision and delegates certain matters to committees. The Group 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.

Directors are sent comprehensive information packs before board meetings with financial and managerial information. Monthly management accounts are also circulated to Directors including actual and forecast information.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group communicates with shareholders through both the interim and annual reports. In addition, all shareholders may attend the Group'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 Group Board.

The Group also issues ad hoc releases to the market with operational and financial updates as required. Any shareholder queries should be addressed to info@shorecap.gg.

The Group's Reports and Accounts can be found [here](#).

Notices of Annual General Meeting of the Group can be found [here](#).

The results of voting on all resolutions at Annual General Meetings are posted to our website [here](#).