

**Sancus Lending Group Limited  
(the “Company” and together with its subsidiaries the “Group”)**

**CORPORATE GOVERNANCE STATEMENT**

Last updated: 11/05/2021

The board of directors of the Company (the “**Board**”) is committed to maintaining high standards of corporate governance throughout the Company’s operations and to ensuring that all of its practices are conducted transparently, ethically and efficiently. The Board believes that scrutinising all aspects of the Company’s business and reflecting, analysing and improving its procedures will minimise the potential for downside risk and will preserve shareholder value. In compliance with the AIM Rules for Companies, the Company has chosen to comply with the provisions of the QCA Corporate Governance Code (the “**QCA Code**”). The Company is also mindful of the provisions of the Finance Sector Code of Corporate Governance, published by the Guernsey Financial Services Commission in February 2016.

Where previously the Company reported against the UK Corporate Governance Code, the Board believes that applying the principles and reporting against the provisions of the QCA Code accurately reflects the nature, scale and complexity of the business and enables the Board to provide information to shareholders on its activities in accordance with the principles set out in a recognised governance framework. Furthermore, through applying the relevant provisions the Company is better positioned to mitigate downside risk and in doing so, preserve long-term shareholder value. The Company’s corporate governance framework has been based on these principles and is designed to deliver the Group’s strategy, and the application of such principles to the operation of the Board ensures that its decision-making processes remain focussed on the long-term sustainable success of the Company.

As at 31 December 2020, the Company complied substantially with the relevant provisions of the QCA Code and it is the intention of the Board that the Company will comply with these provisions throughout the year ending 31 December 2021, save with regard to the following:

- The appointment of a senior independent Director: Given the size and composition of the Board, the Board does not consider it is necessary to appoint a senior independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be referred.
- Internal audit function: The Board has considered the need for an internal audit function and is satisfied that the compliance policies, procedures and reporting mechanisms in place throughout the Group are sufficient, and that implementing a separate internal audit function would be unnecessary. This requirement is assessed annually by the Audit and Risk Committee.

**How we apply the QCA Code**

The Company has established specific formally constituted committees and implemented certain policies, to ensure that:

- It is led by an effective Board which is collectively responsible for the long-term sustainable success of the Company and establishes a culture whereby the tone is set from the top which is consistent with the objectives, strategy and business model of the Group;
- the Board and its committees have the appropriate balance of skills, experience, independence, and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively;
- the Board establishes a formal and transparent arrangement for considering how it applies the corporate

reporting, risk management, and internal control principles and for maintaining an appropriate relationship with the Company's auditors; and

- there is a dialogue with shareholders based on the mutual understanding and alignment of objectives, conducted primarily through the CEO and the Corporate Broker.

Risk management remains a key area of focus during Board meetings. Details of the Company's risk management and internal control framework is set out on page 21 of the Company's annual report for the year ended 31 December 2020 (the "**Annual Report**").

In addition, the Company has adopted policies in relation to:

- Share dealing and market abuse;
- Data protection;
- Prevention of tax evasion;
- Anti-corruption and bribery;
- Whistleblowing;
- IT, communications and systems (including laptop and devices policy);
- Business continuity;
- Complaints handling;
- Compliance and AML/CFT;
- Conflict of Interest;
- CPD;
- Criminal Finances;
- Cyber security; and
- OECD CRS.

in order to ensure that the material operational and compliance risks identified by the Board are adequately mitigated.

### **Composition and Independence of the Board**

The Board is responsible for ensuring the affairs of the Company are properly managed through formulating, reviewing and approving the Company's strategy, budgets, and corporate actions and that oversight, scrutiny and challenge is applied to Executives responsible for the day-to-day activities of the Group. The Company seeks to deliver long-term growth for shareholders and maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

It is important that the Board itself contains the right mix of skills and experience in order to deliver the strategy of the Company. As such, the Board is comprised of:

- Three independent non-executive directors, one of which serves as the Chairman, who is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role;
- One non-executive director who, whilst sharing the fiduciary and statutory duties of the independent directors, is also an executive director of the Somerston group of companies, a significant shareholder of the Company, and therefore not considered independent under the QCA Code; and
- Two executive directors, who are also members of the Group's Executive Committee and are therefore not considered independent under the QCA Code.

The Board is comprised of individuals holding professional qualifications and experience relevant to the activities of the Company. A detailed biography of each of the Directors is published on the Company's website.

Liberum Capital has been appointed as the Company's Corporate Broker and Nominated Adviser under the AIM

Rules and advises on compliance with the AIM Rules, corporate communications and acts as financial adviser to corporate actions. Additionally, the Company has appointed a professional Company Secretary who assists the Board in preparing for and running effective Board meetings, including the timely dissemination of appropriate information. The Company Secretary provides guidance to the extent required by the Board on certain aspects of the legal and regulatory environment, within which the Company operates.

The Board believes that long serving Directors should not be prevented from forming part of the Board or from acting as Chairman and no limit has been imposed on the overall length of service of the Directors. Each Director will retire and seek reappointment at every third annual general meeting, with those serving for nine years or more subject to reappointment annually. The Board meets on at least a quarterly basis during the financial year.

The Board has appointed several committees to support it in different areas of the business; each with formal terms of reference, with specific roles as set out below.

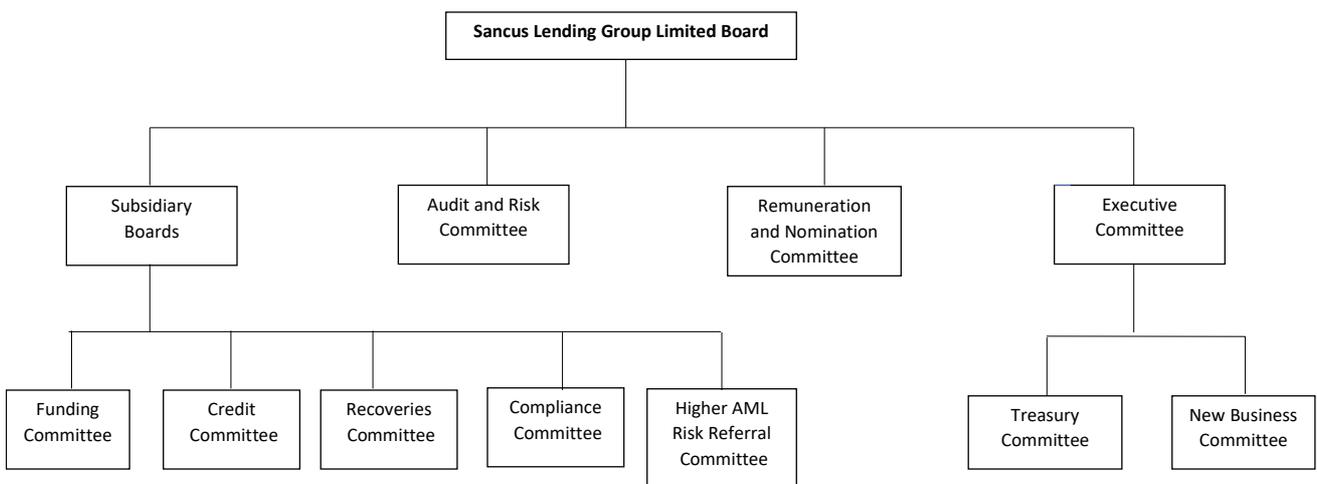
The Board undertakes an annual evaluation of its own performance, the performance of its formally constituted committees and that of individual Directors. This includes a formal process of self-appraisal reviewing the balance of skills, experience, independence and diversity present on the Board, and individual Director performance, contribution and commitment to the Group to ensure that the Board and its committees continue to operate effectively, or to identify areas where action is required. The remainder of the Board is responsible for evaluating the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board members' training requirements.

The Directors remain mindful of the benefits which can flow from increasing the level of diversity represented on the Board including, but not limited to, cultural, gender, experience and background. Such factors will be taken into consideration by the Remuneration and Nomination Committee during any selection process.

**Executive Team**

As at the year end, the Company's executive team comprised Andrew Whelan (Chief Executive Officer), Emma Stubbs (Chief Financial Officer) and Dan Walker (Chief Operating Officer and UK Managing Director) (together the "Executive Team" or "Management"). The Executive Team is responsible for the day-to-day management of the Company's operations. The non-executive independent Directors monitor and evaluate the performance of the Executive Team on an ongoing basis.

**Governance Structure**



## **BOARD COMMITTEE STRUCTURE**

### **Audit and Risk Committee**

The Audit and Risk Committee conducts formal meetings at least twice a year. The Audit and Risk Committee's key duties include:

- monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing, challenging (where necessary) and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor, and how they were addressed;
- reviewing the Company's internal financial controls and the Company's internal control and risk management systems;
- making recommendations to the Board for it to put to the shareholders for their approval in general meeting in relation to the appointment, re-appointment or removal of the external auditor and to recommend the remuneration and terms of engagement of the external auditor;
- monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements;
- in conjunction with Management, advise the Board on the overall risk appetite, tolerance and strategy of the Company, current risk exposures and future risk strategy; and
- keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used.

The Audit and Risk Committee has four members, three of whom are independent, non-executive Directors and one of whom is a non-executive Director, and at least one member has recent and relevant financial experience. The current members of the Audit and Risk Committee are John Whittle as the Chairman, Patrick Firth, Nicholas Wakefield and Stephen Smith.

The Audit and Risk Committee is supported by a risk management and oversight process employed by the Executive Committee and receives reports on a quarterly basis from the Chief Operating Officer on key risks and developments during the period.

The terms of reference of the Audit and Risk Committee are available from the Company Secretary.

### **Remuneration and Nomination Committee**

On 25 August 2020, the Board resolved to combine the former Remuneration Committee and former Nomination Committee to form a Remuneration and Nomination Committee.

The purpose of the Remuneration and Nomination Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Directors, senior executives, and any bonus-related arrangements in place by the Company and to consider the structure, size and composition of the Board. The key duties of the Remuneration and Nomination Committee include:

- determining and agreeing with the Board the framework or broad policy for the remuneration of the Company's Chairman, executive and non-executive Directors and such other members of the Executive Management as it is designated to consider;
- reviewing the ongoing appropriateness and relevance of the remuneration policy;

- reviewing the structure, size and composition of the Board;
- considering the succession planning for Directors and Senior Executives;
- reviewing the leadership needs of the organisation; and
- identifying candidates for appointment to the Board.

The Remuneration and Nomination Committee has three members, two of whom are independent, non-executive Directors and one of whom is a non-executive Director. The current members of the Remuneration and Nomination Committee are John Whittle as the Chairman, Patrick Firth, Nicholas Wakefield and Stephen Smith.

The terms of reference of the Remuneration and Nomination Committee are available from the Company Secretary.

Please refer to the Remuneration Report on page 25 of the Annual Report for details of fees paid to the Directors during the year.

### Meetings and attendance

The Directors meet on a quarterly basis ('Quarterly' meetings per the table below) and at other unscheduled times ('Other' meetings per the table below) when necessary to assess Group operations and the setting and monitoring of investment strategy and investment performance. At Quarterly meetings, the Board receives from the Executive Team a full report on the Group's performance. As necessary, the Board gives direction to the Executive Team as to investment objectives and limits and receives reports in relation to the financial position of the Group and the custody of its assets. An increased level of attendance to Company matters has been required of the Board over the 2019-2020 financial years, contributing to the high number of ad hoc meetings convened during this period.

The Board is responsible for monitoring and scrutinising the performance of the Executive Team and has formally defined the types of decision which must be taken at Board level from those which have been delegated. Matters reserved for the Board include (but are not limited to) those which affect long-term strategy, appointment and movement of senior personnel, key service providers and their remuneration, communication with shareholders, corporate actions, determining the value of the Company's investments and agreeing the terms for any borrowing arrangements.

The table below, details the attendance at Board and Committee of the Board meetings during the financial year ended 31 December 2020:

	Board		Remuneration & Nomination Committee	Audit and Risk Committee
	Quarterly	Other		
Patrick Firth ( <i>Chairman</i> )	4 of 4	32 of 34	6 of 6	3 of 3
John Whittle	4 of 4	32 of 34	6 of 6	3 of 3
Nicholas Wakefield	4 of 4	29 of 34	5 of 6	3 of 3
Andrew Whelan	4 of 4	32 of 34	-	-
Emma Stubbs	4 of 4	28 of 34	-	-

### Relations with Stakeholders

The Board's advisers and the Executive Team maintain regular dialogue with key shareholders, the feedback from which is reported to the Board and the Chairman. Shareholders who wish to communicate with the Board should contact the Company Secretary in the first instance, whose contact details can be found on page 77 of the Annual Report.

The Board also regularly monitors the shareholder profile of the Company. All shareholders have the opportunity to and are encouraged to attend the Company's annual general meeting at which members of the Board are available in person to meet shareholders and answer questions. In addition, the Company's Nominated Advisor and Executive Team each maintain regular contact with major shareholders and report regularly to the Board on shareholder views.

On 4 June 2019, the Company's largest shareholder Somerston took up their option to appoint a Board member and Mr Nicholas Wakefield was appointed to the Board.

Whilst the primary duty of the Directors is owed to the Company as a whole, the Board takes into consideration the interests of all key stakeholder groups as part of its decision making process and particular consideration is given to the impact of any decision on holders of its securities, the Co-Funders to the underlying loan businesses, and providers of the Group's long-term debt capital. The Board also recognises the crucial roles played by those involved throughout the Group's operations who contribute to delivering strategy, including staff and key service providers, to ensure a continued alignment between their activities and those of the Company.

Feedback from these stakeholder groups is provided through the Corporate Broker, the CEO, or through the Company Secretary.

### **ESG Criteria (Environmental, Social, and Governance (ESG) Criteria)**

The Board requires the Executive Team's investment appraisal process and its subsidiaries' lending processes to include an assessment of potential environmental, social and governance matters.

The vast majority of the Group's environmental impact is based around the office environment with each office taking various measures towards reducing their footprint, including initiatives such as printing only when necessary, ensuring lights and power are switched off when not in use and local recycling.

Approximately two thirds of the Group's staff are based on the islands of Guernsey, Jersey, Ireland, Gibraltar and Isle of Man and live within short distances of their offices, with many staff walking or cycling to work or using public transport. A number of staff in the UK office have flexible working contracts, allowing them to work from home during the working week.

Where possible, Board and Management meetings are held via conference calls or coordinated to be grouped together in one place at the same time so as to reduce travel related carbon footprint.

The Group's offices and employees in each jurisdiction support a range of local fundraising initiatives for chosen charities and causes. The wider Group works closely with Cancer Research UK in Jersey, Guernsey and the Isle of Man. Other charities supported in 2020 include Research into Childhood Cancers, Gibraltar (RICC), Jersey Hospice Care, After Breast Cancer (ABC), Wetwheels, Animal Health Trust, Awards for Excellence (IOM) and The Sarah Groves Foundation (Guernsey).

The Board consists of five males and one female. Males make up 67% of employees in total across the Group.

### **Terms of Reference of Governance Committees**

Committee Terms of Reference are available from the Company Secretary.

Further details of the Company's corporate governance regime can be found in the Corporate Governance section of the Annual Report which is published on the Company's website at:

<https://www.sancus.com/investor-relations/financial-information>