

## **Governance and AIM Rule 26**

GLI Finance Limited (the “Company”) is committed to maintaining high standards of corporate governance throughout its operations and to ensuring that all of its practices are conducted transparently, ethically and efficiently. The Company believes that scrutinising all aspects of its business and reflecting, analysing and improving its procedures will minimise the potential for downside risk and improve shareholder value. Therefore, and in compliance with the updated AIM Rule 26, the Company has chosen to formalise its governance policies by complying with the version of the UK Corporate Governance Code published by the Financial Reporting Council in April 2016 (the “UK Code”). The Company has also considered the provisions of the Finance Sector Code of Corporate Governance, published by the Guernsey Financial Services Commission (“GFSC”) in September 2011 (the “Guernsey Code”).

In recognition of the Company’s evolution to a trading business and the internalisation of key management and administrative functions, the Board believes that applying the principles and reporting against the provisions of the UK Code accurately reflects the nature, scale and complexity of the business and enables the Board to provide better information to shareholders than would have otherwise been possible by using an alternative corporate governance code. The Company’s robust corporate governance framework has been based on these principles and is designed to deliver the Group’s strategy.

As at 31 December 2017, the Company complied substantially with the relevant provisions of the UK Code and it is the intention of the Board that the Company will comply with these provisions throughout the year ending 31 December 2018, except where otherwise explained.

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

- it is led by an effective Board which is collectively responsible for the long-term success of the Company;
- 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 of objectives.

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

- anti-corruption and bribery;
- whistleblowing; and
- IT, communications and systems;

so that all aspects of the Company are run in a robust and responsible way.

## **The Board of Directors**

The Board of Directors is responsible for the proper management of the Company by formulating, reviewing and approving the Company’s strategy, budgets, and corporate actions. In order to achieve its objectives, the Board complies substantially with the eighteen main principles and the supporting principles of the Code (and where it does not, is specified below). The Company seeks to deliver long-term growth for shareholders and maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

Pages 1 to 29 of the of the latest annual report of the Company, (Code Provision C.1.2) sets out details of the Company's business model and the Board's strategy for delivering the objectives of the Company.

Pages 27 to 29 of the latest annual report of the Company, (Code Provisions C.2.1, C.2.2 and C.2.3) sets out details of the Board's assessment of the principal risks facing the Company together with a report on the effectiveness of the Company's risk management and internal control system.

Pages 34 to 37 of the latest annual report of the Company (Code Provision A.1.1.) include information relating to how the Board operates, with details of which types of decisions are taken by the Board and which are delegated to management.

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:

- 2 independent non-executive directors, one of which serves as the Chairperson, who is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role; and
- 2 Executive directors, who are also members of the Group's Executive Committee and are therefore not considered independent under the UK Code.

Given the size and composition of the Board, the Board do not feel it is necessary to separate the roles of Chairman and Senior Independent Director. As such, a Senior Independent Director has not been appointed. 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. Further details regarding the members of the Board can be found in pages 30 to 31 of the latest annual report of the Company (Code Provisions A.1.2).

Additionally, the Company has appointed a professional Company Secretary who assists the Board of Directors 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 ("AGM"), 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.

Page 34 of the latest annual report of the Company (Code B.1.1) sets out details regarding the assessment of the independence of Directors. Pages 36 to 37 sets out details of the meetings of the board and attendance by Directors held during the financial year. This section also sets out details of how the performance evaluation of the Board, its committees and its individual Directors has been conducted and the commitments of the Directors (Code Provision B.3.1, B.6.1 and B.6.2).

### **Annual Report and Accounts**

The Audit and Risk Committee report on pages 40 to 41 of the latest annual report of the Company, (Code Provisions C.1.1 and C.1.3) sets out details of the purpose of the Audit and Risk Committee and the basis of the preparation of the financial statements and the responsibilities of the directors and auditors in preparing the annual report (Code Provision C.3.8).

### **Corporate Governance Committees**

In compliance with UK best practice, the Board has established corporate governance committees.

### ***Audit and Risk Committee***

Some of the Audit Committee's duties include:

- monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, 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, and;
- monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements.

The Audit and Risk Committee has two members, each of whom is an independent, non-executive director and at least one member has recent and relevant financial experience. The current members of the Committee are John Whittle as the Chairperson and Patrick Firth.

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 Committee***

The purpose of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's chairperson and the Executive Directors.

Some of the Remuneration Committee's duties include:

- determining and agreeing with the Board the framework or broad policy for the remuneration of the Company's Chairman, executive directors, the Company Secretary and such other members of the management as it is designated to consider;
- review the ongoing appropriateness and relevance of the remuneration policy;

The Remuneration Committee has two members, each of whom is an independent, non-executive director. The current members of the committee are John Whittle as the Chairperson and Patrick Firth.

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

The remuneration report in the latest annual report of the Company can be found on page 40 (Code Provision B.2.4).

## **Nomination Committee**

The purpose of the Nomination Committee is to consider the structure, size and composition of the Board.

Some of the Nomination Committee's duties include:

- 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 Nomination Committee has two members, each of whom is an independent and non-executive director. The current members of the committee are Patrick Firth as Chairperson and John Whittle.

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

Details relating to the effective operation of Board Committees throughout the year is detailed on pages 36 to 27 of the latest annual report of the Company, (Code Provisions B.2.1 and D.2.1) sets out:

- Details of the number of meetings of the Audit and Risk, Remuneration, and Nomination Committees of the Board held during that financial year and of the attendance by committee members (Code Provision A.1.2); and
- Details of the work of the Audit and Risk, Remuneration and Nomination Committees.

## **Relations with Shareholders**

The section on Governance framework, found on pages 34 to 38 of the latest annual report of the Company, (Code Provision E.1.2) sets out steps taken by the Board to understand the views of major shareholders.

## **Share Dealing Code**

The Company has adopted a share dealing code to ensure directors and certain employees do not abuse, and do not place themselves under suspicion of abusing inside information of which they are in possession and to comply with its obligations under the Market Abuse Regulation ("**MAR**") which applies to the Company by virtue of its shares being traded on AIM. Furthermore, the Company's share dealing code is compliant with the AIM Rules for Companies published by the London Stock Exchange (as amended from time to time).

Under the share dealing code, the Company must:

- disclose all inside information to the public as soon as possible by way of market announcement unless certain circumstances exist in which the disclosure of the inside information may be delayed;
- keep a list of each person who is in possession of inside information relating to the Company;
- procure that all persons discharging managerial responsibilities and certain employees are given clearance by the Company before they are allowed to trade in Company securities; and
- procure that all persons discharging managerial responsibilities and persons closely associated to them notify both the Company and the Financial Conduct Authority of all trades in Company securities that they make.

**The Company complies with the provisions of the Code save for the following:-**

- The appointment of a Senior Independent Director: Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and 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.

Further details of the Company's corporate governance regime can be found in the **Corporate Governance** framework section, page 30 onward, of the latest annual report of the Company,

Date on which this information was last reviewed: 27 September 2018