

SECTION 172(1) STATEMENT

Section 172(1) of the Companies Act 2006 requires a director of a company to act in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, Directors must have regard to the matters listed in the table below.

The Company is incorporated under Guernsey law, which does not have a statutory equivalent to section 172. However, the Directors are committed to complying with the UK Corporate Governance Code and have therefore provided a statement describing how they considered the matters set out in section 172, in line with Provision 5 of the Code.

Taking account of stakeholder interests

Section 172 requires the Board to understand and consider stakeholder interests in its decision-making. The Group's key stakeholders and its engagement with them are set out on pages 83 and 84. The Board receives reports from management on stakeholder interactions as part of its formal meetings and the Directors are satisfied that this mechanism has worked effectively during the year.

In addition, members of the Board engage directly with a number of important stakeholder groups, notably:

- The Executive Directors meet frequently with the Company's institutional Shareholders

- The CFO attends Board meetings for our largest funds
- The Senior Independent Director chairs the Employee Forum, providing a direct and independent channel for employee views to reach the Board
- The Executive Directors take part in industry consultations and initiatives, and are members of industry bodies such as the CBI and AIC

Please see the case study on page 82 that illustrates how stakeholder interests were considered in relation to the listing of our new forestry fund, FSFC.

Matters considered

The likely consequences of any decision in the long term

The Group has a rolling three year strategic plan and the Board considers any updates to the plan in terms of their impact in areas such as the Group's competitive position, its stakeholders and its projected financial performance.

The Board also considers the longer-term impact of individual decisions.

The need to foster the Group's business relationships with suppliers, customers and others

The Group's engagement with suppliers, customers and other stakeholders, including how the Board is kept informed, is described on page 84. The Group's strategy, which is approved and monitored by the Board, relies on strong relationships with clients, advisers, investee companies and others, as the Group looks to broaden its capabilities and geographical reach, and reach new investors for its funds.

The desirability of the Group maintaining a reputation for high standards of business conduct

As a financial services business, a reputation for high standards of conduct is essential for the Group's continued success. The UK domiciled members of the Executive Committee are subject to the Senior Managers and Certification Regime, which includes mandatory training and competency assessments on an annual basis. The Board members have also undergone mandatory training programmes during the year. The Board also receives assurance on the Group's standards in certain functional areas through third-party reviews and audits. These include the Cyber Essentials accreditation in relation to IT security measures, and the ISAE 3402 report for the Group's operational arrangements in the UK. The Group also invites expert firms to undertake specific reviews and engages with them for training and advice, to ensure the Group's arrangements continue to meet regulatory, legal and best practice standards.

The interests of the Group's employees

The Board receives direct feedback from employees via the Employee Forum and indirectly through reports from management and the results of employee surveys. This has led the Board, for example, to commission work on an employee value proposition for the Group, as described in the case study on page 85.

The impact of the Group's operations on the community and the environment

The Board believes that having a positive impact on communities and strong environmental credentials are key parts of the Group's culture. One example during the year was the decision to adjust the Group's plans for its forestry project in Fronoch, Wales. In response to community input, we agreed to plant trees on less of the land and to broaden the range of tree species, which will support biodiversity and enhance the visual appeal of the forest.

The need to act fairly as between members of the Company

Executive Chairman Bernard Fairman and parties associated with him control 29.9% of the Company's share capital. As described on page 137, the Company has entered into a relationship agreement with parties including the Executive Chairman and CFO. The relationship agreement ensures that the Executive Directors do not have undue influence on the Board's decisions, including any matters where there could be a potential conflict with the interests of the Company's other Shareholders. There is also a dual voting system at AGMs, to ensure that certain votes are only passed with a majority excluding the parties to the relationship agreement.