

# Corporate Governance Statement

## Corporate Governance

The Board is accountable to shareholders for the governance of the Company's affairs and is committed to maintaining high standards of corporate governance and to the principles of good governance as set out in the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC") in September 2014, a copy of which can be found at [www.frc.org.uk](http://www.frc.org.uk).

Pursuant to the Listing Rules of the Financial Conduct Authority, the Company is required to provide shareholders with a statement on how the main and supporting principles set out in the Code have been applied and whether the Company has complied with the provisions of the Code. The Board has established corporate governance arrangements that it believes are appropriate to the business of the Company as a venture capital trust. The Board has reviewed the Code, and considers that it has complied throughout the period, except as disclosed below:

- Directors are not appointed for a specific term as all Directors are non-executive and the Articles of Association require that all Directors retire by rotation at Annual General Meetings of the Company.
- In light of the responsibilities retained by the Board and its Committees and the responsibilities delegated to the Investment Managers, the Administrator, the Registrars and legal advisers, the Company has not appointed a chief executive officer, deputy chairman or senior independent director.
- Given the structure of the Company and the Board, the Board does not believe it necessary to appoint separate remuneration or nomination committees, and the roles and responsibilities normally reserved for these committees will be a matter for the full Board.
- The Company does not have an internal audit function as all of the Company's management functions are performed by third parties whose internal controls are reviewed by the Board. However, the need for an internal audit function will be reviewed annually.

## The Board

The Board comprises four non-executive Directors. The Board seeks to ensure that it has the appropriate balance of skills and experience, and considers that, collectively, it has substantial experience of investment management, Structured Products, venture capital investment and public company management. The Company has no employees.

Michael O'Higgins is Chairman. The Board considers him to be independent and to have no conflicting relationships. Mr O'Higgins is chairman of the Local Pensions Partnership and a non-executive director of Network Rail (and chair of its Remuneration Committee). He considers himself to have sufficient time to commit to the Company's affairs.

None of the Directors has a service contract, but letters of appointment setting out the terms of their appointment are in place. Directors are not entitled to any compensation for loss of office. Copies of the letters of appointment are available on request from the Secretary.

The appointment of a new Director would be on the basis of a candidate's merits. The Company does not have a specific diversity policy, but diversity is one of the factors that would be taken into account when making a new appointment.

A procedure for the induction of new Directors has been established, including the opportunity of meeting with the relevant executive members and other principal personnel of the investment management companies.

The Directors may, in the furtherance of their duties as Directors, seek independent professional advice at the expense of the Company. The Company maintains Directors' and Officers' Liability Insurance.

## Independence of Directors

The Board has reviewed the independence of each Director and considers that three Directors are fully independent of the Investment Managers.

John Glencross is Chief Executive and a director of Calculus Capital Limited, and is accordingly not deemed to be independent. In accordance with the Listing Rules, Mr Glencross will stand for annual re-election by shareholders.

Steve Meeks was until April 2010 a consultant to Investec Structured Products. As he has neither carried out any consultancy work for, nor received any remuneration from, Investec Structured Products since this date, the Board has determined that he is independent.

Kate Cornish-Bowden is a director of Scancell Holdings plc ("Scancell"), in which the Company has an investment. She was nominated by Calculus Capital, following that company's investment in Scancell. The Board has determined that this does not present a conflict of interest and considers her to be independent. Ms Cornish-Bowden has agreed that she will not participate in any discussions or vote on any decisions relating to Scancell. Under the Investment Management Agreements, the Investment Managers are responsible for all decisions relating to investments.

# Corporate Governance Statement (continued)

## Board Operation

Board meetings are held at least quarterly and additional meetings are arranged as necessary. Directors' attendance at meetings during the year was as follows:

	Scheduled Board Meetings		Audit Committee Meetings	
	Number Entitled to Attend	Number Attended	Number Entitled to Attend	Number Attended
Michael O'Higgins	4	4	2	2
Kate Cornish-Bowden	4	4	2	2
John Glencross	4	4	n/a	n/a
Steve Meeks	4	4	2	2

The Board has established a procedure for the evaluation of the Board, its Audit Committee and individual Directors. The appraisal process was conducted by the Chairman. A separate evaluation of the Chairman was also carried out, led by Ms Cornish-Bowden. As a result of the evaluation, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company. This process will be carried out annually.

## Conflicts of Interest

The Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts, whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations.

## Nomination and Remuneration Committee Functions

The Board has not established a nomination committee or a remuneration committee and these matters are dealt with by the Board as a whole. The Board keeps under review the composition and balance of skills, knowledge and experience of the Directors and will make recommendations to shareholders for the election or re-election of Directors at the Annual General Meeting. The Board also keeps the levels of remuneration of the Directors under review to ensure that they reflect time commitment and responsibilities of the role and are broadly in-line with industry standards.

The appointment of a new Director would be on the basis of a candidate's merits. The Company does not have a specific diversity policy, but diversity is one of the factors that would be taken into account when making a new appointment.

## Audit Committee

An Audit Committee has been established and operates within clearly defined terms of reference, copies of which are available from the Company Secretary. The Committee consists of the three independent Directors and is chaired by Kate Cornish-Bowden. All members are considered to have recent and relevant financial experience. The non-independent Director is also invited to attend the Audit Committee meetings as he is intimately involved in the Company's affairs and has specific knowledge of the investments made by Calculus Capital on the Company's behalf.

The Audit Committee meets at least twice a year, with representatives of Calculus Capital and Investec Structured Products invited to attend. The Audit Committee provides a forum through which the external Auditor reports to the Board. The Auditor attends the Audit Committee at least once a year, for consideration of the annual report and accounts.

The main responsibilities of the Audit Committee include monitoring the integrity of the accounts of the Company and reviewing the Company's internal control and risk management systems. The Audit Committee also monitors the independence and objectivity of the external Auditor, reviews the scope and process of the audit undertaken by the external Auditor, and reviews the provision of non-audit services by the external Auditor.

The Audit Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost-effectiveness of the services and the independence and objectivity of the Auditor. Non-audit work may be given to the external Auditor unless there is a conflict of interest or someone else is considered to have more relevant experience.

The Audit Committee Report can be found in the Annual Report for the year ended 29 February 2016 at [www.calculuscapital.com](http://www.calculuscapital.com).

## Board Responsibilities and Relationship with the Investment Managers

The Board is responsible for efficient and effective leadership of the Company. There is a formal schedule of matters reserved for the decision of the Board. These matters include approval of annual and half-yearly reports, circulars and other shareholder communications, the payment of dividends and allotment of shares, appointment and removal of Board members and officers of the Company, the appointment of third party service providers, including the Investment Managers, and changes to the Company's objectives, investment policy and accounting policies. At each Board meeting the Directors follow a formal agenda with a comprehensive set of papers giving detailed information on the Company's transactions, financial position and performance. Representatives of Calculus Capital and Investec Structured Products attend each Board meeting, and written reports about investments, performance and outlook are obtained from the Investment Managers for each meeting. In light of the information at its disposal, the Board gives direction to the Investment Managers with regard to investment objectives and guidelines. Within these guidelines, the Investment Managers take decisions as to the purchase and sale of individual investments within their respective mandates. The Investment Managers maintain ongoing communication with the Board between formal meetings.

## Stewardship Responsibilities and use of Voting Rights

The Board has reviewed and discussed the UK Stewardship Code with the Investment Managers. It has determined that the Stewardship Code is not relevant for investments in Structured Products, but it does apply to the Company's Venture Capital Investments, which are managed by Calculus Capital. The Company has therefore delegated responsibility for exercising the Company's responsibilities under the Stewardship Code, including voting on its behalf at investee company meetings, to Calculus Capital.

Calculus Capital has published a Disclosure Statement setting out its compliance with the Stewardship Code, together with explanations for any areas of non-compliance, a copy of which can be found on its website. Calculus Capital has a policy of looking at each voting opportunity on a case by case basis.

## The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Calculus Capital Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that statutory obligations of the Company are met.

## Internal Control

The Directors are responsible for the internal control systems of the Company and the reliability of the financial reporting process and for reviewing their effectiveness. An ongoing process, in accordance with the guidance supplied by the Financial Reporting Council on internal controls, has been established for identifying, evaluating and managing the risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, was in place throughout the year and up to the date of the signing of this report. The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which are issued for publication is reliable and that the assets of the Company are safeguarded. The risk management process and systems of internal control are designed to manage rather than eliminate risk, and such systems can provide only reasonable rather than absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, has identified risk management controls in the key areas of strategy and investment, laws and regulations, service providers and other business risks, which encompass the operational, financial and compliance risks faced by the Company. A risk matrix has been produced against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place. This risk register is reviewed at each meeting of the Audit Committee and at other times as necessary.

## Corporate Governance Statement (continued)

Most functions for the day-to-day management of the Company are sub-contracted, and the Directors therefore obtain regular assurances and information from key third party suppliers regarding the internal systems and controls operated in their organisations. In addition, each of the third parties is requested to provide a copy of its report on internal controls to the Board each year.

The Board reviews the performance of the Investment Managers, Administrator, Company Secretary, Custodian and Registrar on at least an annual basis.

In accordance with the guidance issued to directors of listed companies, the Directors have carried out a review of the effectiveness of the various systems of internal controls as operated by the Company's main service providers during the year.

### Shareholder Relations

The Annual General Meeting is an important forum for the Board to communicate with shareholders and the Board consequently encourages shareholders to attend and vote at the Annual General Meeting. The Annual General Meeting will be attended by the Directors, including the Chairman and the Chairman of the Audit Committee, and representatives of Calculus Capital and Investec Structured Products, who will be available to discuss issues affecting the Company and answer all relevant questions from shareholders. The notice of Annual General Meeting on pages 67 to 69 of the full Annual Report and Accounts sets out the business of the meeting.

Shareholders may write to the Company with any concerns or enquiries via the Company Secretary at the registered office.

The half-yearly and annual reports are designed to present a full and readily understandable review of the Company's activities and performance. Copies are available for download from Calculus Capital's website, [www.calculuscapital.com](http://www.calculuscapital.com). The net asset value of the Company is released quarterly to the London Stock Exchange.

By Order of the Board  
Calculus Capital Limited  
Secretary  
20 June 2016