

Section 172(1) Statement

The Directors have complied with their responsibilities under Section 172 of the Companies Act 2006 which requires them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

In doing so, the Directors have had regard to the interests of stakeholders affected by the Company's activities and to the likely consequences of decisions in the long-term. The Board has set a number of key strategic priorities for 2020, as detailed earlier in this report. These priorities reflect the need to consider the interests of our staff and the need to keep pace with market initiatives and technological changes so the business is appropriately positioned to take best advantage of market conditions. The strategic priorities are cascaded down by the Executive Directors through direct communication with those responsible for putting measures in place and taking action to achieve them.

The Board is committed to ensuring the Company's business remains sustainable, not only from the shareholders' perspective, but also for the environment, customers, suppliers and others affected by our activities. In so doing, the Board have regard to the following matters:

Interests of the Company's employees

Engaged, enabled, empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. We have two employees, the Chief Executive and the Finance Director, and we actively seek to understand their values, what motivates them and to take this into account in the way we operate. In all instances, two-way communication is actively sought and encouraged. Oversight of the Executive Directors performance is maintained through an annual performance and development review process conducted by the Nomination and Remuneration Committee and we seek to offer appropriate levels of remuneration and incentives, drawing on comparator benchmark surveys as appropriate.

Fostering business relationships with customers, suppliers and others

The Company's business model and strategy, as detailed earlier, is to build a portfolio of underwriting capacity at Lloyd's through the purchase of corporate members and to engage leading managing agents at Lloyd's to manage those businesses. The Lloyd's managing agents are in turn responsible for managing their staff and employment policies and dealing with customers, suppliers and other involved in their supply chain.

Input from the managing agents is important and, periodically, they provide market updates and information to the Board which is taken into account when making decisions about improvements to the Company's products or business, developing new products or exploring new opportunities.

Our relationships with managing agents, outsource providers and professional advisers or other provider of services to the Company, including reinsurers, are formally recorded in written contracts, engagement letters, service level agreements and terms of business. The Executive Directors monitor performance under these arrangements and pay our suppliers in accordance with the Company's agreed payment policy. Again, transparent two-way communication with our suppliers and is actively sought and encouraged.

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

The Board is committed to ensuring the Company's business remains sustainable for the community, environment and others affected by the Company's activities and considers participation in quality syndicates, whose key characteristics are conservative reserving and a focus on profit rather than growth, is important in ensuring the Company's long-term success and sustainability. Whilst the managing agents have direct responsibility for managing the corporate members and the impact of their businesses on the environment and the community, the managing agents' performance in this respect is periodically reported to and reviewed by the Company's Executive Directors.

Maintaining a reputation for high standards of business conduct

The Board recognises the importance of the Company preserving and maintaining its long-established reputation for high standards of business conduct to ensure the business remains sustainable, maximises its competitive advantage over the longer term and builds value for shareholders.

The strategy of building a portfolio of underwriting capacity at Lloyd's through the purchase of corporate members is carried out in a manner that the Board considers is ethical and sustainable. This is achieved by focussing on quality syndicates that are then managed by leading managing agents at Lloyd's, who in turn are required to demonstrate high standards of business conduct.

These Lloyd's managing agents must comply with Lloyd's Minimum Standards as well as requirements of the Financial Conduct Authority and the Prudential Regulatory Authority, which together set a high bar for conduct and how relationships and business are managed. Notably, the Lloyd's Minimum Standards encompass matters such as claims management and treating customers fairly. The Chief Executive and Finance Director are in regular contact with the Research Team at Hampden Private Capital who liaise with the managing agents on a regular basis not only to review performance of the portfolio, but also to consider governance matters and compliance with Lloyd's Minimum Standards.

Acting fairly between shareholders of the Company

The support and engagement of our shareholders is imperative to the future success of the Company and the Board is committed to communicating effectively with all shareholders and to understanding their needs and expectations. To achieve this, the Board encourages two-way communication with shareholders and responds appropriately to ensure all questions or issues received from them are addressed in a timely manner.

The Chief Executive, Finance Director and Chairman have regular, direct contact with large shareholders and make sure that their opinions are communicated to the Board as needed. There have been regular dialogues with shareholders during the year including holding briefings with analysts and other investors. The Company also uses the Annual General Meeting as an opportunity to communicate with its shareholders. All Directors are expected to attend the Annual General Meeting, with the Chair of the Audit and Remuneration Committees being available to answer shareholders' questions.

We also have an on-going dialogue with shareholders through formal communication of financial results on a yearly and half yearly basis, provide periodic market updates and press releases to ensure compliance with the AIM rules.

Material decisions impacting stakeholders which took place in the year ended 31 December 2019

When the Board makes decisions, due regard is given to the matters listed above in varying degrees depending on their relevance. Notable examples include decisions made on fund-raising, the sale of capacity at the Lloyd's auctions, and bank re-financing to enable the Company to pursue its acquisition strategy whilst at the same time allowing sufficient working capital for the business, relevant to employees and suppliers; the dividend policy relevant directly to shareholders and indirectly impacting all stakeholders of the business.