

Chairman's Introduction

The Company is managed under the direction and supervision of the Board of Directors. Among other things, the Board sets the vision and strategy for the Company in order to effectively implement the Company's business model which is to bring royalty financing to European and other markets and thereby deliver long term value to our shareholders through regular income and capital growth.

Good corporate governance creates shareholder value by improving performance while reducing or mitigating risks that the Company faces as we seek to create sustainable growth over the medium to long-term. It is my role as Chairman to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model.

To these ends and in line with the recent changes to the Listing Rules to require all companies to adopt and comply with a recognised corporate governance code, the Board has adopted the Quoted Companies Alliance Corporate Governance Code (the "Code"). It was decided that the Code was more appropriate for the Company's size and stage of development than the more prescriptive Financial Reporting Council's UK Corporate Governance Code. The report that follows sets out in broad terms how we comply with the Code at this point in time and we will provide annual updates to the report going forward.

Principle 1: Establish a strategy and business model which promote the long-term value for shareholders

The Company has been formed to undertake an acquisition of a target company or business. The Company's efforts in identifying a prospective target company or business will not be limited to a particular sector or geographic region. However, the Company expects to draw on the extensive experience of the Company's founders and its board in sourcing and successfully executing such transactions.

The Directors and founders have a large network of corporate finance and investment brokers and have collectively sourced, initiated, managed and floated a number of companies over a long period of time. They have worked with the senior city institutions, investment bankers and have been involved in reconstructions, mergers and acquisitions and corporate transactions of various sizes in various industries. They have global experience in sourcing deal flow and intend to use this experience in conjunction with their contacts and advisers to target a suitable acquisition candidate.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company is committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market.

The Directors actively seek to build a relationship with institutional shareholders. The directors make presentations to institutional shareholders and analysts from time to time in part to listen to their feedback and have a direct conversation on any areas of concern. The Board as a whole is kept informed of the views and concerns of major shareholders by briefings. Any significant investment reports from analysts are also circulated to the Board. The directors are also available to meet with major shareholders if required to discuss issues of importance to them.

The Annual General Meeting ("AGM") is one forum for dialogue with shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 clear days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's website.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long term success

Engaging with all our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making.

The Company also is updated as to any changes in the Service Provider Arlington Group Asset Management, that could affect their service to the Company.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Financial Controls

Due to the simplistic nature of the company prior to securing an acquisition, the entire board of directors act as the audit committee. The audit committee meets as often as required and at least twice a year. The committee's main functions include, reviewing the effectiveness of internal control systems and risk assessment, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications.

The audit committee also monitors the integrity of the financial statements of the Company including its annual and interim reports and any other formal announcement relating to financial performance. The audit committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The audit committee considers the nature, scope and results of the auditors' work and reviews, and can develop and implements policies on the supply of non-audit services that are provided by the external auditors where appropriate. The audit committee focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules for Companies and ensuring that an effective system of internal financial

and non-financial controls is maintained.

Investment Committee

Due to the small nature of the company, the entire board of director's act as the investment committee. The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan. The Board continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available.

The investment committee is responsible for reviewing any potential RTO proposal opportunities; assisting and advising on terms; identifying and managing potential conflicts of interests and assessing the individual capital requirements for each potential opportunity. Whether to proceed or not with any proposed RTO financing is ultimately decided by the Board.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies where appropriate. The Board acknowledges that the Company's potential international operations may give rise to possible claims of bribery and corruption. In consideration of the UK Bribery Act the Board reviews the perceived risks to the Group arising from bribery and corruption to identify aspects of the business which may be improved to mitigate such risk. The Board has adopted a zero-tolerance policy toward bribery and has reiterated its commitment to carry out business fairly, honestly and openly. The Company has also adopted a share dealing code for the Board, in conformity with the requirements of the Listing Rules for Companies, and will take steps to ensure compliance by the Board with the terms of the code. In summary, the code stipulates that those covered by it should: not deal in any securities of the Company unless prior written notice of such proposed dealings has been given to the Board and written clearance received from the Board; not purchase or sell any securities of the Company in the two months immediately preceding the announcement of the Company's half-yearly or annual results; not use another person, company or organisation to act as an agent, or nominee, partner, conduit or in another capacity, to deal in any securities on their behalf where that third person would breach obligations under this paragraph; and immediately inform the Board of any dealings in the Company's shares.

All material contracts are required to be reviewed and signed by a Director of the Company and reviewed by our external counsel where appropriate.

The Company has a social media policy. The objective of the policy is to minimise the risks to the Company through use of social media. The policy deals with the use of all forms of social media, including Facebook, LinkedIn, Twitter, Google+, Wikipedia, Whisper, Instagram, Vine, Tumblr and all other social networking sites, internet postings, the Company's website, non-regulatory news feeds and blogs. It applies to use of social media for business purposes as well as personal use that may affect the Company in any way. The policy covers all

employees, officers, consultants, contractors, interns, casual workers and agency workers and any of the above who are working on the Company's behalf at the Company's Support Services providers.

Principle 5: Maintain the board as a well-functioning, balanced team lead by the chair

The Board comprises the Non-Executive Chairman, and two Non-Executive Directors. The Board considers that the three Directors bring an independent judgement to bear. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman holds update meetings with each Director to ensure they are performing as they are required.

During the financial year to 31 December 2019, 4 Board meetings took place. Key Board activities this year included the receipt, investigation and assessment of any potential RTO candidates. Continued open dialogue with the investment community; Considered our financial and non-financial policies; Discussed strategic priorities; Discussed the Company's capital structure and financial strategy, including shareholder returns; Discussed internal governance processes; reviewed the Company's risk profile; Reviewed feedback from shareholders post full and half year results. The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests must be reported to and, where appropriate, agreed with the rest of the Board.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of finance, capital markets, legal and regulatory. All Directors receive regular and timely information on the Company's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. Contracts are available for inspection at the Company's registered office.

The Board makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that: any Director who has held office at the time of the two previous AGMs and who did not retire at either of them must retire from office and may offer him or herself for re-election by the shareholders; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Company is constantly assessing the individual contributions of each of the members of the Board and executive team to ensure that: - Their contribution is relevant and effective - That they are committed - Where relevant, they have maintained their independence. Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. With regard to the structure and size of the Company, the Board is confident the ethical values are being adhered to through multiple ways. The Directors are good standing

members of professional bodies, such as the FCA, and/or relevant legal / accountancy bodies. All these professional bodies require their members to annually declare they are in compliance with the ethical code and codes of conduct. The Board maintain and review procedure manuals that includes clear guidance on what is expected of every officer. Adherence to these standards is a key factor in the evaluation of performance within the Company, including during annual performance reviews. Having a relevant professional degree and being a member in good standing of the professional body aligns with the culture the Company cultivates to obtain its objectives. The Company will only meet its objectives if all of its Directors are ethical, fair and transparent in their dealings with our stakeholders.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board meets at least four times each year in accordance with its scheduled meeting calendar. The Board sets direction for the Company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's four Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. During the financial year to 31 December 2019, the Board met for its four scheduled meetings.

The Board receives appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and committee papers are expected to be distributed well before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board and then followed up by the Company's management.

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall group strategy; approval of major investments; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The directors collectively are responsible for proposing the strategic focus to the Board and implementing it once it has been approved.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the AGM, and RNS announcements. A range of corporate information (including all Company announcements and appropriate documentation) is also available to shareholders, investors and the public on the Company's corporate website, www.auctusgrowthplc.co.uk