

Corporate Governance

CORPORATE GOVERNANCE STATEMENT

The directors recognise the need for sound corporate governance. As a company whose shares are traded on AIM, the Board have determined that it will apply the Quoted Companies Alliance's 2018 Corporate Governance Code ("the QCA Code"). The corporate governance arrangements that the Board has adopted are designed to ensure that the Group delivers long term value to its shareholders and that shareholders have the opportunity to express their views of and expectations for the Group in a manner that encourages open dialogue with the Board. The Board acknowledges that their decisions on strategy and risk will impact the corporate culture of the Group and the performance of the Group. The Board is very aware that the tone and culture set by the Board permeates all areas of the Group and the way that employees behave. The importance of sound ethical values and behaviours is crucial to the ability of the Group successfully to achieve its corporate objectives. Douglas Lowe, in his capacity as Chairman, has assumed responsibility for ensuring that the Group has appropriate corporate governance standards in place and that these requirements are followed and applied within the Group.

The directors have adopted a dealing policy in respect of dealings in the shares of the Company by directors and employees.

The Board currently consists of three directors, of whom two are executive and one is non-executive. The Board continues to consider whether it would be appropriate to seek to appoint additional non-executive and/or executive directors, but at this time believes that appropriate leadership and oversight of the Group is provided by the currently constituted Board.

No key governance related matters occurred during the past twelve months.

This disclosure was last reviewed and updated on 20 December 2023.

CORPORATE GOVERNANCE REPORT

The corporate governance report is intended to provide shareholders with a clear understanding of the Group's corporate governance arrangements, including analysing compliance with the QCA Code and where the Group does not comply with the QCA Code, an explanation of why it does not.

The QCA Code provides a robust framework which enables the Group to maintain high standards of corporate governance appropriate for the size of the Group. The QCA Code sets out ten principles and each principle and the Group's actions in relation related thereto are set out below. Douglas Lowe, in his capacity as Executive Chairman, is responsible for ensuring the Group has the necessary corporate governance framework in place and that, except for Principles Five and Nine in relation to director appointments, the ten principles are followed across the Group.

Additionally, the Group complies with Section 172 of the Companies Act 2006. This report sets out how the Board has discharged its duties.

Principle One Business Model and Strategy

The Group's business model is that of a property investment and development company, which is focused on the Scottish property market. Further details regarding application of the Group's business model, its activities and its properties can be found in the 'Review of Activities' section of the Chairman's Statement on pages 2 and 3 of the Group's annual report and accounts for the year ended 30 June 2023. The 'Future Progress' section of the Chairman's Statement on pages 13 to 14 of the Group's annual report and accounts for the year ended 30 June 2023 provides a summary of the Group's

strategy. The key challenges in the execution of the Group's business model and strategy and how the Group seeks to address these can be found in the 'Principal risks and uncertainties' section on pages 17 and 18 of the Group's annual report and accounts for the year ended 30 June 2023.

Principle Two

Understanding Shareholder Needs and Expectations

As well as compliance with the QCA Code, Directors are required in accordance with Section 172 of the Companies Act 2006 to include a statement of how they have taken into account the shareholders in promoting the success of the Company. This section and information on pages 22 and 23 set out how the Board has discharged its duties.

It is important to note that the executive directors are the two largest shareholders, together holding over 85% of the Company's issued share capital.

Investors have access to current information on the Company through its website, www.caledoniantrust.com, through its regulatory announcements, its annual and interim accounts and through the directors who are available to answer investor related enquiries.

Shareholders may contact the Company in writing via email (webmail@caledoniantrust.com), by telephone on 0131 220 0416 or in writing to the Company's Head Office, 61A North Castle Street, Edinburgh EH2 3LJ. Any information provided in response to any such enquiries will be information that is freely available in the public domain.

All shareholders are encouraged to attend the Company Annual General Meeting ("AGM") where the Directors listen to the views of the shareholders formally during the AGM and informally following the AGM. In the event of a voting decision not being in line with its expectations the Board would seek to engage with those shareholders to understand and address any concerns as appropriate. Shareholders can continue their engagement with the Directors through any of the channels already mentioned.

The Board dedicates sufficient time to ensure that communication is effective with existing and potential shareholders and other key stakeholders. The Board believes the Company's mode of engaging with shareholders is adequate and effective.

Principle Three

Wider Stakeholder and Social Responsibilities

On the basis of the Directors' knowledge and long experience of the operations of the Group the Board recognises that the long-term success of the Group is reliant upon the efforts of the employees of the Group, its professional advisors and its contractors. The directors engage directly on a regular basis with all these stakeholders which ensures that there is close Board oversight and contact with the Group's key resources and relationships.

Employees: The Group has a small number of full and part-time employees. The Executive Directors are in regular contact with the Group's employees, which provides an opportunity for employees to discuss matters they wish to raise. The administrative staff are in contact with the Directors on a daily basis. A pay review took effect from 1 November 2023.

Customers: The Group aims to deliver quality homes and other developments. It invests in strong design features and should any snagging work be required, it ensures rectification is completed quickly. The Group's interaction with its tenants is constructive and cordial and any contentious points are quickly resolved. The Group recognises the important role of all relevant Regulations and seeks to conform with both the spirit and the requirement of the regulations.

Suppliers and professional advisors: The Group engages contractors after appropriate formal and informal vetting, and for larger projects after formal tendering. The Executive Directors meet with contractors regularly throughout large projects to review their recommendations and to review progress. Advisors are selected on the basis of suitability and experience for the advice required. For each firm engaged an agreed nominated partner or director is responsible for the Group's instructions and advice who reports to the executive directors as required.

Environment: The Board recognises the growing awareness and requirements in respect of environmental issues and is working with its professional advisors to promote an environmentally friendly approach to the design of its new developments.

The Group takes into account feedback received from its key stakeholders and considers making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's strategy and objectives. However, no material changes to the Group's working processes were required over the year to 30 June 2023, or more recently, as a result of stakeholder feedback received by the Company.

Principle Four Risk Management

In addition to its other roles and responsibilities, the Audit and Compliance Committee is responsible to the Board as a key control for ensuring that procedures are in place, and are being effectively implemented to identify, assess and manage the significant risks faced by the Group in respect of the execution and delivery of the Group's strategy. The Board and executive management team also consider and monitor risk on an ongoing basis.

The principal risks and uncertainties which have been identified within the business and which could have a material impact on the Group's long-term performance can be found in the 'Principal risks and uncertainties' section on pages 17 and 18 of the Company's annual report and accounts for the year ended 30 June 2023.

The risks which the Group faces are subject to change and the measures to counter or to mitigate them are reviewed regularly. The Board considers that an internal audit function is not necessary, due to the close day to day control exercised by the Executive directors.

Principle Five Maintaining a Well Functioning Board of Directors

As at 20 December 2023 the Board comprised the Chairman and Chief Executive Officer, Douglas Lowe, one executive director, Michael Baynham and one non-executive director, Roderick Pearson. Of the Board's members, Mr Pearson is considered to be independent. A further commentary on this topic is provided below.

Mr Lowe has been both Chairman and Chief Executive Officer of the Company for many years. He is the largest shareholder holding over 79% of the issued share capital and since the banking crisis of 2007 a private company under his control, Leafrealm Limited, has provided significant loans to the Group to fund its working capital requirements. The Board believes that Mr Lowe's shareholding aligns his interests with the other members' interests and there is ample evidence to support this.

The Board consider that in these circumstances it is in the best interests of the Group to maintain Mr Lowe's positions as both Chairman and Chief Executive Officer contrary to recommended best practice in the QCA Code. The Board has been assured that, subject to all debt owed to Leafrealm Limited being repaid, a return to contractual remuneration levels for Mr Lowe and after the currently forecast recession, further Board appointments and changes will be made. Separately, the Board has received

an undertaking from Mr Lowe that if he ceases to work full-time, appropriate Board changes will be made.

The Company presently does not comply with the QCA Code recommendation to have at least two non-executive directors who are identified as independent. For those reasons the Board believes that, given the present size of the Company and the nature of its business and operations it is well served by the current composition of the Board which functions effectively and is well balanced. This position is considered regularly and where appropriate and necessary further appointments will be made.

Mr Pearson has been a non-executive director since March 2007 and the rest of the Board consider him to continue to be independent. Mr Pearson brings the weight of his professional qualification and experience to the valuations of investment properties but is sufficiently removed from the day to day operations of the Company to retain a critical and independent view. As such he represents the best interests of all the shareholders.

Mr Lowe and Mr Baynham work full time and Mr Pearson currently works on average two days per month. Biographical details of the current directors are set out below. Executive and non-executive directors are not presently subject to re-election.

The Board met formally on eleven occasions during the year to 30 June 2023 and all directors attended all meetings except that Mr Lowe and Mr Pearson absented themselves from one meeting each where they had an interest in the matter being discussed. It has established an Audit and Compliance Committee and a Remuneration Committee, details of which are set out further below. The Audit and Compliance Committee met on two occasions during the year ended 30 June 2023 with all members of the committee attending. The Remuneration Committee met once during the year with all committee members attending.

As appointments to the Board are made by the Board as a whole it is not considered necessary to create a Nominations Committee.

Principle Six Appropriate Skills and Experience of the Directors

The Board currently consists of three directors. Mr Baynham is also the Group Company Secretary. The Board recognises that it currently has limited diversity and increasing diversity will be considered as and when the Board concludes that replacement or additional directors are required.

The Board is satisfied that with the Directors, it has an effective and appropriate balance of skills and experience to deliver the strategy of Group for the benefit of the shareholders over the medium to long-term. All directors are able to take independent professional advice in the furtherance of their duties.

During the year ended 30 June 2023, neither the board nor any committee has sought external advice on a significant matter and no external advisers to the board or any of its committees have been engaged.

I Douglas Lowe Chairman and Chief Executive Officer

Mr Lowe is a graduate of Clare College Cambridge (MA Hons in Natural Science and Diploma in Agriculture) and Harvard Graduate School of Business Administration (MBA and Certificate in Advanced Agricultural Economics). Until 1977 he was Chief Executive of his family business, David Lowe and Sons of Musselburgh, property owners, farmers and market growers established in 1860, which farmed intensively 2,000 acres and employed over 200 people.

In 1978 and 1979 Mr Lowe was Deputy Managing Director of Bruntons (Musselburgh), a listed company which manufactured mainly wire and wire rope and employed approximately 1,000 people. He was a significant shareholder and, from 1986 until shortly after joining the Company, Executive

Deputy Chairman of Randsworth Trust PLC, a property company with a dealing facility on the Unlisted Securities Market. The market capitalisation of Randsworth Trust PLC increased from £886,000 to over £250 million between April 1986 and sale of the company in 1989.

Mr Lowe purchased shares in Caledonian Trust PLC in August 1987, at which time he became Chief Executive. Mr Lowe attends two broadly constituted private political and economics discussion groups throughout the year. He maintains close contact with all of the Group's professional advisers in order to discuss and identify any new laws, regulations or standards which may affect the Group. He studies a wide range of relevant economic, political and technical publications and undertakes extensive research in preparation of the Chairman's Statements, which accompany the Annual and Interim Accounts. Mr Lowe's experience in many senior executive positions in many organisations ensures that he has the necessary ability to develop and implement the Group's strategy.

Michael J Baynham

Executive Director and Company Secretary

Mr Baynham graduated in law (LLB (Hons)) from Aberdeen University in 1978. Prior to joining the Company in 1989, he worked as a solicitor in private practice specialising in commercial property and corporate law. He was a founding partner of Orr MacQueen WS in 1981 and from 1987 to 1989 was an associate with Dundas & Wilson CS.

Mr Baynham maintains his Practising Certificate with the Law Society of Scotland and attends professional development seminars and other relevant seminars on a regular basis throughout the year. He maintains close contact with all of the Group's professional advisers in order to understand and apply any new laws, regulations or standards relevant to the business.

Mr Baynham's experience of corporate law, commercial property law, commercial property finance, investment and development ensures that he has the necessary ability to implement the Group's strategy.

Roderick J Pearson

Non-Executive Director

Mr Pearson is a graduate of Queens' College Cambridge (MA Modern Languages and Land Economy) and is a Fellow of the Royal Institution of Chartered Surveyors. He has held senior positions in Ryden and Colliers International, practising in Edinburgh, Aberdeen and Glasgow, and now has his own practice, RJ Pearson Property Consultants Limited.

Mr Pearson's experience of property as a surveyor in private practice together with his experience in senior management positions ensures that he has the ability to support the executive directors and also to challenge strategy, and decision making and to scrutinise performance.

All three members of the Board bring relevant sector experience through their long and varied careers throughout the property, financial, legal and consulting sectors. The Board believes that its members possess the relevant qualifications and skills necessary to effectively oversee and execute the Group's strategy.

Principle Seven

Evaluation of Board Performance

The directors consider that the size of the Company does not justify the use of third parties to evaluate the performance of the Board on an annual basis. The Company does not currently have a formal appraisal process for Directors but the Chairman assesses the effectiveness of the Board as a whole and the individual directors to ensure that their contribution is relevant and effective. This process is performed over the course of the year. He also assesses the effectiveness of the Audit Committee and the Remuneration Committee. During the year ended 30 June 2023, the Chairman's assessment did not

find any shortcoming in Board or committee effectiveness and did not lead to any material recommendations for any changes.

The Chairman is the majority shareholder and the above arrangements are acceptable to him. The Board will continue to assess this position on at least an annual basis, and if and when it is deemed appropriate it will establish more prescribed evaluation processes.

The Directors have given consideration to succession planning and have in place a strategy to address succession as and when it becomes necessary. The Board believes the current board and current committee structure and membership is appropriate, but will consider whether any board and other senior management appointments are required on at least an annual basis and will consider the feedback from the Chairman's assessments, as described above, in this process.

Principle Eight Corporate Culture

The Board acknowledges that their decisions on strategy and risk determine the corporate culture of the Group and its performance. High standards of ethical, moral and social behaviour is deemed important in achieving the Group's corporate objectives and strategy and such standards are actively promoted. The Group only has a small number of employees who work closely with the Executive directors. Accordingly, the Board is always well placed to assess its culture which respects all individuals, permits open dialogue and facilitates the best interest of all of the Group's stakeholders. The Board are prepared to take appropriate action against unethical behaviour, violation of company policies or misconduct.

The Company has adopted a policy for directors' and employees' dealings in the Company's shares which is appropriate for a company whose securities are traded on AIM, and is in accordance with rule 21 of the AIM Rules and the Market Abuse Regulation of the European Union.

Principle Nine Maintenance of Governance Structures and Processes

Board Roles and Responsibilities

Ultimate authority for all aspects of the Group's activities rests with the Board, with the respective responsibilities of the Directors delegated by the Board. Given the size and nature of the Group's business both of the executive directors engage directly with all key stakeholders on a regular basis.

As noted in the disclosure above in respect of Principle Five, Mr Lowe is both Chairman and Chief Executive Officer of the Company and the Company therefore does not comply with the QCA Code in this respect. In his role as Chairman, Mr Lowe has overall responsibility for corporate governance matters in the Company, leadership of the board and ensuring its effectiveness on all aspects of its role. In his role as Chief Executive Officer Mr Lowe leads the Group's staff and is responsible for implementing those actions required to deliver on the agreed strategy.

Matters reserved specific to the Board include formulating, reviewing and approving the Group's strategy, budget, major items of capital expenditure, acquisitions and disposals, and reporting to shareholders and approving the Annual and Interim Statements. The Board is also responsible for assessing the risks facing the Group and where possible developing a strategy to mitigate such risk.

The Board complies with the Companies Act 2006 and all other relevant rules and regulations including their duty to act within their powers; to promote the success of the Group; to exercise independent judgement; to exercise reasonable care, skill and diligence; to avoid conflicts of interest; not to accept benefits from third parties and to declare any interest in any proposed transaction or arrangement.

At present, the Board is satisfied with the Group's corporate governance, given the Group's size and the nature of its operations, and there are no specific plans for changes to the Company's corporate governance arrangements in the shorter term. As the Group expands and when its programme of developments increase, future Board appointments and Board changes will be considered.

Audit Committee

During the period under review the Audit Committee was chaired by Mr Pearson. It met to review the Interim Report, the Annual Report, to consider the suitability of and to monitor the internal control processes. It also reviewed the directors' valuations of the investment and stock properties, bringing Mr Pearson's professional experience and market awareness to the review. The Audit Committee reviewed the findings of the external auditor and reviews accounting policies and material accounting judgements.

The independence and effectiveness of the external auditor is reviewed annually and the Audit Committee meets at least once per financial year with the auditor to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, auditor appointment and fee levels and other appropriate matters.

The Audit Committee have reported that they are satisfied that the internal control processes are robust. The accounting policies meet regulatory requirements and any material judgements are stated in Note 3 of the consolidated accounts for the year ended 30 June 2023. The Audit Committee is satisfied that the external auditor is independent and effective.

The Audit Committee terms of reference can be found here <http://www.caledoniantrust.com/CR11-AUDIT-COMMITTEE-M0918.pdf>.

Remuneration Committee

The Board resolved to increase salaries as more fully set out in the Remuneration Committee report on page 31. During the year, the following increases were agreed and implemented:

I D Lowe	£ 6,000 (with effect from 1 January 2023)
M J Baynham	£40,000 (with effect from 1 January 2023)
R J Pearson	£ 2,000 (with effect from 1 July 2022)

Mr Lowe's remuneration remains below the contracted rate.

The Remuneration Committee terms of reference can be found here www.caledoniantrust.com/CR11-REMUNERATION-COMMITTEE-M0918.pdf.

As ID Lowe is a member of the Remuneration Committee, the Remuneration Committee is not made up of independent directors as envisaged by the QCA Code and the Company therefore does not comply with the QCA Code in this respect.

No director who sits on the Remuneration Committee takes part in discussions or votes on matters pertaining to their individual performance or remuneration.

Details of the directors' remuneration can be found in Note 6 of the consolidated accounts for the year ended 30 June 2023.

Nomination Committee

The Board have agreed that appointments to the Board will be made by the Board as a whole and have not created a Nomination Committee.

At present, the Board is satisfied with the Company's corporate governance, given the Company's size and the nature of its operations, and as such there are no specific plans for changes to the Company's corporate governance arrangements in the shorter term.

As the Group expands and when its programmes of developments increase, future Board appointments and Board changes to reflect such changes will be considered, as appropriate.

Principle Ten Shareholder Communication

The work of the Company's Audit Committee and Remuneration Committee during the year is described above and in the reports of the Audit Committee and Remuneration Committee.

Shareholders have access to current information on the Company through its website, <http://www.caledoniantrust.com>, through its regulatory announcements, its annual and interim financial reports and via Mr Lowe, Chairman, who is available to answer investor relations enquiries. Shareholders may contact the company in writing, via email (webmail@caledoniantrust.com) or by telephone on 0131 220 0416. Enquiries that are received will be directed to the Chairman, who will consider an appropriate response.

The results of voting on all resolutions in future general meetings will be posted to the Group's website and announced via RNS. Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the Board will post this on the Group's website and will include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

The Company's financial reports since 2002 can be found here http://www.caledoniantrust.com/accounts_details.html. Notices of General Meetings of the Company for the last five years can be found here http://www.caledoniantrust.com/AGM_Notices.html.

The Group engages in open communication with its shareholders and endeavours to reply to all shareholder queries received. The Chairman prepares a detailed summary of the Group's activities in his Statement which accompanies the Annual and Interim Financial Statements. Regulatory announcements are distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Group's progress. A report of the audit and remuneration committees is included in respect of Principle Nine above. All shareholders are encouraged to attend the Company's Annual General Meeting.