Chairman Statement on the QCA Corporate Governance Code

As the chairman, I have overall responsibility for implementing corporate governance within Argo Group Limited (the “Company”, “Argo” or “Group”). Working with the company secretary, I am responsible for our corporate governance statements. The board is collectively responsible for setting the tone and culture of the Company and promoting good corporate governance.

Argo has now adopted the Quoted Companies Alliance Corporate Governance Code (the “Code”). At Argo, we believe in good corporate governance and accountability and we make robust corporate governance part of our culture and business values.

That is why the board have taken steps to apply the principles of the Code as far as it is practical, given the size of our Group and the nature of our business. Below you will find an explanation as to how the Code is applied by the Company, and certain areas where we take a different approach to that set out by the Code. Additionally, any significant changes in our corporate governance over the previous 12 months are reported in the annual report of the Group . We regularly review our governance framework and our approach.

Our primary means of communicating our corporate governance structure is through our annual report and our website disclosures. Where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders, generally through the directors and the chief executive officer. Where appropriate I engage directly.

I have set out below how the board is led, its responsibilities, our risk reporting, governance structure and engagement with stakeholders. At Argo we recognise that strong corporate governance is important to the long-term success of the company - by facilitating performance and the mitigation of risk. That is why I and the whole Argo Group take corporate governance very seriously.

Michael Kloter
Chairman

Compliance

QCA Corporate Governance Code

Establish a strategy and business model which promote long-term value for shareholders *(Principle 1)*

The Company's general purpose and strategy statement as approved by the board is as follows: Argo's prime objective is to generate long term alpha returns for investors while managing downside risk through strong risk management and a focus on diversification. Argo aims to retain a well-established and stable team of investment professionals to achieve such targeted returns.

Argo's diverse fund offerings are designed for those investors seeking exposure to emerging markets through investments in liquid debt securities (The Argo Fund) to illiquid distressed credit opportunities (Argo Distressed Credit Fund). To ensure Argo is well-positioned to capture new opportunities, senior management continually aims to improve current strategies and group infrastructure, ensuring industry best practice is employed wherever possible.

Simultaneously, Argo's strategy is to grow assets in a conservative and manageable manner so as to ensure targeted returns for existing investors are sustained while building a stable and diverse investor base.

Maintain the board as a well-functioning, balanced team led by the chair *(Principle 5))*

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities *(Principle 6).*

The board exercises full and effective control over the Argo Group. There is a formal schedule of matters reserved specifically for its decisions, relating to strategy, finance, risk, operations and governance.

Information on the Argo's board oversight is contained below:

The chairman leads the board, while the chief executive officer is charged with managing the Group's business. The roles of the chairman and chief executive officer are distinct.

The Code expects an appropriate combination of executive and non-executive directors. Our split is between two Executive and three non-executive directors (including the non-executive chairman).

The chairman and the board collectively believe this split between its executive and non-executive directors is appropriate. This composition continues to provide the expertise, breadth of experience and independence of thought needed, while maintaining efficient board meetings.

The board reviews its composition against the requirements of the Code, and the need for any additional independent non-executive directors and/or senior independent directors is reviewed annually at a board meeting. The Company does not currently appoint a senior independent director.

The level of the chairman's shareholding means he is not independent; nevertheless, his interests are aligned with those of shareholders. The board considers its composition appropriate for an AIM-quoted company of its size, market cap, and individual circumstances.

Currently, it is the Company's practice for the whole board to submit itself for re-election at each AGM. Given the Company's size no formal retirement process exists.

The Chairman

The chairman is responsible for leading an effective board. In particular, the chairman is tasked with:

• Chairing board meetings and setting the agenda;

• Ensuring adequate time is available for all agenda items;

• Encouraging discussion of and decision making for agenda items;

• Ensuring that accurate and comprehensive management information is distributed to the board members in a timely manner;

• Ensuring compliance with high standards of corporate governance and ethical behaviour; and

• Facilitating a two-yearly internal evaluation of the board.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement *(Principle 7)*

BOARD EVALUATION

The board evaluates its own performance by reference to key areas of board responsibility including: adherence to Group strategy; operational performance; cash flow and net assets; budgetary control and the share price. It also internally evaluates its balance of skills, experience, independence and knowledge of the business, as well as its diversity.

The board does not undertake an annual independent evaluation as recommended by the Code. A two-yearly internal evaluation is considered appropriate given the smaller size of the board.

The evaluation covers a range of questions on areas covering performance and strategy, director orientation and development, board leadership, succession planning and ethics. Additionally, more general questions cover areas where the board members identify both risks and opportunities.

Directors' performances are reviewed twice a year by other members of the board.

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

BOARD COMMITTEES OVERSIGHT

We have two main board committees; an audit committee and a remuneration committee. Their responsibilities are summarised below, and their terms of reference are available upon request from the Company Secretary.

Audit Committee

This committee oversees the Group's financial reporting, internal financial controls and risk management processes. It also oversees the external audit process. Through the audit committee, the directors ensure the integrity of financial information, the effectiveness of financial controls and internal control and financial risk management systems. It challenges senior management, external auditors and reviews the financial reporting processes in the Company's interim and annual reports, including reviewing the need for an internal audit function. Any significant reporting issues are reported the board. As a further control the committee, along with board, are also provided with the compliance reports submitted by the external compliance consultant for consideration.

Remuneration Committee

This committee sets the remuneration of the directors, including basic salary, bonuses and other incentivisation payments and awards. No director is responsible for setting his own pay and bonuses are discretionary. The remuneration committee aligns remuneration policy with Company strategy, taking into account both Company growth, strategy and risk management. It also seeks guidance on market practice, and aims to reward the right behaviours. It sets remuneration in respect of other senior executives within the Group. We seek shareholder approval of our remuneration report retrospectively at our annual general meeting, as published in our Annual Report for that year, which is a means of obtaining shareholder feedback. This report also includes our remuneration policies.

Further information on board committees:

	Audit Committee	Remuneration Committee
Members (Non- Exec)	• Michael Kloter • Ken Watterson • David Fisher	• Michael Kloter • Ken Watterson • David Fisher
Meeting Frequency	• 2x per annum	• 2x per annum
Functions	• Review of group financial statements and accounting principles • Monitoring and review of effectiveness of internal controls • Liaise with group external auditors • Consider developments in corporate governance • Deliberate risk issues associated with material transactions and strategic decisions • Review group compliance reports • Review group technology strategy • Review shareholder communications	• Determine remuneration framework and policy for group executives • Ensure group remuneration policy complies with the FCA Remuneration Code • Periodically review remuneration policy for appropriateness and balance between long term and short term incentives

Embed effective risk management, considering both opportunities and threats, throughout the organisation *(Principle 4)*

EMBEDDING RISK MANAGEMENT AND CONTROL

Risk is inherent in all business and is therefore present within the Group's activities. The Group seeks to effectively identify, monitor and manage each of its risks with ultimate responsibility of risk management resting with the board.

The key risks that the board considers most important to its business are those associated with operations, illiquidity and valuation. Operational flaws can result from a lack of resources or planning, error or fraud, the inability to capitalise on market opportunities or weaknesses in systems and controls. The board believes that operational risk is mitigated as follows:

• appropriate financial and management controls are in place which ensure day-to-day operations are managed effectively;

• the valuation of key assets by independent third parties with the pricing review committee run by Argo Capital Management Limited - a subsidiary of the Company that serves as investment manager to Argo funds – which provides additional oversight of valuations used for hard-to-price assets;

The minutes of the pricing review committee are copied to the board which provides an opportunity for non-executive scrutiny.

and

• the existence of disaster recovery procedures.

Risk management and control is one element of the Group's overall system of internal controls which provides an ongoing process for identifying, evaluating and managing the Group's significant risks. This control framework enables the board, through the audit committee and the use of an independent compliance review service to oversee the regulated activities of the investment advisors and regular board meetings, to monitor the effectiveness of the risk management and internal control systems. Throughout the year the board has continued to receive regular financial and other management information related to the control of expenditure against budget as well as reports on compliance and risk matters.

The board is satisfied that appropriate planned actions continue to be effective in improving controls as the Group develops and the overall assessment of the control framework continues to be satisfactory.

Seek to understand and meet shareholder needs and expectations *(Principle 2)*

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

SHAREHOLDER RELATIONS

Relations with shareholders

The board recognises its primary role of representing and promoting the interests of the Group's shareholders. The board is accountable to shareholders for the long-term performance and success of the Company. The Company's nominated advisor is Panmure Gordon ("Nomad").

The annual general meeting ("AGM") is our main forum for meeting private shareholders. Shareholder and staff attendance is encouraged. The non-executive chairman leads the AGM and takes questions from the floor, together with the other board members. Shareholders are invited to participate at the AGM.

An RNS announcement is released after the AGM to announce the resolutions passed at the AGM. The Company has not experienced significant dissenting shareholder votes for resolutions proposed at the AGM (over 20%), including proxy votes. AGM notices and financial reports over the last 5 years can be found on the website.

The Company's annual report and financial statements contains the Company's remuneration principles and policies as well a report on the committee's activities.

Where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders, generally through the directors and the chief executive officer. The chief executive officer is available to meet shareholders during the year by appointment on a case-by-case basis. The chairman and the Independent non-executive directors also make themselves available where appropriate to discuss any issues or concerns that shareholders may have on a case-by-case basis.

The Company website has a section for investors which contains all publicly available financial information, RNS announcements and news concerning the Company and provides details of how shareholders can directly discuss particular issues with the Company

In conjunction with the Company's Nomad and other financial advisers we distribute news in a timely fashion through appropriate channels, to ensure that shareholders are able to access material information about the Company's progress.

Promote a corporate culture that is based on ethical values and behaviours *(Principle 8)*

Take into account wider stakeholder and social responsibilities and their implications for long-term success *(Principle 3)*

WIDER STAKEHOLDER CONSIDERATIONS

Other key stakeholders: how we engage with employees, customers and affiliates.

Our approach to corporate social responsibility is to pay close attention to our relationships with key stakeholders, as we recognise that this is important for the success of the business.

Our staff are key to the business and the directors recognise the need for engagement with employees. Our smaller size means that directors are relatively accessible to all employees. We encourage staff engagement and expect high standards of performance from our staff. Our smaller size allows our management structures to be relatively flat.

We take into account feedback from our advisors and Nomad and adapt our processes accordingly.

When board decisions are taken, the board takes into account and recognises its duty to promote the success of the Company, the interests of shareholders as well as the interests of and relationships with suppliers, customer and employees. Where appropriate the board set out in our Annual Report any relevant or important development on this front. The board is aware of, and complies with, its obligations under section 172 of the Companies Act 2006.

This statement was last reviewed in 3 February 2020.