

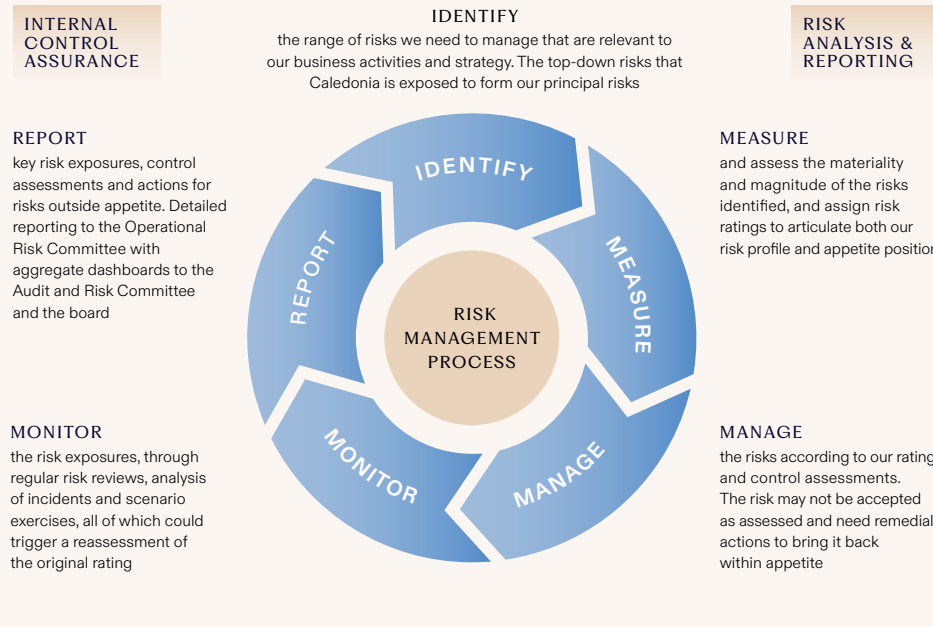
Risk management continued

Risk management framework

The risk framework supports and informs business activity and decisions, managing risk through a set of integrated processes.



THE RISK FRAMEWORK ALIGNS WITH AND SUPPORTS BUSINESS ACTIVITIES



Principal risks

Our principal risks reflect the aggregate view of underlying risk assessments.

The board and Audit and Risk Committee assess these risks during the year, considering any changes or additions in light of the external environment (market, legal or regulatory changes) or following changes to our own business activities that might expose us to additional risks. During the year we have assessed the impact that the accelerated adoption of AI technologies might have on our operations and investment strategy and evolved our controls to manage potential risk exposures. Whilst external developments have heightened our exposure to some risks, no new material current or emerging risks have been identified.

We are monitoring areas of heightened exposure, particularly in respect of market risk where ongoing geopolitical tension is maintaining volatility across global financial markets.

We continue to be faced with an environment of elevated cyber threats, maintaining this as our most material operational risk. Ongoing control reviews in this area, including by external consultants, ensure that our network and system defences remain robust.

We have set out our six principal risks on pages 59 to 60, highlighting developments throughout the year and our assessment of their current rating alongside indicators reflecting current sentiment.

Risk governance, structure and responsibilities

Risk management and its governance is the responsibility of the board, with specific components delegated to the Audit and Risk Committee. The executives are given the task of managing an effective and transparent process to ensure that current and emerging risks are identified, measured, managed, monitored and reported on. The board sets the risk appetite in line with the business model and strategy.

Risk governance, structure and responsibilities



Risk management *continued*

This is communicated through the executive to all those with managerial responsibilities. The illustration on the previous page depicts the risk governance structure in place and the responsibilities of each committee.

Risk reporting

We report on changes and developments across our principal risk exposures. Risk reports are provided at least biannually to the Audit and Risk Committee for review before submission to the board. Any material issues or changes are escalated to the board for further discussion.

The Audit and Risk Committee reviews all key risk types. An investment risk report is submitted to the Audit and Risk Committee biannually, providing analysis of investment portfolio risks arising from our investment strategy. Exposures are measured against defined risk parameters and include asset allocation, performance, investment volatility, diversification and liquidity.

Operational risk reporting is reviewed by the Operational Risk Committee. It receives detailed risk updates from all the business units and monitors Caledonia's exposure to all types of operational risk including legal and regulatory, fraud, key business process failure, people risk and business continuity failure. The Committee closely monitors cyber security exposure, receiving regular updates from the IT Director.

Internal control assurance

To meet the requirements of the 2024 UK Corporate Governance Code regarding internal controls, specifically Provision 29, Caledonia put in place a programme of activity to reconfirm and reassess our material controls.

The board and Audit and Risk Committee have actively engaged with the programme, reviewed and approved the approach taken, and received regular updates throughout the year.

The approach to assessing the effectiveness of controls applies increasing levels of assurance depending on the importance of the control. Material controls are subject to deep dive risk assessments, engaging expert third parties for the areas where internal expertise is limited.

Key controls undergo a formal self-assessment process. Outcomes from the deep dives and self-assessments are reviewed by the Audit and Risk Committee and the board.

Risk appetite statements

Each year the Audit and Risk Committee and board review the risk appetite statements for our principal risks.

The statements reflecting our position at the end of March 2026 are noted in the adjacent panel.

Risk appetite statements

STRATEGIC RISK

The strategy of the business is to invest in equities, across a variety of asset classes, sectors and geographies. The nature of equity investing leads to a balance of risk and reward, leading to a measured risk appetite

INVESTMENT RISK

Individual investment decisions rely on judgement which can result in poor or untimely investments and divestments. To manage this the business operates a comprehensive diligence and review process ensuring investments are made carefully, balancing risk and reward, allowing our experts the time to analyse all aspects before committing capital or divesting. We have a very low appetite for non-compliance with our investment process

MARKET RISK

As investors in equities, the business is automatically exposed to a number of market-driven risks. Whilst our strategy and approach to risk aim to mitigate these risks they cannot fully remove them. The nature of equity investing leads to a balance of risk and reward, leading to a measured risk appetite in this area

LIQUIDITY RISK

Having sufficient liquidity to meet both liabilities as they become due and fund investment opportunities is critical to our strategy and viability. There is no appetite for circumstances that would result in a lack of liquidity

OPERATIONAL RISK

We do not seek to take on operational risk but the key sources of this risk type are inherent within our business processes and operations. A material operational risk failure could harm our business and reputation, as such our overall appetite for any to crystallise is low. In certain critical areas, notably protecting our systems and data from cyber threats and ensuring compliance with applicable laws and regulations, we aim to reduce risk exposure to the lowest achievable level

ESG & CLIMATE CHANGE


We continue to evolve the integration of ESG matters into our investment activity; this reflects a low tolerance for ESG risks that could impact our stakeholders, undermine our long-term sustainability objectives or damage our reputation



Risk management *continued*












LINKS TO STRATEGIC OBJECTIVES

 Outperform inflation

 Outperform the FTSE All-Share

 Pay annual dividends


 Manage investment risk effectively

Principal risks	Mitigation and management	Key developments	Status and movement
A. STRATEGIC   			
<p>Risks in relation to the appropriateness of the business model to deliver long-term growth in capital and income.</p> <p>Strategic risks include the allocation of capital between public and private equity, and in relation to geography, sector, currency, yield and liquidity.</p>	<p>The company's business model and strategy are reviewed periodically, against market conditions and target returns. A capital allocation model including liquidity and scenario analysis is maintained and reviewed by the board biannually.</p> <p>The performance of the company, its key risks and mitigating controls are monitored regularly by management and the board.</p>	<p>All investment pools operated within their strategic banding. A comprehensive capital allocation review, including liquidity forecasting, was completed in November and March.</p> <p>The emergence and adoption of AI technologies could materially change how services are delivered by the companies we invest in. The investment teams have factored AI business model risk into their assessments.</p> <p>Following the shareholder approval of an uncapped Rule 9 waiver, share buybacks have taken place throughout the year which are accretive to NAV per share.</p> <p>Investor relations activity continues to be enhanced. Spotlight sessions for all three pools have now concluded and were well received by all stakeholders. Caledonia's website was comprehensively updated and new channels of communication continue to be developed.</p>	<p>STATUS Medium</p> <p>MOVEMENT No change</p>
B. INVESTMENT    			
<p>Risks in respect of specific investment and realisation decisions. Investment risks include appropriate research and due diligence for new investments and the timely execution of both investments and realisations for optimising value.</p>	<p>Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Investment managers have well-developed networks through which they attract proprietary deal flow.</p> <p>Opportunities to enter or exit investments are reviewed regularly, being informed by market conditions, pricing and strategic aims.</p>	<p>The Investment Committee met throughout the year to consider investment decisions. Each investment pool applies rigorous assessment criteria for investment decisions and ongoing monitoring.</p> <p>The investment teams continue to review capacity and capability to ensure appropriate skills and resources are in place and promote talent from within.</p>	<p>STATUS Medium</p> <p>MOVEMENT No change</p>
C. MARKET    			
<p>Risk of losses in the value of investments arising from sudden and significant movements in public market prices, particularly in highly volatile markets. Private asset valuations have an element of judgement and could also be impacted by market fluctuations.</p> <p>Caledonia's principal market risks are therefore equity price volatility, foreign exchange rate movements and interest rate volatility.</p>	<p>Market risks and sensitivities are reviewed regularly with actions taken, where appropriate, to balance risk and return.</p> <p>A regular review of market and portfolio volatility is conducted by the board. Reviews also consider investment concentration, currency exposure and portfolio liquidity. Portfolio construction, including use of private assets, provides some mitigation.</p>	<p>Geopolitical tensions, particularly in the Middle East, are contributing to increased market volatility and a more uncertain macroeconomic environment.</p> <p>The Public Companies pool is the most exposed to these conditions given its concentration in listed equities and while performance remained strong throughout the year it has been impacted more recently by market reactions to geopolitical tensions. Developments in AI have introduced additional uncertainty into equity markets, as the implications for business models, cost structures and long-term returns on capital remain unclear.</p> <p>Our long-term, high-conviction investment strategy makes us well positioned to withstand near-term fluctuations and selectively capitalise on opportunities where valuations become more attractive.</p> <p>Current market volatility, if sustained, could drive changes to inflation and interest rates. We remain focused on investing in high-quality companies, with limited use of leverage, that are capable of outlasting short-term volatility.</p> <p>Exchange rate movements, particularly between Sterling and the US dollar, continue to influence reported valuations. Consistent with our long-term investment horizon, we remain comfortable maintaining an unhedged position.</p>	<p>STATUS Medium</p> <p>MOVEMENT Increase</p>

Risk management *continued*







LINKS TO STRATEGIC OBJECTIVES

 Outperform inflation

 Outperform the FTSE All-Share

 Pay annual dividends

 Manage investment risk effectively

Principal risks	Mitigation and management	Key developments	Status and movement
D. LIQUIDITY   			
<p>Risk that liabilities, including private equity fund drawdowns, cannot be met or new investments cannot be made due to a lack of liquidity. Such risk can arise from being unable to sell an investment due to lack of a market, or from not holding cash or being unable to raise debt.</p>	<p>Detailed cash forecasting for the year ahead is updated and reviewed quarterly, including the expected drawdown of capital commitments. A weekly cash update is produced, focused on the short-term cash forecast. Loan facilities are maintained to provide appropriate liquidity headroom.</p> <p>The liquidity of the portfolio is reviewed regularly.</p>	<p>At the end of March 2026 there was £90m cash, in addition to £325m undrawn on the revolving credit facility, which has recently been renewed on the same terms. This facility, in addition to cash, provides a substantial amount of available capital for investment in high-quality opportunities.</p> <p>Stress testing is built into our liquidity management with quarterly reviews conducted throughout the year.</p>	<p>STATUS Low</p> <p>MOVEMENT No change</p>
E. OPERATIONAL  			
<p>Risks arising from inadequate or failed processes, people and systems, or from external factors.</p> <p>Operational risks arise from failures around the recruitment, development and retention of staff, system failures and integrity issues, poor procedures, business disruption and failure to adhere to legal or regulatory requirements. Process failures can impact finance, IT and investment teams.</p>	<p>Systems and control procedures are developed and reviewed regularly, ensuring that defences against cyber threats remain robust and aligned to industry standards. They are tested to ensure effective operation.</p> <p>Appropriate remuneration and other policies are in place to facilitate the retention of key staff.</p> <p>Business continuity plans are maintained and updated as the business evolves and in response to emerging threats. This includes a specific focus on cyber security. Caledonia has internal resources to consider regulatory and tax matters as they arise. Professional advisers are engaged, where necessary, to assist in specialised areas or when new laws and regulations are introduced.</p>	<p>An internal control assessment programme is in progress for all key and material controls. No material issues have been reported with actions in progress to improve control effectiveness.</p> <p>Cyber security remains a material risk exposure. An expert third party was engaged during the year as part of the internal control assessment programme to review Caledonia's IT and security control environment. The review included an evaluation of Caledonia's alignment with the NIST¹ framework which sets out global standards for cyber security, information security and technology. The report raised no significant control issues, consistent with our internal assessments.</p> <p>Caledonia continues to run annual crisis simulation exercises, to stress the control environment, with no material control deficiencies identified.</p>	<p>STATUS Medium</p> <p>MOVEMENT No change</p>
F. ESG & CLIMATE CHANGE   			
<p>Risks in relation to the successful incorporation of ESG matters and climate change impacts into our investment approach.</p> <p>Identifying opportunities to drive our approach to ESG matters, deliver strong returns and manage the risks to meet evolving stakeholder expectations.</p>	<p>Caledonia's ESG knowledge, processes and policies continue to develop as ESG matters are integrated into our investment approach. Each pool reports on ESG & climate change information and developments to the board annually.</p>	<p>The annual assessment of the Private Capital portfolio companies' climate change risks and opportunities was completed with no significant variances since 2025. Positive improvements were seen across the portfolio, with DTM achieving B-Corp certification in the year.</p> <p>Analysis is in progress for the work required to transition from the TCFD framework to revised UK Sustainability Reporting Standards ('UK SRS'). Should disclosures in accordance with UK SRS be required by the UK Listing Rules, this will apply to FY28.</p>	<p>STATUS Medium</p> <p>MOVEMENT No change</p>

1. The National Institute of Standards and Technology.

Going concern and viability

Going concern and viability

The review of going concern and viability was considered and approved by the board, following full scrutiny by the Audit and Risk Committee. This review considered the key risks to the group, their potential financial impact and mitigating actions. A number of scenarios were considered to stress-test the robustness of the group's position to adverse events. These scenarios were applied to a detailed five-year financial plan that was approved by the board in March 2026.

Going concern

The board has undertaken an assessment of the appropriateness of preparing its financial statements on a going concern basis, taking into consideration future cash flows, current cash holdings of £90m, undrawn banking facilities of £325m, expected proceeds on completion from the sale of Stonehage Fleming of c.£290m and readily realisable assets of £952m as part of a wider process in connection with its viability assessment. It has been concluded that the group has sufficient cash, other liquid resources and committed bank facilities to meet existing and new investment commitments.

The directors have concluded that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to consider it appropriate to adopt the going concern basis in preparing the financial statements.

Viability statement

The directors have assessed the viability of the group over the period to March 2031 (more than three-years from the date of signing the financial statements), having determined that this is an appropriate period for which to provide this statement given the group's long-term investment objective, the resilience demonstrated by the stress testing and the relatively low working capital requirements of the group.

The viability assessment takes into account the group's position, its investment strategy and the potential impact of the relevant risks set out in this Strategic report. In making this statement, the board is satisfied that the group operates an effective risk management process and confirms that it has conducted a robust assessment of the principal and emerging risks facing the group.

This includes those that would threaten its strategic objectives, its business model, its ability to operate and its future performance, solvency or liquidity. Based on this assessment, the directors have concluded that the group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2031.

In making this assessment, the directors took comfort from the results of two stress tests. These considered the impact of significant market downturn conditions.

The first stress test addressed two discrete scenarios: a 5% reduction in the value of Sterling versus the US dollar compared to the rate on 31 March 2026 and a 12-month delay to Private Capital realisations.

The second stress test examined a severe two-year market downturn scenario. It assumed a 20% fall in income from Public Companies, a complete loss of income from Private Capital, no ability to realise the Private Capital portfolio, a 50% reduction in distributions from the group's Funds portfolio, and all outstanding fund commitments falling due in the period. The directors do not believe this extreme downside scenario is likely but factor this into the viability assessment.

It was concluded that even in a simulated market downturn and all fund commitments falling due, the group has sufficient liquidity on the balance sheet to meet its obligations as they fall due.

Overall, through the stress testing described above, the directors demonstrated the strength of the group's financial position and, in particular, its ability to settle projected liabilities as they fall due, even under extremely adverse circumstances.

The Strategic report was approved by the board on 18 May 2026 and signed on its behalf by:

Mat Masters
Chief Executive Officer
18 May 2026