

# Corporate Governance Report

## Application of the UK Corporate Governance Code

From the date of the Initial Public Offering in May 2016, the Directors have generally adopted the principles and provisions of the April 2016 edition of the UK Corporate Governance Code, although, being AIM listed, the Group is not obliged to comply with this. The only exceptions are (i) the Directors' Remuneration Report, which has been prepared in accordance with AIM Rule 19; (ii) the inclusion of a Director on the Remuneration & Corporate Social Responsibility Committee and the Audit Committee who is not deemed to be independent; and (iii) when, excluding the Chairman, the Remuneration & Corporate Social Responsibility Committee did not have two Directors who are deemed to be independent.

At its meeting on 20 March 2018, the Nominations Committee unanimously agreed to retain the non-independent Director as a member of the Audit and Remuneration & Corporate Social Responsibility Committees owing to his experience and much-valued contribution. At the Nominations Committee meeting on 20 March 2018, a second independent Director was appointed to the Remuneration & Corporate Social Responsibility Committee. As a result, all of these Committees now have a majority of independent members, excluding the Chairman of the Board.

## Leadership

### Role of the Board

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews management performance.

The Board has established a sub-committee structure comprising Nominations, Risk & Compliance, Audit, Disclosure and Remuneration & Corporate Social Responsibility Committees, and has appointed a Senior Independent Director, Sir Nigel Knowles.

The Executive Management Committee comprising all of the Executive Managers and the Executive Directors, reports to the Board.

## Division of responsibilities

There is a clear division of responsibilities at the head of the Company between the running of the Board and the responsibility of the Executives for the running of the Company's business. In this way, no individual has unfettered powers of decision.

The Board has a formal schedule of matters reserved to it and is scheduled to hold seven formal meetings each year. In addition, two teleconferences are convened each year in order to agree the final and interim results and dividend. The Board is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the business. This includes its code of conduct, annual budgets, progress towards achievement of those budgets and capital expenditure programmes.

The Board meeting agenda normally comprises a review of management financial statements and operational performance, a CEO review of activity, reports from the executive team, a review of potential acquisitions and other growth opportunities, a review of relevant Board sub-committee minutes and reports, together with an update on the progress of the Company's other strategic objectives.

The April Board meeting covers the approval of the preliminary results and the year-end financial statements, whilst a meeting in October approves the interim results. The November meeting is dedicated to annual strategy and is held in partnership with the Executive Management Team.

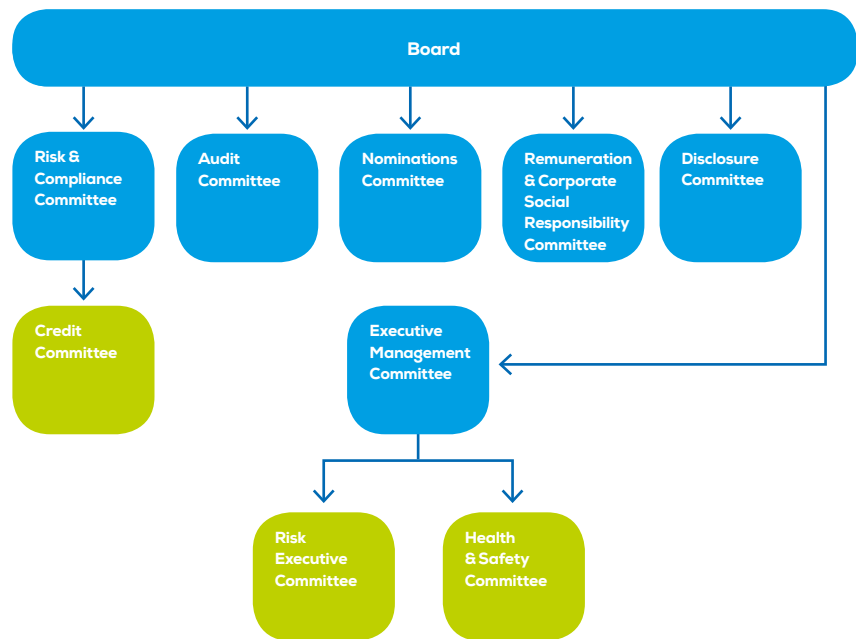
### The Chairman

The Chairman is mainly responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. His duties include ensuring that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chairman regularly reviews the contents of the information pack sent out prior to Board meetings in order to ensure that important issues are prioritised and each pack is kept to a manageable size.

### Non-Executive Directors

As part of their role as members of a unitary board, Non-Executive Directors are active at providing constructive challenge and helping develop proposals on strategy.

## BOARD STRUCTURE



The Board has established a sub-committee structure comprising Nominations, Risk & Compliance, Audit, Disclosure, and Remuneration & Corporate Social Responsibility Committees, and has appointed a Senior Independent Director, Sir Nigel Knowles.

The Executive Management Committee, comprising all of the Executive Managers and the Executive Directors, reports to the full Board.

## Corporate Governance Report *continued*

### Effectiveness

#### Composition of the Board

The Board currently comprises five Non-Executive Directors and two Executive Directors, whose biographies are presented on pages 34 and 35.

The Board considers three of the Non-Executive Directors (Joanne Lake, Patrick Storey and Sir Nigel Knowles) to be independent in character and judgement because while each owns shares in the Company, they all have significant other business interests and activities. The Chairman was also considered to be independent upon his appointment as Chairman in 2015. The Board as a whole considers the Non-Executive Directors' minor shareholdings in the Company to be advantageous to shareholders, since in addition to meeting their fiduciary duties, their interests are aligned with shareholders in general. Non-Executive Directors are not entitled to share options and there are no cross-directorships between Executive and Non-Executive Directors.

Peter Ward has been appointed by Hay Wain Group Limited (formerly Perpignon Limited) and so is not considered to be independent. Sir Nigel Knowles has been appointed as the Senior Independent Director.

#### Appointments to the Board

There have been no appointments to the Board since April 2016. The Nominations Committee will oversee a formal, rigorous and transparent procedure for the appointment of new Directors, as and when the need arises. This will include the use of an independent search firm supplemented by open advertising as appropriate.

#### Commitment

All Directors have been able to allocate sufficient time to the company to discharge their responsibilities effectively. Their record of attendance at meetings is shown on page 42, and they have also demonstrated their commitment by the work and advice provided throughout the year.

#### Gender diversity

The Board and its committees are considered to have an appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively. The Directors have a wide range of backgrounds and extensive knowledge of a variety of areas of expertise.

#### Development

The Board also ensures that Directors receive relevant training upon appointment and then subsequently as appropriate. During the last 15 months, Directors have received specific briefings on corporate governance and the new General Data Protection Regulations (GDPR) that are highly relevant to the business.

#### Information and support

The Board considers that it is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Our Non-Executive Directors receive full updates on Company progress and relevant issues and bring their experience and sound judgement to bear on matters arising.

The Company Secretary is available to provide advice and services to all Board members and is responsible for ensuring Board procedures are followed. All Directors are also able to take independent advice in furtherance of their duties if necessary.

#### Board evaluation

Our CEO is appraised every six months by the Chairman. During this first full year as an AIM-listed company, the Chairman has additionally undertaken a formal internal Board evaluation.

This evaluation concluded that the whole Board is consistently engaged, bringing a wide range of perspectives and experiences to discussions. The Non-Executive Directors are able to reflect on insights gained from their other activities and bring valuable input to meetings.

The Chairman's performance was evaluated by the Non-Executive Directors and led by the Senior Independent Director, Sir Nigel Knowles, with input from the Executive Team.

As part of the Board evaluation, it was acknowledged that the Board agenda and management information should be reviewed continually in order to ensure that the most appropriate information is available to the Directors. Key performance indicators have been revised during the year in order to focus attention on the most important factors within the business.

#### Re-election of Directors

At the Company's first AGM in June 2017, all of the Directors were elected to the Board. In line with both its Articles of Association and the Corporate Governance Code, the Company's Directors will submit themselves for re-election during the next three years, commencing with Stephen Karle, Patrick Storey and Peter Ward at the 2018 AGM.

## Accountability

### Financial and business reporting

The Board believes that it is presenting a fair, balanced and understandable assessment of the Company's position and prospects.

Reviews of the performance and financial position of the Group are included in the Strategic Report within pages 1 to 31, and present a balanced and understandable assessment of the Group's position and prospects. The Directors' responsibilities in respect of the financial statements are described on page 61 and those of the auditor on page 68.

### Risk management and internal control

The Board acknowledges that it is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Group maintains sound risk management and internal control systems and these are described in the Risk Management section on pages 28 to 31. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's overall business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Group's internal control systems, including financial, operational and compliance controls, are reviewed regularly with the aim of continuous improvement. Whilst the Board acknowledges its overall responsibility for internal control, it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process.

The Board discharges its duties in this area through:

- the review of financial performance including budgets, KPIs and forecasts on a monthly basis;
- the receipt of regular reports which provide an assessment of key risks and controls and how effectively they are working;
- scheduling annual Board reviews of strategy including reviews of the material risks and uncertainties facing the business;
- the receipt of reports from senior management on the risk and control culture within the Group;
- the presence of a clear organisational structure with defined hierarchy and clear delegation of authority; and
- ensuring that there are documented policies and procedures in place.

Through the Risk & Compliance Committee, the Board reviews the risk management framework and the key risks facing the business. The finance department is responsible for preparing the Group financial statements and ensuring that accounting policies are in accordance with International Financial Reporting Standards. All financial information published by the Group is subject to the approval of the Audit Committee.

The Board, with advice from the Audit and the Risk & Compliance Committees, is satisfied that a system of internal controls and risk management is in place which enables the company to identify, manage and evaluate risks. The report of the Audit Committee on pages 44 to 47 demonstrates how the Board has established formal and transparent arrangements for considering how it should apply the corporate reporting and risk management and internal control principles, and for maintaining an appropriate relationship with the Company's auditor.

These processes have been in place for the year under review and up to the date of approval of the report and financial statements. They are regularly reviewed by the Board and accord with the guidance in the UK Corporate Governance Code.

The Board intends to keep its risk control procedures under constant review particularly as regards the need to embed internal control and risk management procedures further into the operations of the business and to deal with areas of improvement which come to the attention of management and the Board.

### Audit Committee and auditors

The Board is required to establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor.

The report of the Audit Committee on pages 44 to 47 demonstrates how the Board has established formal and transparent arrangements for considering how it should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor.

## Corporate Governance Report *continued*

### Dialogue with Shareholders

The Board is responsible for ensuring that there is a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

The Group communicates with institutional and private investors and responds quickly to all queries received verbally or in writing. All shareholders will have at least 20 working days' notice of the Annual General Meeting (AGM) at which all Directors will be present and available for questions. The Board is aware of the importance of maintaining close relations with investors and analysts for the Group's market rating. Twice-yearly road shows are conducted by the CEO and CFO when the performance and future strategy of the Group are discussed with larger shareholders. Queries from all shareholders are dealt with by the CFO. In addition, members of the Board receive regular feedback from major shareholders and discuss this at Board meetings. The CEO and CFO met more than 80% of investors (by shareholding) during the year. The Chairman and the Senior Independent Director are also named and available, should an investor wish to express any views to them.

### Constructive use of the AGM

The Group's successful engagement with its shareholders during the year and at the time of the AGM can be demonstrated by the results of the 2017 AGM, at which 97.5% of its shareholders voted, with a minimum of 99.99% of votes being cast in favour of the resolutions proposed by the Board.

### Board Committees

The terms of reference of all of the Board committees are available from the Group's registered office and on its website at [www.morsesclubplc.com](http://www.morsesclubplc.com).

Copies of the service contracts and letters of agreement of each of the Directors are available at the Group's registered office during business hours and will be available for inspection at the AGM for at least 15 minutes prior to and until the conclusion of the AGM.

During the year, the Board has continued its policy that all Non-Executive Directors should participate in the Audit, Risk & Compliance, Nominations and Disclosure Committees in order to maintain a full appreciation and understanding of the Company.

The Group appreciates the benefits which are brought by a Board with a range of business backgrounds, and recognises that its members must be able to dedicate sufficient time to the Group. The Board is satisfied that each Non-Executive Director has sufficient capacity to undertake their required duties for the Group.

Details of attendance at Board and Committee meetings during the year are shown below:

		Committees					
		Board	Risk & Compliance Committee	Audit Committee	Remuneration & Corporate Social Responsibility Committee	Nominations Committee	Disclosure Committee
Meetings		8	5	4	4	1	-
Stephen Karle	Non-Executive Chairman	8	5	4	3	1	
Paul Smith	Chief Executive Officer	8	4				
Andy Thomson	Chief Financial Officer	8	5				
Sir Nigel Knowles	Senior Independent Director	8	3	2		1	
Joanne Lake	Non-Executive Director	8	4	3	3	1	
Patrick Storey	Non-Executive Director	8	5	4		1	
Peter Ward	Non-Executive Director	7	4	3	4	1	

**Board Committees** continued**Membership of committees during the year**

C = Chairman  
M = Member

	Position	Risk & Compliance Committee	Audit Committee	Remuneration & Corporate Social Responsibility Committee	Nominations Committee	Disclosure Committee	Considered Independent
Stephen Karle	Non-Executive Chairman	M	M	M	C	C	✓
Paul Smith	Chief Executive Officer	M				M	
Andy Thomson	Chief Financial Officer	M				M	
Sir Nigel Knowles	Senior Independent Director	M	M		M	M	✓
Joanne Lake	Non-Executive Director	M	M	C	M	M	✓
Patrick Storey	Non-Executive Director	C	C		M	M	✓
Peter Ward	Non-Executive Director	M	M	M	M	M	

On 20 March 2018, Sir Nigel Knowles was appointed a member of the Remuneration & Corporate Social Responsibility Committee.

**Remuneration & Corporate Social Responsibility Committee**

During the year, the Remuneration & Corporate Social Responsibility Committee comprised three Non-Executive Directors, including the Chairman. Joanne Lake is independent. The members of the Committee are:

- Joanne Lake (Chairman);
- Stephen Karle; and
- Peter Ward.

On 23 March 2018, Sir Nigel Knowles was appointed to the Committee in order to comply with the Corporate Governance Code's requirement that a Remuneration Committee should consist of a minimum of two independent directors (not including the Board Chairman).

The Remuneration & Corporate Social Responsibility Committee meets at least twice a year and on other occasions as deemed appropriate by the Committee's Chairman.

The Committee Chairman is appointed by the Board on the recommendation of the Nominations Committee.

A full Remuneration & Corporate Social Responsibility Committee report appears on pages 51 to 54. The Directors' remuneration report on pages 51 to 54 forms part of these financial statements.