

Corporate Governance

Statement of compliance with the UK Corporate Governance Code

Chairman's Introduction

The strapline of Morses Club PLC is "putting you first" and the Board is active in ensuring that this reflects reality and is not merely an aspiration.

During late 2017, the Board commissioned an internal review of the Group's adherence to S172 of the Companies Act 2006 and how the Directors have performed their duties to promote the long-term success of the Company. This review demonstrated that the Company has a culture of looking after its customers, employees and the community, whilst maintaining positive relationships with its suppliers and creditors.

Compliance with UK Corporate Governance Code

From the date of the Group's Initial Public Offering in May 2016, the Directors have generally adopted the principles and provisions of the UK Corporate Governance Code. The only areas of non-compliance are currently (i) the Directors' Remuneration Report which has been prepared in accordance with AIM Rule 19, and (ii) and provision 11 of the 2018 Corporate Governance Code which relates to the proportion of non-executive directors whom the Board considers to be independent.

This report sets out in broad terms how we comply at this point in time. We will provide updates as things change. A full version of the Code is available from the Financial Reporting Council website at www.frc.org.uk.

A. Leadership

A.1 Role of the Board

The Board is collectively responsible for the long - term success of the Company and for setting and executing the business strategy. In addition, the Board:

- Oversees the controls, audit processes and risk management policies to ensure Morses Club operates effectively and sustainably in the long term;
- Reviews and approves the risk appetite, and the checks and controls applied to operate in line with that appetite;
- Approves the financial statements, revenue and capital expenditure;
- Approves material agreements; and
- Reviews and approves the remuneration policy.

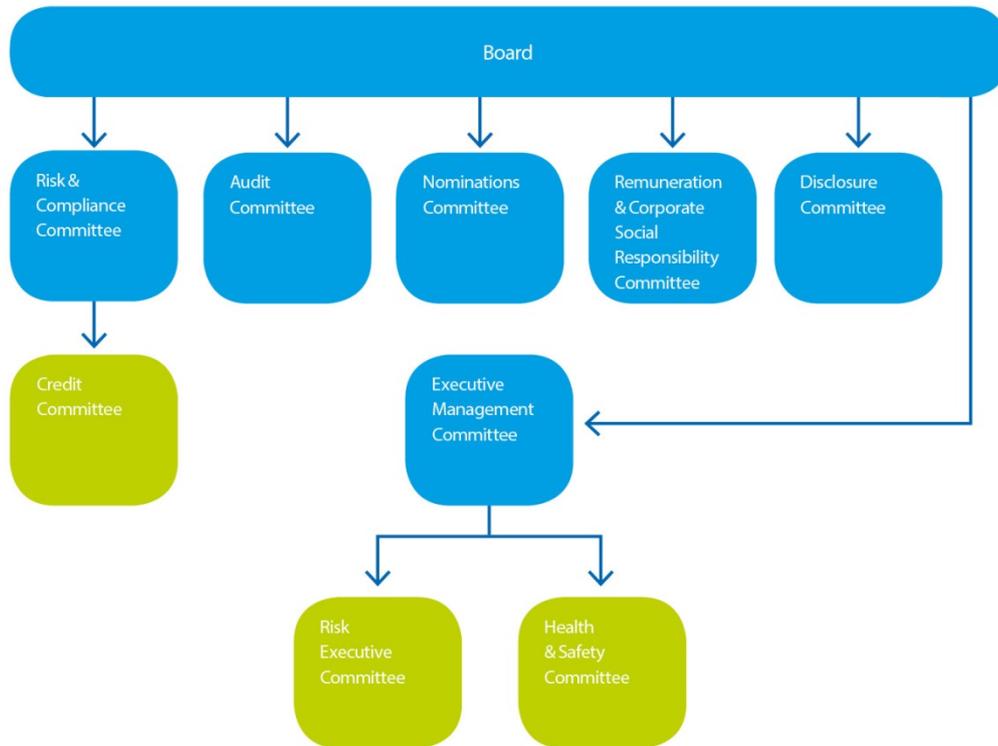
The Board delegates specific responsibilities to the Board committees.

Executive Committee

The Executive Committee consists of the CEO and key functional directors and meets weekly under the chairmanship of the CEO. The Executive Committee is collectively responsible for developing a strategy for submission to the main Board, the day to day management of the Group's business and its overall trading, operational and financial performance.

Morses Club PLC

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Board Committees

Audit Committee

The Committee consists of three independent non – executive directors. It is chaired by Baroness Simone Finn who is a Chartered Accountant, as is Joanne Lake.

Remuneration & Corporate Social Responsibility Committee

The Committee consists of two independent non-executive directors, plus the Board Chairman and is chaired by Joanne Lake. It determines the remuneration of the executive directors in accordance with the Remuneration Policy and reviews the remuneration of the senior executives.

Nominations Committee

All of the non-executive directors are members of this Committee, which is chaired by the Board Chairman. The Committee meets whenever necessary to consider succession planning for directors and other senior executives to ensure that requisite skills and expertise are available to the Board to address future challenges and opportunities.

Risk & Compliance Committee

This Committee consists of the independent non-executive directors. It is chaired by Baroness Simone Finn and its principal purpose is to assist the Board in its oversight of risk with a particular focus on risk appetite, risk profile and the effectiveness of the Group’s internal controls and risk management systems.

Disclosure Committee

The Committee consists of the Board Chairman, all five non-executive directors and the two executive directors. It is chaired by the Board Chairman and its purpose is to assist the Company meet its legal and regulatory requirements under the Market Abuse Regulations arising from being AIM-listed.

A.2 Division of responsibilities

There is a clear division of responsibilities at the head of the company, between the Board and the Executive Committee with no individual having unfettered power.

A.3 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.

A.4 Non-executive directors

Sir Nigel Knowles is our Senior Independent Director. Meetings of the non-executive directors without the executive directors being present are held at least annually, both with and without the Chairman.

B. Effectiveness

B.1 Composition of the Board

The Board currently includes three independent non-executive directors and the Chairman. In addition, there are two non-executive directors who are not considered to be independent: Peter Ward has been appointed a non-executive director by Hay Wain Group Limited (formerly Perpignon Limited); and Les Easson (formerly Operations Director) was appointed on 1 September 2019. The two executive directors are Paul Smith (CEO) and Ady Thomson (Interim CFO).

The Board was aware that recent experience elsewhere in the Home Collected Credit sector is that a loss of expertise at main Board level in relation to this specific form of consumer lending can potentially lead to financial problems that are adverse to the interests of all stakeholders.

The Board was determined to retain the Operations expertise and industry knowledge of Les Easson, built up over 36 years at Morses Club. Les has been appointed as Designated Director with responsibility for employee engagement.

The Board is satisfied that this arrangement is correct for the business at this time and will keep the matter under review.

B.2 Appointments to the Board

The Nominations Committee leads the process for the appointment of new directors to the Board. For more information on the process, please see the terms of reference for the Nominations Committee.

B.3 Commitment

As part of the evaluation process the Board is satisfied that each of the directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

B.4 Development

The Board also ensures that Directors receive relevant training upon appointment and then subsequently as appropriate. During the last 18 months, Directors have received specific briefings on corporate governance, the General Data Protection Regulations (GDPR) and the Senior Management & Certification Regime that are highly relevant to the business.

B.5 Information and support

There is a regular flow of information to the Board to keep directors up to date with the business. The Company Secretary attends all Board meetings and is responsible for advising the Board on corporate governance matters and for facilitating the flow of information to and from the Board. In addition the Board and Committees have access to independent advice at the Company's expense.

B.6 Evaluation

Our CEO is appraised every six months by the Chairman. During each year as an AIM-listed company, the Chairman has 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, led by the Senior Independent Director, Sir Nigel Knowles, with input from the Executive Team.

B.7 Re – election

Following the recommendation of the July 2018 UK Corporate Governance Code, all directors have sought election or re-election annually, with effect from the AGM in June 2019.

C. Accountability

C.1 Financial and business reporting

As set out in the Board's statement on the Annual Report 2019, page 66, the directors consider that the report taken as a whole is fair, balanced and understandable. See pages 67 to 73 of the Annual Report 2019 for the Independent Auditors' report. Pages 2 to 19 of the Annual Report 2019 contain an explanation of the Company's business model and strategy.

D. Remuneration

The Remuneration Committees' activities during the previous reporting period are set out on pages 52 to 55 of the Annual Report 2019.

E. Relations with shareholders

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 are 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 85% 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.

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 2019 AGM, at which 92.4% of its shares voted.

1 July 2020