

# Corporate Governance

## Corporate Governance Report

---

On 8 March 2018 the London Stock Exchange published its revised rules for AIM quoted companies. Rule 26 requires AIM listed companies to apply a recognised corporate governance code on a comply or explain basis.

In 2018 the Group adopted the Corporate Governance Code (the 'Code') issued by the Quoted Companies Alliance ('QCA') for small and medium sized companies.

The following report sets out how the Group has applied the ten principles in compliance with the disclosure requirements.

### Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

The Group's investment-led strategy is to offer relevant products designed to meet the long-term needs of investors, and to produce good investment outcomes for investors through active management.

The Group aims to maintain and develop a scalable business platform to support our strategy, covering investment, distribution and operations.

The Group's investment products currently include open-ended UCITS and non-UCITS funds, closed-ended investment companies, a portfolio management service and segregated accounts. These products offer investors access to a range of asset classes including multi-asset, equities, fixed income and alternatives. These products have different primary objectives, including income, capital growth and absolute returns.

The Group aims to hire talented and experienced investment professionals to manage our products. The Group also aims to provide a supportive and collaborative working environment that gives our investment teams the appropriate freedom to manage portfolios to produce good long-term investment results. We support this with a strong business platform and an effective risk and compliance framework.

The Group currently maintains an extensive distribution and client service capability focused on UK professional investors, including financial advisers and wealth managers.

The Group's operations function includes investment administration, risk monitoring and portfolio analytics, legal and compliance, information technology and finance. We maintain key outsourcing partners to allow flexibility and scalability of our operation platform to help support business growth.

The five key pillars of the Group's strategy to deliver shareholder value in the medium to long-term are as follows:

1. To offer relevant investment products
2. To deliver strong investment outcomes

3. To maintain a strong and focused distribution capability
4. To maintain a strong and scalable operating platform
5. To follow a disciplined approach to financial management

The Board believes these pillars are underpinned by a clear set of values designed to establish a responsible way of working, including ethical values and behaviours, aimed at protecting the Group from unnecessary risk.

There are a number of potential challenges and risks relating to the Group and its business, including but not limited to the following: fluctuations in capital markets; adverse economic, political and market factors, including the UK's termination of its membership of the EU; the loss or inability to recruit key personnel; failure to maintain attractive investment performance; compliance breaches of investment mandates or operational errors; asset classes managed by the Group becoming less attractive to investors; competitive pressures; regulatory compliance and system security breaches.

The Board believes the Group's strategy and business model, including its investment product range and strong focus on risk and compliance management, is well suited to help manage these challenges and risks as effectively as possible.

## Principle 2 – Seek to understand and meet shareholder needs and expectations

Creating opportunities for effective shareholder engagement with both our institutional and retail shareholders allows the Board to seek feedback on how well it meets its strategic ambitions.

All shareholders are entitled to attend and vote at the Company's Annual General Meeting. The Directors are available to receive formal questions on Company business at the meeting and make themselves available immediately afterwards for a more informal opportunity to engage.

All shareholders can access corporate, regulatory news, share capital and dividend information on the Group's website at [premiermiton.com](http://premiermiton.com). Enquiries can be directed to the Board via the company secretary email address on the website. As well as accessing the Annual Report and Accounts, shareholders can also now listen to the audio broadcast of the Group's results on the website.

Existing and potential institutional shareholders are invited to attend results presentations and roadshows at the time of the full year and interim results. The importance of creating value and returns in a sustainable way and communicating how this is achieved has increased in recent years. Accompanied by the Group's brokers, meetings with institutional holders afford the Executive Directors an opportunity to understand the needs and expectations of our shareholder base, the motivations behind shareholder voting decisions as well as discussing the Group's progress and management team's views. The Executive Directors brief the Board on engagement following these meetings.

The Board also receives regular reports on share price monitoring, analysis of the share register, peer group, market comparison feedback and briefings from its professional advisers.

### Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

#### **Social responsibilities**

The Group is committed to taking a responsible approach to investing which includes complying with the principles for business of our regulator, the FCA, and treating customers fairly.

The stewardship of clients' assets in the Group's investment products encompasses more than the exercise of votes in investee companies at general meetings. In order to meet the objective of delivering good long-term investment outcomes for our clients, the fund managers monitor a range of metrics of an investee company as well as financial performance. Furthermore, we actively engage with investee companies and their advisers in order to encourage good standards of governance and creation of shareholder value.

The Group retains the services of ISS, a specialist third-party provider, to bring specialist corporate governance expertise and provide relevant research, voting recommendations and rationale.

In terms of social responsibilities, the Group complies with relevant regulations, including the Modern Slavery Act. Details of our statement is available on the Company's website.

The Group also manages three specialist funds focused on actively managed portfolios based on an investment approach focused on the consideration of ethical or sustainable factors. The range includes the Premier Ethical Fund, Premier Global Alpha Growth Fund and Premier Global Optimum Income Fund, which are focused on UK equity growth, global equity growth and global equity income respectively. The fund managers of these funds work closely with Premier Miton's Head of Responsible Investing.

The Group has an active Environmental Committee which runs a number of waste recycling and plastics reduction initiatives in our offices.

Team members are actively encouraged to participate in charitable events with a corporate matching facility for fund raising. They can also nominate charities with a personal connection as beneficiaries of the Group's charitable donation programme. During the year, the Group made charitable donations of £14,536 through these programmes.

#### **Engagement with stakeholders**

Regular engagement with key outsourcing partners ensures all parties understand the others' needs, interests and expectations. This engagement includes reporting and meetings whereby we can solicit, consider and act on feedback. These controls are all designed to meet our operational and regulatory requirements and to enhance the services we receive to help support business growth.

Through our membership of the Investment Association, we engage on wider regulatory matters to ensure the Group is aware of pending legislative changes and able to implement them effectively. We also deal directly with the FCA on issues affecting the Group.

The Board meets with senior executives and heads of department on a regular basis, including the Chief Operating Officer and Chief Risk Officer. Through the regular reporting structures, the Board is kept updated with information on key customer and supplier relationships. The Head of Compliance & Legal reports to the regulated firms' boards on all regulatory matters as well as having direct access to both the Chairman and Senior Independent Director if required. The Company's Nominated Adviser updates the Board on stock exchange regulatory matters. The external auditor also regularly attends meetings of the Audit & Risk Committee. Please also see the stakeholder disclosures on page 39.

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

The Group's governance and risk appetite frameworks allow it to understand and articulate its risk appetite and to manage its tolerance to risk. This allows the Group to assess the impact of new or changing strategies, projects or emerging risks. The Group's control process is set out in a systems and controls document which details the individual committees that govern operations. The Board is the body with ultimate responsibility for the risk management of the business. The Board meets at least four times per annum and consists of two Executive Directors and five Non-Executive Directors, one of whom acts as Non-Executive Chairman. An Internal Capital Adequacy Assessment Process ('ICAAP') is in place for the Group and is reviewed regularly by the Board. The Pillar 3 Disclosure document is available on the Group's website.

The risk team has responsibility for the operational risk monitoring system and processes (in addition to market, credit and liquidity risks). The risk team is overseen by the Chief Risk Officer who reports to the Chief Operating Officer. The identification of operational risks and incidents are embedded within the various business units and logged centrally within the operational risk monitoring system, SONAR. This is a bespoke system that includes processes for monitoring the remedial actions undertaken to reduce the risk of operational incidents re-occurring and helps to identify future areas of risk, including those relating to our service providers and end-customers.

The Chair of the Audit & Risk Committee meets regularly with the Chief Operating Officer, Chief Financial Officer, Director of Finance, Chief Risk Officer, Chief Investment Officer and Head of Compliance & Legal to identify risks in the business and the effectiveness of their management within the control environment.

### **Principle 5 - Maintain the Board as a well-functioning, balanced team led by the Chair**

#### **Composition**

As at 30 September 2019, the Board comprised of two Executive Directors, Mike O'Shea and Neil Macpherson, and four Non-Executive Directors, Mike Vogel as Non-Executive Chairman, Robert Colthorpe as Senior Independent Director, William Smith and Luke Wiseman.

Following the merger with Miton Group plc on 14 November 2019, Neil Macpherson and Luke Wiseman stepped down as Directors of Premier Miton Group plc. The following new Directors joined the Board, drawn from Miton Group plc:

- David Barron – Non-Executive Director
- Katrina Hart – Non-Executive Director
- Piers Harrison – Chief Financial Officer

On 14 May 2020 Alison Fleming joined the Board as Non-Executive Director, and on the same date Katrina Hart stepped down from the Board at the six-month anniversary of her appointment.

Executive Directors are full time employees and Non-Executive Directors are required to spend sufficient time to fully discharge their roles.

The Directors as at 30 September 2020 are listed on pages 30 to 31, as well as their biographies.

## **Independence**

In assessing the independence of Non-Executive Directors at the date of this report, the Board took account of their experience, character and judgement, and their dependence on, or relationships with the Group. In light of this, Robert Colthorpe, William Smith and Alison Fleming are considered by the Board to be independent and are free from any associations or relationships with the Group or its investment funds, with the exception of the fees that they receive as Directors.

## **Roles and responsibilities**

The Board members have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. To assist with this, the Board receive relevant management information from subsidiary companies, as well as reports and feedback from the business on suppliers, shareholders and investors in the Group's funds. This is all provided in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The role of the Non-Executive Directors is to challenge constructively, and contribute to, the development of strategy. To scrutinise the performance of management in meeting agreed goals and objectives and monitor their performance. Through the various committees set out below, to satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible. A procedure has been established for Non-Executive Directors to have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as Directors.

## **Committees**

The Board is supported by the Audit & Risk, Remuneration and Nomination committees, each of which is led by Non-Executive Directors with the necessary skills and knowledge, and

access to the resources, information and advice required to enable them to discharge their duties and responsibilities effectively. The duties of each committee are set out in their respective terms of reference, copies of which are available on the Group's website.

## **Conflicts of Interest**

Each new Director on appointment is required to declare any potential conflict situations. Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits received from third parties in their capacity as a Director. The register of conflicts is formally reviewed annually and the Board has concluded that the process has operated effectively during the period.

### **Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Board is satisfied that there is the necessary mix of skill and expertise among the Directors to meet the Group's strategy and requirements.

All new Directors are given a full induction to the Group and its business plans as well as participating in training on issues relevant to their roles. The Directors receive regular updates on business progress as well as on issues relevant to the Group and the asset management sector from all of the departmental heads including Investment, Sales, Marketing, Compliance & Legal, Operations, Risk, Finance and HR. The Directors also receive briefings on existing and regulatory issues as well as specific training on any issues considered relevant during the year. The Directors may also attend external training or courses that are relevant to their ongoing development. Regular compliance, cyber crime, health and safety and money laundering training is required of all Executive Directors.

All of the Non-Executive Directors are able, at the Group's expense, to seek independent professional advice where they deem it necessary to do so in order to fulfil their obligations as directors.

Piers Harrison, Robert Colthorpe and David Barron are Chartered Accountants, therefore continuing professional development is kept up to date via the institute.

### **Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

An in-house Board evaluation was undertaken towards the end of the financial year by way of a questionnaire. The process was delivered by the Company Secretary and the results discussed with the Board.

The focus of the evaluation was to identify the ways in which the governance arrangements should evolve to successfully support the larger combined business.

Key deliverables identified were improving the management information and board packs to support robust decision-making for a business of increased amplitude, ensuring access to key advisers and members of the management team via focused deep dive sessions and

more frequent markets reporting, as well as ensuring that regulatory and governance changes are well signposted.

Alongside these deliverables, a focus on culture and values and the ongoing review and rationalisation of the Group structure and governance arrangements are already in place to support continued Board effectiveness.

Having considered the results, it was concluded that the Board and its committees have continued to operate effectively in this transitional year, drawing on the skills and expertise of each of the Directors to ensure that the Board delivers shareholder value.

### **Principle 8 – Promote a corporate culture that is based on ethical values and behaviours**

We understand the importance of our people in everything that we do. We aim to attract and retain high calibre, talented individuals who have diverse skills, experience and backgrounds. We encourage and support the continuing development of their skills with appropriate training and development. It is our policy to ensure that employment by, and progression within, the Group is based on merit.

The Board seeks to create a working environment that is positive and productive for our employees and our clients, including an effective management team and good staff communication. We support staff with a range of benefits including company pension, ill health protection, life cover and private medical insurance. Staff are provided quarterly updates from the Chief Executive Officer, which act as a forum for discussion and feedback.

The Group's approach is to treat job applicants and our staff in a consistent and fair way, regardless of gender, sexual orientation, religion or belief, age, race, ethnic origin, marital or civil partnership status, pregnancy, maternity or disability. This equal opportunities policy applies to recruitment and selection as well as terms and conditions of employment, including remuneration and personal development.

### **Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

**All Directors receive appropriate and timely information to ensure that they are properly briefed in advance of Board meetings and have access to the advice and services of the Company Secretary and other senior management should further information be required. The Company Secretary is responsible for advising the Chairman and the Board on governance matters.**

The Board has established guidelines requiring specific matters to be decided by it, including material acquisitions and disposals, investments and capital projects. Matters that are reserved for the Board are forwarded to the Board for consideration with a recommendation from the executive management or appropriate committee. The Board meets formally at least four times a year but meetings can be convened when necessary to address issues that arise outside of the regular schedule.

The papers circulated prior to Board meetings include the following:

- a report from the Chief Executive Officer covering performance and forecasts, an update on strategy and details of any matters recommended for Board approval;
- a report from the Chief Financial Officer covering financial results, comparison of forecasts with published consensus. This report also covers financing and tax matters;
- reports from senior management responsible for key functions such as risk, compliance, legal, operations, investment strategy and performance, sales, marketing and human resources;
- capital expenditure approval requests and investment proposals; and
- papers on issues scheduled for Board consideration.

The Executive Directors, together with the Group's brokers meet with existing and potential shareholders to discuss our business strategy, plan and progress.

A full set of Board papers is circulated on a quarterly basis. In addition, all Board committees will receive the papers required in order to fulfil their duties in accordance with their terms of reference.

The Board is supported by the Audit & Risk, Remuneration and Nomination Committees, each of which has access to the resources, information and advice at the cost of the Group, in order to enable each committee to discharge its duties. These duties are set out in the terms of reference of each committee, copies of which are available on the Group's website. The Executive Directors may attend meetings by invitation. The minutes of committee meetings are produced as soon as possible following the meetings and are circulated to all committee members for comment. Once approved, the minutes of each meeting are circulated to the Board.

## Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board endeavours to facilitate open investor dialogue whether institutional or retail investors. The key components of the investor relations remit are the Annual General Meeting, to which all shareholders are invited to attend and vote, and the full year and interim results presentations to analysts and institutional investors.

The corporate website carries the current and past editions of the Report and Accounts and Interim Report and Accounts, financial calendar and dividend information as well as the disclosures required in satisfaction of AIM Rule 26, regulatory announcements.

The Executive Directors, together with the Group's brokers meet with existing and potential shareholders to discuss our business strategy, plan and progress. This enables a healthy dialogue to exist, to enable all interested parties to come to informed decisions about the Group.

The outcomes of all stewardship votes since the Group's listing are included on the Group's website at [www.premiermiton.com](http://www.premiermiton.com).