

Numis

Corporate Governance Report & Statement of Compliance

Introduction from the Chairman

Numis seeks to deliver growth in the medium to long-term to enhance shareholder value and this we believe is achieved through having an effective governance framework, an efficient and dynamic management organisation combined with good communication which helps to promote confidence and trust with shareholders and staff. Numis recognises its responsibility to create sustainable growth and shareholder value, whilst also reducing or mitigating risk. Our guiding principles of integrity, quality and ethical behaviours and conduct are aligned with the risk profile of the business. Numis has developed a corporate governance policy with two perspectives in mind (i) a rule based approach and (ii) a spirit-based approach.

Alan Carruthers

Non-Executive Chairman

Compliance with the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (2018), (the “QCA Code”)

The Board of Directors has agreed to apply the QCA Code having considered the principles of good governance and standards of good practice in relation to Board leadership and effectiveness, corporate culture based on ethical values and behaviours, remuneration, accountability and its relations and communication with shareholders/stakeholders. The Board supports the QCA Code’s corporate governance principles and believes they provide a mechanism that is both sufficiently robust to add real value for Numis as well as flexibility to reflect the different governance needs and abilities of a quoted business like Numis.

The following report sets out how Numis has measured ourselves against these principles in terms of the rules and spirit of good Corporate Governance.

A copy of the QCA Code is available from the [QCA website](#)

Governance Structure & Strategy

2018 QCA 10 Principles of Corporate Governance

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust.

DELIVER GROWTH

1. Establish a strategy and business model which promote long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

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4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

5. Maintain the Board as a well-functioning, balanced team led by the Chairman

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

7. Evaluate Board performance based on clear and relevant objectives, seek continuous improvement

8. Promote a corporate culture that is based on ethical values and behaviours

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

BUILD TRUST

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

- **Strategy**

Numis places the client and shareholders at the heart of our business to build long-term trusted relationships founded on integrity and mutual ambitions. Numis executes its strategy through an integrated business model, where we harness the combined expertise of the firm to the benefit of our clients. Our first class staff, in whom Numis' values, culture and conduct [are expressed], are focused on growing and developing the business. Numis' operating model, whilst being open to diversification into new business lines that compliment and/or are closely aligned to Numis' core business, remains cognisant that robust risk management is embedded into our culture and conduct. Critical to sustaining success and achieving our medium and long term ambitions is investment in high quality people. Through selective recruitment and internal development initiatives, Numis will continue to seek to advance the quality of service it provides to all our clients.

Numis' strategy is embedded in a focus to concentrate on markets where we have a competitive advantage and where we have the opportunity to make a tangible difference. By placing our clients' interest first and delivering exceptional client service in the provision of high quality research combined with powerful international distribution, expert advisory and broking services delivered by highly talented and skilled professionals, Numis seeks to deliver a strategy that benefits clients, shareholders and staff. Maintaining a rigorous and disciplined approach to our operational effectiveness and management of risk, through robust processes, systems and controls which are embedded in our culture and working practices, is key to achieving success in delivering shareholder value. Numis encourages an entrepreneurial and commercial culture that is focused on generating value and the Board ensure that all relevant risk exposures are managed and mitigated.

Further information on Numis' strategy and how Numis mitigates the key risks to which the business is exposed are set out in our 2018 Annual Report. [Click here to view.](#)

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- Leadership

Strong leadership is key to Numis' success and the ability to collaborate, delegate, inspire and communicate effectively combined with a passion for the business to be innovative and entrepreneurial has developed a talented Executive Board who are passionate in their mission to lead and promote a corporate culture where staff and clients are proud. The Board recognise that the Group's employees are its greatest asset and, ultimately, are the key factor in determining the long-term success of the business. A healthy corporate culture both protects and generates value. The Board actively promotes a corporate culture that embodies trust, honesty and integrity in its behaviours and is cognisant of its responsibility to ensure these values are embedded in the fabric of the business through the behaviours of its staff and clients and its relations with stakeholders.

The Board is responsible to the shareholders for the management of the Company and meets formally seven times a year and on an ad-hoc basis as required. The formal meetings are scheduled in advance at the start of the financial year and a formal agenda of matters for discussion is circulated in advance of each meeting. This agenda includes reviewing financial performance, assessing and reviewing the Group's strategy in the context of a broader market outlook, future forecasting, an update on investor relations and an update on any regulatory or compliance matters. All key operational and investment decisions are subject to Board approval. The Board provides overall strategic direction to the executive management by monitoring the operating and financial results against budgets and targets; reviewing the performance of management; assessing the adequacy of risk management systems; and, monitoring their application. The Board defines the culture and sets Numis' core values and standards ensuring that the Company's obligations to its shareholders and others are understood and met.

Composition of Board and Committees of the Board 2018

| | Position | Maximum possible attendance | Board | | Committee Membership | | |
|------------------|------------------------------|-----------------------------|-------------------|-----------------------|--------------------------|------------------------|---|
| | At 30 September 2018 earlier | | Meetings attended | Nominations Committee | Audit and Risk Committee | Remuneration Committee | Considered or retirement if Independent |
| Alan Carruthers | Chairman (Non-executive) | 7 | 7 | ✓ Chairman | | | ✓ |
| Alex Ham | Co-Chief Executive Officer | 7 | 7 | | | | |
| Ross Mitchinson | Co-Chief Executive Officer | 7 | 7 | | | | |
| Andrew Holloway* | Chief Financial Officer | 5 | 5 | | | | |
| Simon Denyer* | Group Finance Director | 2 | 2 | | | | |
| Geoffrey Vero | Non-executive Director | 7 | 7 | ✓ | ✓ Chairman | ✓ | ✓ |
| Robert Sutton | Non-executive Director | 7 | 7 | ✓ | ✓ | ✓ Chairman | ✓ |
| Catherine James | Non-executive Director | 7 | 6 | ✓ | ✓ | ✓ | ✓ |

* Andrew Holloway appointed with effect from 8 January 2018
* Simon Denyer stood down with effect from 8 January 2018

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- **Composition of the Board**

The Board comprises 4 independent Non-Executive Directors, Alan Carruthers (Non-Executive Chairman), Catherine James, Robert Sutton and Luke Savage. The Non-Executive Directors provide a minimum time commitment of between 12-20 days per annum to the business.

The Executive Directors of the Board (each a full time employee) comprise, Alex Ham and Ross Mitchinson, the Co-CEO's (sharing the role of Chief Executive Officer) and Andrew Holloway, the Chief Financial Officer. The Executive and Non-Executive Directors are collectively responsible for promoting the long-term success of the Group and setting and executing Numis' business strategy. The respective roles of Executive and Non-Executive Directors is strictly delineated.

The Company embraces diversity and is dedicated to encouraging inclusion. The Board membership comprises of individuals who have a wide range of diverse experience and skills and each bring a unique perspective to debate at Board level.

The Executive Directors have responsibility for the business operations of the Group and are responsible for implementing the strategy of the Board and managing the day-to-day business activities of the Company. The Non-Executive Directors are responsible for bringing independent judgement to Board decisions and add perspectives beyond the day-to-day operations.

The role of the Chairman is to lead and oversee the Board, ensuring that the Board's decision making is balanced, effective and is composed of the right mix of skills and experience. The Chairman is also responsible for promoting a culture of challenge, openness and scrutiny.

The Co-CEOs are responsible for the executive management of the Group and its business on a day-to-day basis. This includes making recommendations to the Board in respect of strategy.

The Board is authorised to manage the business of the Company on behalf of the shareholders and in accordance with the Company's Articles of Association. This is achieved through its own decision making and by delegating responsibilities to the Board Committees and authority to manage the business to the Co-CEOs. Current

The Board is satisfied that each of the directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively. All directors receive regular updates and training on legal, regulatory and governance issues. External advisors and legal counsel present to the Board regularly on thematic topics, providing training that is relevant to the business and to keep them abreast with developments of governance and AIM regulations. All directors have access to the Company's NOMAD, company secretary, lawyers and auditors and are able to obtain independent advice from other external professionals as and when required. Internal and external training and development programmes have been designed and tailored to the specific requirements of the directors to enhance their existing skills and are periodically revised to ensure training remains current and relevant. In addition, there are regular 'deep dives' from across the business at Board level to ensure the directors' understanding of the operational aspects of the business are kept up to date.

Biographical details, skills and experience of each Director can be found [here](#).

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- **Role of the Board**

All Directors are expected to attend Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. All Directors are properly briefed to enable them to discharge their duties, via regular update calls, the provision of detailed management accounts and Board packs which are distributed several days in advance of formal scheduled meetings. Non-Executive Directors also attend, by invitation and on a rotational basis, the Board meetings of the main trading entity, Numis Securities Limited.

There are certain matters which are reserved for the Board as a whole to consider. A copy of the Matters Reserved for the Board is available [here](#).

Matters routinely discussed at the PLC Board meetings include:

- The Group's strategy and associated risks
- Acquisitions, disposals and other material transactions
- Financial performance of the business and approval of annual budgets, the half year results, annual report and accounts and dividends
- Appointments to and removal from the Board and Committees of the Board
- Risk management strategy and risk appetite
- Remuneration policy
- Communication with shareholders
- Actual or potential conflicts of interest relating to any Director
- Changes relating to the Group's capital structure

- **Board Independence**

Numis considers there to be sufficient independence of the Board and that all the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to the Board, bringing considerable experience in terms of their respective knowledge and expertise. Where necessary, the Company facilitates that Non-Executive Directors obtain specialist external advice from appropriate advisers.

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Committees of the Board

The Board has a broad range of skills and capabilities required to direct the Group and has delegated some of the responsibilities to its Audit & Risk Committee, Remuneration Committee and Nominations Committee. Each Committee has appropriate Terms of Reference which have been approved by the Board.

- **Audit Committee and Risk Committee**

Numis has split the function of its Audit & Risk Committee since circulation of the 2018 Annual Report into separate independent committees of the Board. The main purpose being, to enhance the focus of reporting and accountability around key risks of the business so that appropriate time, energy and resource is devoted to the business' key risk exposures, risk strategies and risk mitigants, as well as considering routine audit matters.

Luke Savage is the independent Chairman of each committee, (the Audit Committee and the Risk Committee) and the members of each Committee comprise, Catherine James and Robert Sutton, each of whom is an independent Non-executive Director. Each Committee is scheduled to meet 4 times a year and is responsible for the relationship with the Group's external and internal auditors, the review of the Group's financial reporting, monitoring the quality of internal controls and risk management systems and processes and ensuring that the financial performance of the Group is properly measured and reported on. Both internal and external audit team representation are invited to attend every meeting of each separate committee. Other members of the Board (including the Chairman), CFO, Co-CEOs, are invited to attend the meetings as well as the Head of Legal, Risk and Compliance, Head of Compliance and Head of Financial Risk.

The Audit Committee (the "Committee") is an independent Committee of the Board of Directors responsible for the overall financial reporting of the Company and the Group. It receives reports from the Group's management relating to the Group's risk exposures and mitigating controls as well as detailed findings arising from internal and external audit reviews. The Committee delivers a report on its activities to the Board at each formal Group meeting, appraising the Board on issues discussed with focus on the effectiveness of the internal controls and their operation, as well as issues of risk management and mitigating actions. Additionally, the Committee reports on the Group's full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope of internal and external audit, their effectiveness, independence and objectivity taking into account relevant regulatory and professional requirements. The Committee has direct and unrestricted access to the internal and external audit function.

The Risk Committee (the "Committee") is an independent Committee of the Board of Directors that has, responsibility for the risk framework, internal control environment and for assessing the appropriateness of the risks that the Group proposes to take in executing its strategy. The Committee makes recommendations to the Board as to risk appetite and tolerance, taking account of the current and prospective macroeconomic and financial environment, drawing on financial stability assessments. Additionally, the Committee considers Numis' risk management policies, operations and oversight of the business' risk management framework and will assist the Board of

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Directors in fulfilling its oversight responsibilities with regard to the risk appetite of the business, the risk management and compliance framework and the governance structure that supports it.

The Audit & Risk Committee Report can be found on pages 50-52 of the 2018 Annual Report.

A copy of the Terms of Reference of the Audit Committee is available [here](#).

A copy of the Terms of Reference of the Risk Committee is available [here](#).

Remuneration Committee

The Remuneration Committee comprises of three Non-Executive Directors, Robert Sutton (Chairman of the Committee), Catherine James and Luke Savage. The Remuneration Committee is scheduled to meet 4 times a year. Other members of the Board, in particular, the Chairman and Co-CEOs and the Head of Human Resources may attend by invitation. The Committee's primary responsibility is to review salary levels, discretionary variable remuneration and the terms and conditions of service of the Executive Directors. The Remuneration Committee also reviews the compensation decisions made in respect of all other senior executives and those members of staff determined to be Code Staff under the FCA's Remuneration Code regulations.

The Committee is responsible for determining the overarching Remuneration Policy applied by the Group, including the quantum of variable remuneration and the method of delivery, taking into account relevant regulatory and corporate governance developments. The Remuneration Committee is authorised to seek any information it requires in order to perform its duties and obtain external legal or other professional advice that it considers necessary from time to time.

A copy of the Remuneration Committee's Report delivered in our Annual Report of 2018 can be found on pages 53 -61 of the 2018 Annual Report. [Click here to view.](#)

A copy of the Terms of Reference of the Remuneration Committee is available [here](#).

- **Nominations Committee**

The Nominations Committee comprises Alan Carruthers (Chairman), Luke Savage, Robert Sutton and Catherine James who are all Non-executive Directors. Other members of the Board and the Head of Human Resources may attend by invitation. The Committee considers appointments to the Board and meets as necessary. The Committee is responsible for identifying and nominating candidates, for making recommendations on Board composition and for considering succession planning requirements to ensure that requisite skills and expertise are available to the Board to address future challenges and opportunities.

A copy of the Terms of Reference of the Nominations Committee is available [here](#).

- **Development and Support**

On joining the Board, new members receive a comprehensive induction, involving meetings with senior employees and the external advisors. Individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues. There is a regular flow of information to the

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Board to keep Directors up to date with the business. Both the Board and each Committee of the Board has access to independent advice at the Company's expense.

- **Board Evaluation**

The Board undertakes a formal internal annual evaluation process of its own performance and that of its Committees. Directors are encouraged to provide feedback on their individual performance as well as other members of the Board and its effectiveness. The formal evaluation process takes place annually and is supported by regular contact between the Chairman and the Directors to allow any matters to be addressed on a timely basis. The evaluation process includes a written questionnaire and confidential one-to-one interviews between the Chairman and each Director. The review assesses the effectiveness of all aspects of the Board and its Committees and includes composition, experience, dynamics, the Chairman's leadership, and the Board's role and responsibilities in connection with strategy, oversight of risk and succession planning. The Chairman is responsible for assessing the feedback and reporting his findings to the Board. The outcomes and principal findings are discussed and acted upon. The performance of each Co-CEO is appraised annually by the Chairman and the performance of the Executive Director is appraised annually by the Co-CEOs.

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The Board went through a period of significant change in 2016/2017 following review and evaluation of its composition and structure. The Board is satisfied that the existing composition gives an appropriate balance of Executives and Non-Executive Directors. Each Director brings different skills, experience and knowledge to the Company, with Non-Executive Directors bringing additional independent thought, judgement and challenge. Succession planning to ensure the business has the appropriate balance of skill and expertise in order to carry out the strategy of the business will remain a focus during the evaluation process. An external evaluation of the Board's performance has not been conducted to date.

- **Relations with Shareholders and other Stakeholders**

Numis is proud of our approach to communications with our shareholders as we recognise the value in positive shareholder engagement. Both Co-CEOs and the Chief Financial Officer meet with major shareholders at least twice a year at the time of announcing the Group's interim and full year results. During these meetings the shareholders views on the performance of the Group are understood and acted on as appropriate, ensuring any such actions are in the interests of all shareholders. The Annual Report & Accounts, Interim Report and RNS announcements on key business developments are the main way the Board communicates with its investor base. As a direct result of shareholder engagement Numis has expanded the detail of the Remuneration Committee Report which we believe provides increased transparency of Numis' remuneration policy and philosophy around compensation.

Additionally, engaging with our stakeholders strengthens our relationships and helps us make business decisions. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business. Numis' employees are one of our most important stakeholder groups and the Board therefore closely monitors and reviews the results of the Company's Employee Engagement surveys as well as a number of any other feedback it receives to ensure alignment of interests.

Our website is kept up to date with information to help our investors keep in touch and understand our business and we have found our shareholder roadshows to discuss our results to be a popular and effective way for us to meet with shareholders and develop our understanding of their needs and expectations. The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The AGM is a key opportunity for the Board to engage with shareholders to answer questions.

Numis shareholders can contact our Investor Relations team who will respond on a timely manner to questions at Investor_Relations@numis.com

- **Social Responsibilities**

The Board recognises that it should take account of the needs of society, its community and the environment and maintain high ethical standards. The extent to which these principles have been formalised is appropriate to the size of the organisation and these are documented in both the staff handbook and compliance manual. Numis is committed to its staff welfare, respecting the environment and treating its clients fairly. The Board meets with senior executives and heads of department on a regular basis and through the reporting structures receives information on clients, customers and supplier relationships. Appropriate steps have been taken in relation to the Anti-

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bribery Act and Modern Slavery Act and a statement is available on Numis' website. Our zero tolerance approach to modern slavery is communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and reinforced as appropriate thereafter. We expect all our staff to have read and beware of this statement. Numis also has a Whistleblowing Policy. A copy of Numis' Anti-bribery Act and Modern Slavery Act statements can be found [here](#).

Numis is proud to report that it has implemented processes to manage environmental risks so as to reduce, reuse and recycle, wherever possible, waste materials within its place of business and is committed to a Charitable Giving partnership with a chosen charity which supports young and vulnerable people. Numis will continue to focus on these important areas of responsibility and seek to drive initiatives which have a beneficial impact on our communities and the environment.

1 April 2019