Miton

Corporate governance disclosures in satisfaction of AIM Rule 26

27 September 2018

Introduction:
On 8 March 2018 the London Stock Exchange published its revised rules for AIM quoted companies. Rule 26 now requires that AIM Listed companies apply a recognised corporate governance code on a comply or explain basis and make appropriate disclosures in satisfaction of this rule on their website.

The Company adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') in 2014 and since that time has reported against the QCA Code in its Annual Report and Accounts.

The following disclosures set out the Company's application of the QCA Code for the year ended 31 December 2017[1]. The disclosures remain un-changed as at the date of this release.

The full 2017 Annual Report can be found here.

In April 2018, the QCA updated the QCA Code and the new 2018 QCA Code provisions are set out here:

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
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 chair
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, seeking 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

[1] References to page numbers in the disclosure extracts refer to those pages in the 2017 Report and Accounts. Any performance metrics stated in the disclosures reflect the position as at 16 March 2018, the date at which the Board approved the 2017 Report and Accounts

PART 1. DELIVER GROWTH

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

The following disclosure can also be found on page 8 (Chief Executive Officer's Report) of the 2017 Report and Accounts

Our strategy and performance
We see a number of forces shaping the asset management industry and recognise the growing importance of individual investors and their advisers as the source of new flows into our funds. Employer or government supported pension schemes continue to diminish in importance leading to a greater focus by regulators on creating a regulatory framework where the interests of individual savers are protected, such that investors can have confidence and trust in the savings market. Technology will impact asset management in many areas, not least in enabling the delivery of low-cost passive or quasi-passive strategies on an industrial scale.

Against this backdrop, we believe that an active manager offering access to differentiated, active strategies that are straightforward with the prospect of good long-term returns after taking into account all costs, will prosper. Miton's clients are principally fund of fund managers, advisers and discretionary managers in the UK who have stewardship of the savings on behalf of individuals and pensioners. We offer active equity funds, which can complement more benchmark-aware strategies. Our multi-asset funds offer a range of solutions that meet the needs of advisers who seek transparent long-term investments with differing risk and return characteristics.

We believe this combination of single-strategy equity funds and multi-asset funds is a source of real strength for the Company. The demand for single-strategy funds may rise and fall with wider market conditions, and whilst we aim to offer strongly performing equity funds that have appeal as long-term investments, the multi-asset range meets differing client expectations and brings diversity to the business.

Miton invests without regard to benchmark weightings, allocating our clients' savings to companies and assets that we believe deliver good returns with proper regard to risk and preservation of capital. The performance record of our funds is outstanding with 13 from 15 funds being in the first or second quartiles since inception or the date the current managers took over.

Principle 2. Seek to understand and meet shareholder needs and expectations

The following disclosure can also be found on page 32 (Governance Framework) of the 2017 Report & Accounts

Dialogue with shareholders
The Directors are available to meet with shareholders to gain an understanding of their views. Meetings are held with major shareholders after the announcement of both the full year and half year results and at other appropriate times during the year. The Non-Executive Directors are informed of any significant issues raised. Shareholders have the opportunity to attend and vote at the Annual General Meeting, during which the Board is available to discuss issues affecting the Group.

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

The following disclosure can also be found on pages 14 and 15 (People and Culture) of the 2017 Report and Accounts

Leadership
Miton's governance model positions the senior team to maximise their talents and deliver straightforward, accountable leadership.

Since his appointment as CEO, David Barron has strengthened structure, process and communication across the business.

Jim Pettigrew's appointment as non-executive Chairman in November demonstrates the positive trajectory of our business and the high standards to which the leadership team operates. He brings extensive experience in the financial services sector.

Employee benefits and benchmarking
To attract and retain outstanding talent, we seek to maintain a working environment that meets the needs of all colleagues.

In 2017 the Group completed a benchmarking project to ensure reward levels were competitive with market practice.

In response to regular industry benchmarking, the range of both financial and non-financial benefits at Miton is constantly evolving and now includes not only a share incentive scheme but also life cover and income protection to foster long-term financial security.

Recruitment and induction
As our business grows and we look to build a stable employee base in an ever-competitive environment, we incorporate behaviours and core values as significant criteria in selection decisions. Along with clear technical job descriptions, person specifications allow us to interview against our value-driven competencies and the Group endeavours to make robust and transparent hiring decisions.

We strive to ensure joiners settle in well; our behavioural competencies are assessed throughout probation so that joiners appreciate the standards expected of them – and what to expect from their new colleagues.

Career development and retention
Performance at Miton is reward-linked and assessed against both behavioural and role-related technical competencies, with formal reviews carried out biannually.

Managers set KPIs with their team members at the start of the year and are empowered by the leadership team's pro-training stance to address promptly any development needs and propel skills acquisition to advance their team members' career development.

Strong retention is an ongoing priority; our employee surveys provide critical feedback that has informed retention-related planning for 2018 and beyond.

Our culture and values
In 2014 all colleagues were involved in a project to clarify how we see the firm and what we represent to the market, what we like about ourselves and how we believe in doing business.

We defined five core values and articulated our culture, which are now used in our regular staff assessments.

The competencies that stem from our values underpin the means by which we will sustainably achieve our strategy and vision and are woven into policy and practice throughout the employment life cycle, including recruitment, performance management and reward.

We are:

Unconstrained
We are genuinely active in mind and deed: we are agile.

Assertive
We have the courage of our convictions.

Collegiate
Our people recognise that Miton is greater than the sum of its parts.

Open
We are personal, accessible, responsive.

Responsible
We strive to act in the best interests of our clients.

Diversity and inclusion
It is our aim at Miton to build a team that is representative of, and responsive to, a broad range of cultures and age groups, where each individual can bring their whole self to work and where everyone has an equal chance to succeed.

Our focus is not on quotas but instead on maintaining diverse candidate shortlists and seeking a range of aptitudes and backgrounds; drawing on different perspectives builds a thinking, productive and inclusive workplace, and adds value to the way we do business.

The following disclosure can also be found on page 7 (Chairman's Statement) of the 2017 Report and Accounts

Charitable activity
Upon my appointment I was pleased to see that the Group has historically supported the National Youth Advocacy Service ('NYAS'). NYAS is a rights-based charity operating across England and Wales for children, young people and adults, providing them with advocacy and legal representation when important decisions are being made about them. During the three-year partnership the Group has worked with NYAS and spread the word of the vital role it plays in society. Since 2014 the Group has hosted a series of fundraising events and has donated £78,233 to support the NYAS national helpline.

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

The following disclosure can also be found on pages 22 and 23 of the 2017 Report and Accounts

Principal Risks
The Group faces a range of risks originating both externally and from within the fund management business.

The governance framework on pages 29 to 32 details the Group's approach to internal control and risk management, including the Board's responsibilities, attitude to risk, the role of the Audit Committee and the oversight of the operating committees.

Further details are also provided with regard to the relevant procedures adopted within the Group and the processes used by the Board to review and monitor the effectiveness of our internal controls and risk management activities.

A risk register is maintained that captures the core identified risks to the Group's business operations and assesses how these risks are managed and mitigated.

Key Risk	Description	How we manage the risk
Reputational risk	Reputation risk can arise from the failure of any key control or from the risks detailed below. The risk is that a failure has a detrimental impact on the Miton brand and underlying confidence of clients, stakeholders or suppliers.	The control environment and risk management practices detailed below help to mitigate the risk of events arising that may have a negative reputational impact. A culture of integrity and core values is embedded in all our business activities. The Group holds regular business updates which are attended by all staff.

Key Risk	Description	How we manage the risk
Market risk	Market risk arises in relation to the investments held by funds managed by the Group and the revenue generated from the management charge on the value of those assets.	The Group's funds are invested in a wide range of asset classes under different investment mandates including multi-asset, equity and portfolios of collective investment schemes. Market risk is therefore diversified by managing funds investing in a wide range of asset classes. To the extent that asset classes behave differently in times of higher volatility, the Group's AuM and revenues are likely to be less affected than would be the case in a business more focused on a single asset class.
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost.	The Group's objective in managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities as they fall due, under both normal and adverse conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's policy is to maintain unencumbered cash balances in excess of its regulatory capital requirements, which are based on annual expenditure requirements identified through a rigorous forecasting process.
Regulatory risk	The Group operates in a complex and dynamic regulatory environment. Risks arise from legal and regulatory obligations. The Group may be subject to regulatory sanction or loss of reputation from a failure to comply with regulations.	The management of legal and regulatory risk is the responsibility of the Senior Executive Group, supported by the various operating committees that are in place. The governance and compliance teams are responsible for tracking legal and regulatory developments to ensure that the Group is well prepared for changes. As well as developing policies, delivering training and performing monitoring checks, they also provide advice to ensure the Group remains compliant with legal and regulatory requirements.
Credit risk	The Group is subject to credit risk arising as a result of counterparty exposure in the Group's receivables balances from fund management clients and in relation to cash balances placed with banking institutions.	The creditworthiness of all relevant counterparties is monitored closely. A diversification policy is in place in order to allocate significant cash deposits between at least two suitable institutions. The Broker Oversight & Investment Research Committee is responsible for assessing the appropriateness of counterparties transacting on behalf of the funds managed by the Group.
Operational risk	Operational risk is the risk of loss arising from a failure in internal systems, procedures or in outsourced functions. The fundamental elements of the operational structure are people, information technology including cyber risk, and outsourced services.	The Group seeks to attract and retain the best qualified individuals. Key priorities for technology and systems are to maintain operational performance and reliability. Outsourced services are monitored on an ongoing basis and reviewed at regular intervals both internally and through meetings with the relevant organisations. Comprehensive business continuity planning is in place to ensure the ongoing operation of key business functions in the event of normal systems being interrupted. These arrangements are tested at least annually.

Key Risk	Description	How we manage the risk
Operational risk (Continued)		The Group seeks to mitigate cyber risk through robust processes and controls, penetration testing and staff training. The Group achieved its Cyber Essentials PLUS accreditation on 19 December 2017.
Key employee risk	The Group's products are managed by a number of fund managers within clearly defined teams. The departure of a fund manager, or team, could result in a loss of revenue for the Group and therefore a loss of profitability due to client redemptions or loss of mandates resulting in a fall in AuM.	The Group seeks to diversify its product offering, and therefore revenue stream, in order to address this risk as well as having in place appropriate incentive schemes to retain and reward key employees. Where appropriate, the Group maintains a policy to have two named fund managers on each strategy. The Group has robust remuneration mechanisms in place for all employees (see pages 34 to 38 for further details). The Group actively encourages employee involvement at all levels, both through regular employee briefings and by direct access to managers and the Directors. Equity share incentives are provided to help retain and incentivise senior employees and Directors.
Investment performance risk	The Group acknowledges that there may be periods of weaker investment performance (either in a particular fund or generally) that may result in significant investor redemptions. The Group understands that during such periods of under-performance it is more difficult to attract new clients to these strategies and to retain existing AuM.	In such a scenario this would impact the ability of the Group to grow its AuM, revenue and profitability. The Board and SEG review investment performance on a regular basis, along with input from the Fund Risk & Investment Performance Committee and the Product Review Committee to assess the Group's mix of products. Regular interaction is also maintained with supporting stakeholders such that they understand the performance of the fund(s) in which they are invested.
Investor concentration risk	A redemption or a series of redemptions by key clients could pose a risk to net revenue and profit. The resultant loss of AuM caused by a departure of a significant investor may increase the volatility of earnings for the Group.	The Group endeavours to diversify its product range and client base in order to lessen the risk of such a scenario.

PART 2. MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5. Maintain the board as a well-functioning, balanced team led by the chair

The following disclosures can also be found on page 29 (Governance Framework) and 31 (Board Committees) of the 2017 Report and Accounts

The Board
The Board is responsible for Miton's strategic direction and long-term prosperity. It is accountable to shareholders for ensuring that the Group is appropriately managed and governed. I am pleased that the skill set of our Executive and Non-Executive Directors is complementary and their capabilities are appropriate for the size and nature of the business in order to deliver our strategy effectively.

Board composition
As at the end of the year and up to 16 March 2018[2] the Board comprised a Non-Executive Chairman, three Executive Directors and three Non-Executive Directors as set out on pages 26 and 27. From 1 January to 16 March 2017 the Board consisted of an Executive Chairman (Ian Dighé), three Executive Directors and three Non-Executive Directors.

On 16 March 2017, Ian Dighé became Non-Executive Chairman. On 30 November 2017, Ian Dighé stepped down from the Board, with the Non-Executive Chairman position taken up by Jim Pettigrew, who was independent on appointment.

Jim Davies fulfils the role of Senior Independent Director ('SID') and provides shareholders with an alternate contact for matters unable to be addressed via normal methods. The SID serves as an important sounding board for the Chairman and maintains Board stability.

The Directors are required to stand for re-election every three years.

Board responsibilities and operation
The Board holds at least six scheduled meetings a year, as well as ad hoc meetings to deal with administrative matters. A statement of matters reserved for the approval of the Board has been agreed and was last reviewed in January 2018. The Board has overall responsibility for the Company's activities and oversees its affairs.

The agenda and papers for Board meetings are prepared and circulated to the Directors at least five business days before each Board meeting. The business of the Board during the year is summarised in the table at the bottom of this page.

Operational decisions are delegated to the Executive Directors and the senior management team meeting as the Senior Executive Group ('SEG') for implementation; see page 31 for further details on the members of the SEG.

Board committees
The Board is assisted by three standing committees which report to it on a regular basis. A summary of the Directors' attendance at meetings to which they are eligible is set out below. Eligibility is shown in brackets.

Director	Scheduled Board	Audit Committee	Remuneration Committee	Nomination Committee
David Barron	6 (6)	-	-	1 (1)
Jim Davies	5 (6)	3 (3)	2 (2)	2 (2)
Ian Dighé[3]	6 (6)	2 (2)	1 (2)	1 (1)
Piers Harrison	6 (6)	-	-	-
Katrina Hart	6 (6)	3 (3)	2 (2)	2 (2)
Jim Pettigrew[4]	-	-	-	-
Alan Walton	6 (6)	3 (3)	2 (2)	2 (2)
Gervais Williams	5 (6)	-	-	-

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

The biographies and skills that each Director brings to the Board are set out here.

[2] The date at which the Board approved the 2017 Report and Accounts
[3] Resigned 30 November 2017
[4] Appointed 30 November 2017

Principle 7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The following disclosure can also be found on page 29 of the 2017 Report and Accounts

Board evaluation and development
The Board completed an appraisal of the performance of Executive Directors during the year. The output from the review process has been considered by the Remuneration Committee. Actions have been taken to develop the Board's effectiveness and to ensure that the Board has the correct balance of skills and experience.

New Directors are provided with all relevant information regarding the Group's operations, given the opportunity to meet with key executives prior to appointment and offered formal training if required. Directors are generally provided with training on specific technical issues as appropriate.

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

The following disclosure can also be found on page 28 (Chairman's Introduction) of the 2017 Report and Accounts

Culture
The Board seeks to ensure its leadership is accountable and that members demonstrate integrity and transparency in their leadership. The Group is, by its nature, entrepreneurial and unconstrained in its thinking – traits that have delivered success thus far and provide a base for future achievements. The Group's culture and values are described in more detail on pages 14 and 15. The Group aims to be supportive for staff and compliant with applicable regulations. This year the Group undertook two comprehensive staff surveys, in each half of the year. Results were assessed against benchmark data and shared with the Group in our regular business update meetings. Whilst we were pleased with the majority of results, there are always improvements that can be made. We look forward to continuing these surveys in 2018 with the aspiration of achieving even better results and enhancing elements of our working environment.

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

The following disclosure can also be found in the introductory paragraphs of the Terms of Reference.

The Board of Miton Group plc is responsible for directing the business of the Company and its subsidiaries (the 'Group') in such a way as to meet shareholder and regulatory requirements and in accordance with applicable corporate governance practices.

The Board of Directors has determined a schedule of Matters Reserved for its own consideration.

The Board has delegated responsibility to:

- the Audit and Risk Committee to ensure that the financial statements presented to shareholders by the Company conform with applicable legal requirements and that the Group's systems of risk management and financial control are, and continue to be, adequate for the Group as a whole;
- the Nomination and Governance Committee for review and recommendation of Board and Committee membership, succession planning, board appointments and oversight of its compliance with the QCA corporate governance code against which the Company has elected to report;
- the Remuneration Committee to review, recommend and monitor the remuneration structure for the Group.

The Terms of Reference for each of these Committees are set out in full in the relevant section of the Board Committees section of the website. Click here to download the Terms of Reference.

The following disclosure can also be found on page 30 (Governance Framework) of the 2017 Report and Accounts

Acting through its Senior Executive Group, the governance structure cascades through the business as follows:

Committee	Terms of Reference - Summary	Convenes	Reports to
Senior Executive Group ('SEG')	• Responsible for managing the business operations and risk profile of the Group • Oversees projects and other change initiatives within the Group to ensure effective execution of the Group's strategy • Considers the overall risk to the business of the Group's activities • Responsible for ensuring the Group's product offering • remains competitive and keeps pace with customer demands and requirements • Members are set out on page 31	Monthly	Board
Fund Risk & Investment Performance Committee ('FRIP')	• Monitors the risks associated with the Group's funds • Advises, reports and escalates to the SEG and to the Board, if required, that risks are being effectively managed and the business is compliant with relevant regulations • Considers the performance objectives of each fund and evaluates the performance achieved in the context of the market conditions • Considers volatility of the funds against target expectations • Regularly assesses the investment strategies and • assumptions used to measure risk and limit exposures • as part of the Group's approach to Treating Customers Fairly ('TCF') • Carries out a rolling review of all strategies managed by the Group. In deliberating on the performance of the funds the Committee takes into account feedback from the sales and marketing teams	Monthly	SEG
Fair Value Pricing Committee ('FVP')	• Responsible for ensuring that the assets and liabilities within the strategies managed by the Group are being valued fairly and accurately on a consistent basis	Ad Hoc	FRIP
Product Review Committee	• Ensures the existing product range is reviewed on a regular basis to assess whether the products remain consistent with the needs, characteristics and objectives of the identified target market and whether the intended distribution strategy remains appropriate • Manages and oversees proposed product launches, product positioning, capacity management and closures to ensure effective execution and management of any associated business risks	Monthly	SEG

	• Ensures the Group continues to meet its TCF obligations with respect to each product • Ensures that the Group continues to receive appropriate information from product distributors to assist it with the monitoring of sales patterns • Identifies any conflicts of interest with respect to the ongoing management of each product and where appropriate escalates these to the SEG for consideration		
Trading & Research Oversight Committee	• Responsible for the oversight of all third party brokers transacting on behalf of funds managed by the Group • Responsible for the oversight of the Group's use of research payment accounts	Monthly	SEG
Operations Committee	• Oversees and resolves issues relating to all aspects of the Group's operations by providing a forum for monthly communication between senior managers • Approves and monitors small-scale projects of an operational nature • Manages operational risk associated with the Group's business activities • Ensures that all business areas consider and, where appropriate, act upon changes in regulation • Ensures organisation-wide co-ordination, prioritisation and dissemination of risk management to obtain maximum risk mitigation from available resources	Monthly	SEG

Each Non-Executive Director attends a meeting of the SEG committees at least once a year in an observational capacity.

PART 3. BUILD TRUST

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

The following Reports to Shareholders from the Audit, Remuneration and Nomination Committees can also be found on pages 31 and 32 of the 2017 Report and Accounts

Audit Committee
The Audit Committee has been chaired throughout the year by Alan Walton and its membership comprises three Non-Executive Directors.

The Committee has adopted formal terms of reference which are published on the Group's website and meets not less than three times a year. During the year, it undertook the following key activities:

- a review of the scope, planning and findings of the external auditors' work;
- reviews of, and recommendations to the Board to approve, the Annual Report for 2016 and the Half Year Report for 2017 prior to their publication;
- consideration of the going concern basis of preparation of the Group's financial statements and that it remains appropriate; and
- review, confirmation and application of the Group's accounting policies and any changes to financial reporting requirements.

The Audit Committee also plays an important part in regularly considering the Group's risk profile and any significant matters arising from the SEG. It reviews the Group's systems of internal control and is responsible for ensuring that the financial statements presented by the Group to its shareholders conform with all legal requirements.

The Audit Committee is also responsible for recommending the appointment, reappointment or removal of the external auditors. The Committee also considers annually whether it is appropriate to engage an internal audit function and recommends its findings to the Board.

Based on its review in 2017, the Directors continue to believe that there is currently no benefit in creating an internal audit function, although this position will continue to be reviewed at least annually.

The Group's auditors are permitted to provide non-audit services, primarily in the area of taxation.

Each assignment is reviewed and costed in isolation and the Directors believe the auditors' independence has been maintained throughout the year. Details of the remuneration of the auditors for audit and non-audit services provided during the year is disclosed at note 3(b)[5] to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee is chaired by Katrina Hart and comprises four Non-Executive Directors. The terms of reference of the Remuneration Committee are published on the Group's website. The Committee is responsible for ensuring the Directors' remuneration policies achieve their stated aim of providing a competitive package of incentives and rewards for the Executive Directors in order to align personal reward with enhanced shareholder value over both the short and long term.

The Executive Directors make recommendations to the Remuneration Committee on the Company's framework of executive and senior management remuneration and associated costs. The Board itself determines the remuneration of the Non-Executive Directors. Further details of the Company's policies on remuneration and service contracts are given in the Remuneration Report on pages 34 to 38.

Nomination Committee

For Director appointments, a Nomination Committee, chaired by Alan Walton and comprising the four Non-Executive Directors and the Chief Executive Officer, is formed to make recommendations to the Board.

Once a shortlist has been established by the Committee, the Board meets candidates to assess their suitability and, where appropriate, makes appointments.

During 2017 the Nomination Committee recommended to the Board the following appointments which were approved: the appointment of David Barron as Chief Executive Officer and Jim Pettigrew as Non-Executive Director and Chairman. An external agency was employed to assist the Board with the search for the appointment of the Chairman.

Comply or Explain

The Company considers that it presently complies with the requirements of the QCA Code.

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[5] Page 54 of the 2017 Report and Accounts