

Statement of Compliance with the QCA Corporate Governance Code

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The Directors anticipate that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will also endeavour to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature. To see how the Company addresses the key governance principles defined in the QCA Code please refer to the statements below. Further information on compliance with the QCA Code will be provided in our next annual report.

Ian G Murgitroyd
Non-executive Chairman

The Principles of the QCA Code

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

A full explanation of the Company's group strategy and business model is given within the strategic report section [on pages 8 and 9 of the Annual report and financial statements for the year ended 31 May 2017](#) (the "Annual Report"). Please also see the information given on the Group's principal operating subsidiaries' website (www.murgitroyd.com).

In summary, Murgitroyd Group PLC (the "Company") and its group (the "Group") provide a wide range of Patent, Trade Mark and other Intellectual Property professional and support services. The Group's business model is predicated on strong, long-term relationships with its clients. The Group's growth strategy incorporates strong organic growth, including market share gains and expansion into new service areas, complemented with expansion through acquisitions in existing or new geographies and in new market areas.

- *Principle 2 - Seek to understand and meet shareholder needs and expectations*

The Board is committed to long-term, sustainable growth and a progressive dividend policy and aims to maintain a sustainable and appropriate level of dividend cover.

The Group engages with its stakeholders through formal meetings, informal communications and through Stock Exchange announcements. The Company encourages two-way communication with both its institutional and private investors and responds promptly to all queries received. Company contact details are included in all announcements and are available on the Company's website.

The Company's Chief Executive has regular dialogue with major shareholders and ensures that their views are communicated fully to the Board, and, with other Executive Directors, meets formally with institutional shareholders (usually after the interim and full year results announcements) presenting results, articulating strategy and updating shareholders on progress.

The Board recognises the shareholders' Annual General Meeting ("AGM") is an important opportunity to meet private shareholders and the Directors are available to listen to the views of shareholders informally immediately following the AGM.

If voting decisions are not in line with the Company's expectations, the Board will engage with those shareholders to understand and address any issues. The Chairman and the senior Non-executive Director are the main points of contact for such matters.

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

The Group is committed to sustainably and responsibly growing its business – for the benefit of the environment, customers, suppliers and the communities it operates in. This is evidenced and underpinned by the stated values of the principal operating subsidiaries:

- *Honour:* our people and clients are always treated fairly and ethically
- *Anticipation:* we aim always to be one step ahead of our clients' needs
- *Wisdom:* our people have the right skills and the experience to know when and how to apply them
- *Clarity:* our working practices, fees and charges are always transparent

The Board considers relationships with, and the engagement of, stakeholders to be a critical success factor. As a services provider, the Group adds value by developing and maintaining an understanding of suppliers' and clients' needs. The Group engages with employees and seeks feedback during individual annual appraisals. Employees comprise the Group's Charities Committee, which both encourages and determines activities in this area. Meetings of employees working in the same geographical location, as well as meetings of those working together in the same service areas, take place regularly, and feedback from these meeting is provided to management. Use of the Slack collaboration application is also used to engage with employees.

The Group encourages feedback from customers through account managers and engagement with individual customers through customer service teams and social media, such as Twitter.

Modern slavery

The Group remains committed to ensuring that there is no modern slavery or human trafficking in any part of the business. The Group is committed to acting ethically and with integrity in all its business relationships and implementing effective systems and controls to ensure, insofar as it is able, slavery and human trafficking is not taking place anywhere in our supply chains. The Group will not support or deal with any business knowingly involved in slavery and human trafficking.

Policies regarding slavery and human trafficking are reviewed annually in accordance with the Modern Slavery Act 2015.

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

The Board has ultimate responsibility for the system of internal controls and for reviewing its effectiveness. However, systems of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board considers that the internal controls in place are appropriate for the size, complexity, and risk profile of the Group.

The identified principal risks and uncertainties faced by the Group are set out in the strategic report section on [pages 8 and 9 of the Annual Report](#). The role of the Risk Committee, chaired by Dr Kenneth Chrystie, is set out as part of the disclosure on corporate governance on [pages 16 and 17 of the Annual Report](#).

Both the Board and the Group's senior managers are responsible for reviewing and evaluating risk. The Executive Committee of the Group's principal operating subsidiaries meets to review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading. The Board also considers risk to the business at every Board meeting and the Group's risk register is continually reviewed in addition to being formally updated bi-annually. The Audit Committee formally reviews the effectiveness of internal controls and identified principal risks to the business at least annually.

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

The Group is controlled by the Board of Directors. Ian Murgitroyd, the Non-executive Chairman, is responsible for the running of the Board, and the Executive Committee of the Group's principal operating subsidiaries, comprising the Chairman, CEO, COO and CFO, has executive responsibility for running the Group's business and implementing strategy.

Directors receive regular and timely information on operation and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, business update publications distributed to staff in the principal operating subsidiaries are also circulated to the Board. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Board comprises four Executive Directors, three Non-Executive Directors and the Non-executive Chairman. The Board considers that all Non-executive Directors bring an independent judgement to bear notwithstanding the varying lengths of service.

The Board meets at least six times a year. The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration, Nomination and Risk Committees. The Board is satisfied that it has a suitable balance between independence and knowledge of business to allow it to discharge its duties and responsibilities.

Further details on the terms and conditions of Board members is provided in the remuneration report on [pages 13 to 15 of the Annual Report](#).

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

The Board is satisfied that, between the Directors, it has an effective balance of skills and experience. Board composition is kept under review, including but not limited to diversity of skill and experience. Biographies for each Board member are published on the Company's website and in our annual report and financial statements.

The Nomination Committee of the Board oversees the process and makes recommendations to the Board on all new Board appointments. Where new Board appointments are considered, the search for candidates is conducted, and appointments are made, on merit, against criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning.

The Company's nominated adviser and other advisers are available to support the Board in addressing the training and development needs of Directors.

The Board uses external advisors where necessary to enhance knowledge or to gain access to particular skills or capabilities, for example external accounting, tax and legal advisers.

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

Given the Group's size, the Board evaluates the performance of its committees and individual Directors internally. The independence of Non-executive Directors is also assessed.

The Company has yet to carry out a formal assessment of overall Board effectiveness but the Board is considering how such assessment could be carried out, and will keep this under consideration and put in place procedures when it is felt appropriate.

One-third of Directors stand for re-election on an annual basis.

The Nomination Committee is responsible for succession planning and makes recommendations to the Board on all new Board appointments.

- *Principle 8 - Promote a culture that is based on ethical values and behaviours*

The Group has a corporate social responsibility policy and more details on this can be found on the Company's website (<https://www.murgitroyd.com/about/#link-values>). The Directors' report on [pages 10 to 12 of the Annual Report](#) also details the Group's policies with regard to its employees and the environment.

The nature of the Group's business, as a service provider, means expertise and people skills are at the core of what we do and how we maintain competitive advantage. Having a people-orientated ethos, where team work and commitment are recognised, is central to the Group's success. Pride is taken in the development of home-grown talent, with a significant number of our senior staff having trained within the Group. It is also understood that people need to enjoy what they do, and those who demonstrate the Group's values are recognised both informally and through recognition schemes.

To promote the Group's ethical values, community involvement is encouraged and recognised, including but not limited to the work of the Charities Committee.

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

The Company's governance structures, together with an explanation of their appropriateness and suitability, are summarised on [pages 16 and 17 of the Annual Report](#).

The Board typically meets at least six times per annum. Further, ad hoc, meetings are held by telephone as necessary. A comprehensive pack of papers is circulated to all Board members in advance of scheduled meetings, covering financial, operational and strategic matters.

During the year the Chairman meets separately with the Non-executive Directors.

The Board is responsible for the long-term performance of the Group. Specific matters are reserved for the Board. These include: group strategy, corporate and capital structures, approval of key financial matters (annual and interim results, budgets, and dividend policy), material contracts and Board membership and remuneration.

The Board is supported by the Audit, Nomination, Remuneration and Risk Committees. The membership and main roles of each committee are included in our annual report and financial statements and on the Company's website. Each committee has access to the resources, information and advice that it deems necessary, at the cost of the Group, to enable the relevant committee to discharge its duties.

An external firm of lawyers undertakes the role of Company Secretary.

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

The Company engages and, with its nominated adviser, facilitates two-way communication with both institutional and private investors and responds promptly to queries received. The Group communicates with shareholders through the annual report and financial statements, trading updates, the AGM, and one-to-one meetings with existing or potential new shareholders. The Chief Executive also engages in regular dialogue with the Group's major shareholders and, along with the Company's nominated adviser, communicates their views to the Board.

The Company's website includes historical Stock Exchange announcements and annual reports and financial statements.

The Board recognises the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

In formally adopting the QCA Code (as revised April 2018) as governance framework, the Board has reviewed compliance, and the disclosures on the Company's website. As a result of reviewing the disclosure requirements of AIM Rule 26 (as revised), the Board has confirmed that it meets and complies with all the requirements of the QCA Code as disclosed herein.

September 2018