

Nucleus Financial Group plc

Corporate governance statement

Statement of compliance
with the QCA Corporate
Governance Code

Version three – September 2020

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Chairman's introduction

The Nucleus board acknowledges the importance of high standards of corporate governance and has adopted the principles of the 2018 Quoted Companies Alliance Corporate Governance Code ("the QCA Code") to support the company's governance framework.

It is our role to ensure that we set a vision and strategy that is readily translatable to long-term value for our shareholders, our customers, our platform users and our people. We value robust corporate governance, and its role in ensuring we create good outcomes for our customers and users, by managing risk, making effective decisions and adding value while we drive our business forward.

Angus Samuels
Chairman

Adoption of the QCA Code

Nucleus was pleased to join the AIM market on 26 July 2018 and felt that the ethos and principles of the QCA Code were most suited to our size and growth profile. This statement sets out how we comply or intend to comply, with the ten principles of the QCA Code. Where relevant, we have provided links to more detailed disclosures on our [website](#) and we will provide annual updates on our ongoing compliance with the QCA Code.

Principle one

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

Nucleus is an independent wrap platform that allows customers to hold all of their investments in one secure place online. Our purpose is to create value through greater alignment of adviser and customer interests and our strategy to achieve this is predicated on us having a compelling proposition for platform users, an attractive value proposition for shareholders and a motivating people proposition to inspire high-quality execution.

We have developed our strategy and business model to create the most efficient and scalable end-to-end user experience, delivered online through our investments in next-generation technology and, offline with high-quality customer service. Our platform offers a range of custody, trading, payment, reporting, fee-handling, research and integration services across a variety of tax wrappers and around five thousand asset choices.

Our board is collectively responsible for setting out our strategy and vision and our executive team is tasked with executing our strategy through the business plan. Progress against the business plan and any changes to the commercial or regulatory landscape are reported to the board each quarter.

A more detailed description of the company's business can be found [here](#). A description of the key risks and uncertainties facing the business and how these are managed through our risk management framework can be found in the company's most recent [annual report](#).

Principle two

Seek to understand and meet shareholder needs and expectations

Nucleus is committed to building a transparent and collaborative dialogue with its shareholders, to ensure our key value drivers are clearly understood.

We aim to build quality relationships with our shareholders and engage through our AGM, investor roadshows and analyst presentations after full and half year results and through regular disclosures and reporting of material updates through regulatory announcements. Feedback from shareholder presentations and meetings is formally reported to our board every quarter and shareholders can contact the company by emailing companysecretary@nucleusfinancial.com. For media enquiries, please contact the company's financial public relations agency, Camarco [here](#).

One of our institutional investors, Sanlam UK Limited, holds a 52% stake in Nucleus. As a result, Sanlam has entered into a relationship agreement with the company and our nominated adviser, which ensures that Nucleus and its business will be managed for the benefit of shareholders as a whole and independently of the Sanlam group. Further details governing the relationship with Sanlam can be found in our [admission document](#) dated 20 July 2018.

Principle three

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

Understanding the needs of our audience has always been a critical part of driving our business forward and we believe long-term success requires us to run the business for the benefit of all stakeholders. We consider our key stakeholders to be our shareholders, our customers, our platform users, our people, our suppliers, our regulator and our community and the wider society. We have created a number of forums to facilitate and engage the views and expectations of our stakeholders and seek to ensure how their views, as well as the long term consequences, are taken into account in our strategic decision making.

The needs, interests and expectations of our key stakeholders are direct influences on the actions and decisions we take. As well as receiving regular board reporting on the views of our key stakeholders across various reports, we have a number of initiatives to ensure that we invite and maintain a dialogue with each stakeholder group on the things that matter and take steps to demonstrate where we have taken action. Our broader engagement with our stakeholders is set out in our s172 report which can be found on pages 18-21 of our most recent [annual report](#). Our commitment to shareholder engagement is also set out under Principle 2 of this statement.

Our customers

We seek to maintain the right culture, policies and processes to create good customer outcomes and to have in place the right governance, conduct and risk management frameworks to ensure our policies and processes are operating effectively. In addition we have created a customer insight team, supported by a suite of conduct and customer policies, and partnered with Investors in Customers to help highlight what really matters to our end customers, and where we can do better. Members of our senior management team are also encouraged to hear directly from our end customers, whether through ad-hoc meetings or more structured events.

Platform users

The Nucleus wrap was built in collaboration with financial advisers and our product development and wider strategic development continues to be influenced by their input, whether this is captured through user sessions, the platform development group, the practice development group or other structured or informal feedback. In particular, we re-established the terms of reference of our advisory board in November 2018. This board is formed of a group of financial advisers and business owners from our user firms, tasked with collating the feedback of the three platform user groups stated above, as well as representing our customers, and engaging with management on various issues from product development, regulatory change and to the impacts of industry reviews. The minutes of the advisory board are presented to the Nucleus board quarterly for review.

Principle four

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

Our people

We strongly believe in nurturing an inclusive, diverse and inspiring workplace, which gives our people the space and support to do their best work and we survey our people quarterly to assess engagement levels and target areas for improvement. We regularly share the results with our people as part of our fortnightly companywide meetings and hold bi-annual strategy updates led by our chief executive officer and his executive team. We also have a nominated board member responsible for representing employee voice.

We champion diversity and inclusion by building on inclusive hiring practices and encouraging psychological safety and diversity of thought. Our inclusion and diversity statement, including our diversity targets and progress against these, is available [here](#). We are also signed up to the women in finance charter.

We aim to reward our people with fair compensation, aiming to strike a healthy balance between short and long-term reward while promoting a culture aligned to our values.

Our suppliers

Our vendor management suite of policies reflect our belief in having productive and positive relationships with suppliers, in which both parties respect the letter and spirit of the contract and are focused on good customer outcomes.

Our regulator

We have several points of engagement with our regulator and we particularly endeavour to support efforts to promote transparency and better customer outcomes through our contribution to policy debate, whether through direct contact or participation in industry forums such as the UK platform group.

Our community and the wider society

Our people are given an opportunity to nominate and choose our annual charity partner and, supported by the company's charity committee, throughout the year will run various events and participate in community days. We have also partnered with Codeclan to support graduate coding schemes. The company has an anti-slavery and human trafficking statement to evidence a commitment to understand all potential modern slavery risks related to our business and to ensure steps are maintained to prevent them. The link to our anti-slavery statement and human trafficking statement is available [here](#).

We operate a clearly defined robust, scalable and enterprise-wide risk management and control framework through which we aim to effectively identify, assess, manage and report the group's risks and to amend our controls and safeguards accordingly.

Our board has the responsibility for setting risk appetite and ensuring the maintenance of a sound system of internal control and risk management. We operate a "three lines of defence" model in assigning responsibilities under our risk management framework. Business lines have first line responsibility for identifying, assessing and managing their risks through a sound set of policies, processes and controls. The second line of defence comprises our risk and compliance functions who develop and maintain the group risk and compliance management policies and frameworks and who provide assurance and oversight of first line activity. The third line of defence is provided by a third party firm engaged as our independent internal auditor as well as external auditors, our board sub-committees and our regulator.

Our board has established both audit and risk committees to help monitor the board's oversight of the group risk management framework and internal control systems.

The audit committee meets at least quarterly and holds additional meetings as required. It is responsible for providing assurance on the integrity, quality and reliability of financial information, financial reporting, compliance and internal controls. It monitors and reviews the efficiency and effectiveness of the group's internal and external audit arrangements and "three lines of defence" model. It reviews and challenges any proposed changes to accounting policies and practices for the group.

The risk committee also meets at least quarterly and holds additional meetings as required. It is responsible for reviewing the group's current and future overall risk exposure, appetite and tolerance. It provides assurance on the group risk management framework and, in conjunction with the audit committee, monitors and reviews the efficiency and effectiveness of the group's "three lines of defence" model. It also has responsibility for reviewing and recommending to the board the annual Icaap approach and methodology, the quarterly reassessment of regulatory capital requirements and reviewing and approving corporate policies in accordance with the group policy framework.

Principle five

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

Our board comprises our independent non-executive chairman, our senior independent director, two further independent non-executive directors, two non-independent non-executive directors who are shareholder representatives (in line with the Relationship Agreement between Nucleus and Sanlam UK Limited) and two executive directors (the chief executive officer and chief financial officer). Jeremy Gibson, one of our Sanlam nominated directors, resigned from our board in February 2020 and was replaced by Alfio Tagliabue. Further information on each of our directors is available [here](#).

Save for those non-executive directors that are appointed by our major shareholder, Sanlam UK Limited, all our non-executive directors are considered by our board to be independent and as such, free of any relationship which could materially interfere with the exercise of their independent judgement. In particular, our board considers that our chairman, Angus Samuels, is independent. While Angus has served as a director of the company since inception (14 years) and as chairman since 2017, and holds a number of directorships within the Sanlam group, our board highly values Angus's considerable experience and contribution. Our board members have confirmed that, in their opinion, Angus demonstrates the characteristics of independence, such as challenging management, independence of character and decision-making, and providing a valuable independent contribution to the board.

All directors are encouraged by our chairman to actively voice their views, use their independent judgement and challenge matters. To this end, they meet at least quarterly and hold additional meetings as required. Our board is collectively responsible for setting out the strategy and vision of the group, deriving its powers from its schedule of reserved matters, our company articles of association and other supporting constitutional documents. It has established four principal committees (remuneration and HR, nomination, audit and risk) to assist in its oversight and monitoring responsibilities for the group. The company secretary works closely with the chairman (along with the chair of each board committee) to ensure agendas are carefully constructed, appropriate time is given to relevant matters, and that directors receive good quality information in a timely manner.

The company has effective procedures in place to prevent, manage and monitor conflicts of interest. Our board is aware of the other commitments and interests of its directors, and changes to these commitments and interests are reported regularly and, where appropriate, approved by the rest of the board. A schedule of meetings and attendance is available [here](#). We also keep our directors' time commitments under review to ensure they can commit the time necessary to fulfil their roles effectively.

Principle six

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

Our board is satisfied that, among the directors, it has an effective and appropriate balance of skills and experience. It makes decisions regarding the appointment and removal of directors, supported by the nomination committee, and there is a formal, rigorous and transparent procedure for any board appointments. Our directors regularly monitor board composition and the mix of skills and experience of the directors in light of Nucleus' current and future needs.

In following our diversity and inclusion policy in respect of all new board and executive appointments, we have not only taken steps to create a more gender-balanced board, but we are also able to recognise the value of cognitive diversity, and support strong decision-making by ensuring we always seek to have an appropriate balance of traits, skills and experience, as well as addressing other areas of diversity.

Pursuant to our company articles of association, each of our directors are required to retire at the AGM and put themselves forward for re-election (as appropriate). Nucleus supports director development by offering training to complement each director's own training and development programme and has most recently offered training on the conduct rules, cyber crime, the senior managers and certification regime, the Icaap and the prudential regime as well as offering regular Cass training. Regular briefings from senior management are also provided on areas of interest.

The chairman and the company secretary also ensure that each new director receives a comprehensive, tailored induction, where they meet with our executive and other people across the business, and are also given the opportunity to meet with other stakeholders such as our platform users and suppliers.

All directors can take independent advice in support of their duties at our expense and under the board policy for obtaining independent advice. In addition, the directors have access to the advice and services of the company secretary.

Further details on the experience and qualifications of the directors can be found [here](#).

Principle seven

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

Our board is committed to periodic evaluation of its performance, and carries out annual evaluations of its effectiveness and performance as a whole, including reviewing each board committee's performance, terms of reference and the business conducted at each committee meeting. It is the responsibility of the chairman to evaluate the performance of each director. The chairman leads this process supported by the company secretary. The board is presented with all feedback received and spends time discussing the findings and agreeing next steps.

The nomination committee considers the structure and composition of the board annually, and this includes both consideration of board succession and senior management.

Principle eight

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

We pride ourselves on having a customer-centric, transparent and ethical culture and our people's commitment to this culture is evidenced in the results of a quarterly people engagement survey. Our group conduct and culture framework has been restated and we have focused on ensuring that our culture and values remain embedded across the group, including inviting all of our people to go through our re-designed induction. Our board intends to continue assessing and monitoring culture and conduct on an ongoing basis and receives quarterly reporting to support this. In addition, the group wide policy framework has also been re-stated to align our policies to our risk categories, bringing greater connection for our people between our values and our behaviours.

The chief executive officer promotes a culture of individual accountability, designed to support effective communication and decision making through the executive team to the board and our people strategy focuses on developing our people leaders to support this. Our culture is underpinned by our core values which guide our reporting, recruitment and how we interact with each other. Our people nominate each other and vote quarterly for our 'great colleague' awards and annually on our 'brilliant people' awards, where each category aligns with each of our values. Our culture is one of the regularly cited reasons that people choose to work at Nucleus.

We do not tolerate unethical behaviours and such conduct would be penalised.

Principle nine

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

Our board is responsible for the long-term success of the company. Its decision making is supported by a schedule of reserved matters, and is facilitated by four board committees (remuneration and HR, nomination, audit and risk). It is responsible, amongst other things, for overall group strategy, setting the group's risk appetite, approval of significant investments and material contracts, approval of annual and interim results, dividend policy, annual budget, remuneration policy, division of responsibility between board, chair, the chief executive officer and the executive team, and board structure. Summaries of the roles of each committee can be found [here](#).

The board delegates executive responsibility for delivery of strategy and the approved business plan to the chief executive officer and the executive team whose biographies can be found [here](#).

The executive team is supported by a structure of internal execution groups to ensure that the business is run effectively, that there is sufficient oversight of the business at management level and to align with our culture through ensuring a focus on our customers and robust management of assessed company risk to mitigate poor decision making.

The processes behind our board cycle ensure that the board has an appropriate agenda and is provided with quality information in a timely manner to enable directors to be fully prepared for discussion and to appropriately challenge the executive. Any director concerns may be raised separately with our chairman and actions from all board, board committee and internal management meetings are captured and followed up by company management.

Principle ten

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

Our board has enhanced its reporting and disclosures to shareholders and wider stakeholders since the publication of its 2017 annual report and financial statements under IFRS and its 2018 and 2019 annual reports and financial statements as an AIM listed entity committed to the QCA Code.

Our website has also been developed to give shareholders and wider stakeholders more information on the people involved in running Nucleus, our purpose and current business activity. We announce any significant shareholder information to the market and communicate with our shareholders through results presentations and at our AGM. Due to Covid-19, our 2020 AGM was convened in line with government "Stay at Home Measures" in place at the time. Voting was encouraged by proxy and questions were encouraged in advance of the meeting. Further information on how our 2020 AGM was carried out can be found in our notice of meeting [here](#).

At our AGM on 20 May 2020, in respect of resolutions 8 and 9 which concerned the re-election of two of our non-executive directors, Jonathan Polin and Alfio Tagliabue, who are both nominated to the board by our 52% shareholder, Sanlam UK Limited, 20.99% of the votes cast on these resolutions were votes against. We engaged with shareholders to understand the reasons behind the votes cast against these resolutions and understand that the votes had been cast in accordance with the recommendation of a proxy voting advisory agency on the basis that Jonathan Polin and Alfio Tagliabue were not independent non-executive directors and sat on our remuneration and HR and audit committee respectively. The proxy voting advisory agency's best practice recommendations are that audit and remuneration committees are comprised only of independent directors.

Pursuant to the company's relationship agreement with Sanlam, Sanlam has the right to nominate up to two directors to the board for so long as members of the Sanlam UK Group hold more than 40% of the company's total voting rights. The relationship agreement also contains a number of provisions designed to protect the interests of shareholders as a whole as well as to ensure that Nucleus is able to carry on its business independently from Sanlam. As a result we believe that the relationship agreement supports independent, effective and transparent decision making at board and board committee level. Further details governing the relationship with Sanlam can be found in our [admission document](#) dated 20 July 2018.

All our shareholder and analyst presentations are maintained on our website, along with our financial calendar, which sets out our schedule of regular trading updates that support our interim and final results announcements.

Further governance-related information can be found in the company's most recent annual report [here](#).

