



HML HOLDINGS

HML Corporate Governance Statement Approved 21st September 2018

Corporate Governance Statement

Changes to the AIM rules made on 30 March 2018 require AIM companies to apply a recognised corporate governance code by 28 September 2018.

The two recognised codes are the Financial Reporting Council (FRC) Code for companies with a Premium Listing and the Quoted Companies Alliance (QCA) Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26). Accordingly, it has been decided by HML's Board of Directors that the QCA Corporate Governance Code is most appropriate for the company.

The QCA Code (www.theqca.com) is constructed around ten broad principles (which for reference are reproduced below) and a set of disclosures which are required to be made respectively through either the company's Website, Annual Report and Accounts or both.

The QCA's Ten 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*
- 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

HML's Board is committed to good corporate governance and believes its approach is proportional to the size, risks, complexity and operations of the business and reflects the company's values. The Board has considered how we apply each principle of the QCA code to the extent that it judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The board considers that it complies with all of the principles of the QCA Code. Given the timing of the new rules all disclosures will be initially included in the company's Corporate Governance Statement published on its website and thereafter on both the website and in the Annual Report and Accounts.

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

The purpose of the company is to provide residential and commercial property management services to property owners with a current emphasis on the management of residential blocks owned or controlled by resident management companies. Our ambition is expressed in the mission statement: "Through excellent personal customer service, to be the leading independent professional property services company within the property management sector".

The Group has developed a business model which offers clearly identifiable competitive advantages for property owners through a high quality management service supported by related specialised property services. This is based on:

- a) A personalised and local high quality property management service
- b) The effective cross-selling of our own specialists to deliver specialised property services to property owners
- c) Training, developing and retaining well motivated and dedicated staff
- d) Efficiency and cost competitiveness through investment in technology and economy of scale
- e) The centralised provision of those elements of the company's services that are more efficiently undertaken in that way without affecting our ability to deliver a personal and local service

Our strategy is to grow organically and through acquisition and deliver increasing shareholder value through additional revenue streams, an improvement in margins and the careful management of both strategic and incidental risks. The Board reviews the company's strategy on a regular basis and is in the process of completing its current review. The management of risk is addressed more specifically in section 4 below.

The key challenges the company faces are:

- Competition from unregulated smaller operations which is addressed by careful communication of the property owner's legal obligations and HML's comprehensive capability to ensure that these obligations are met.
- Identifying suitable acquisitions. HML's experienced acquisitions team has the expertise to critically evaluate prospects carrying out due diligence and producing cash flow projections to ensure that any target is a suitable strategic fit and is financially sound.
- Restructuring and advancement of our technological capabilities which is achieved by significant investment in systems and the continuous review of work flows and processes to maximise efficiencies. The company has recently established a Systems Council to enhance systems development in line with the operational priorities.
- Recruiting and retaining suitable staff. This is fostered by offering competitive remuneration packages including, for senior staff, the opportunity to participate in a share option scheme. The Group also invests in training and development, adopting a fully integrated human resource strategy for all its staff. This includes the establishment of the HML Training Academy and the regular evaluation of employees' engagement.
- Diversification based on leveraging the company's current strengths. Cross-selling and diversification is encouraged by the group's continuous review of its service offerings to clients, particularly in the light of a changing regulatory environment.

The Board believes it has the right strategy in place to deliver continued solid growth in shareholder value for the medium and long term. We expect our productivity and margins to increase over time as our investment in systems and economies of scale feed through to profitability.

2. Seek to understand and meet shareholder needs and expectations

The company is committed to communicating clearly and straightforwardly with its shareholders (along with other stakeholders) to ensure that its strategy and performance is understood and that the directors develop a good understanding of shareholders' needs and expectations.

All shareholders, both private and institutional, are encouraged to attend the company's Annual General Meeting where the Board allows a generous amount of time after the conclusion of the official business to further discuss the company's progress and to address any specific queries.

We believe that this unrushed forum provides a significant opportunity for dialogue between shareholders and directors. Employee shareholders are also encouraged to attend as it is considered that this provides useful feedback for them and their colleagues in a way which enhances internal communications on strategy, performance and values.

Presentations to institutional shareholders are undertaken bi-annually after key financial reporting dates. This is undertaken principally by the CEO and other executive directors as appropriate, along with the company's Corporate Broker which provides anonymised feedback to the Board on the views and expectations of these investors to supplement the sentiments expressed during the presentations. All observations are considered and reflected where appropriate in future strategic reviews and relevant operational plans.

In addition to the CEO, the Chair also provides a point of liaison with institutional shareholders, in particular to communicate aspects of corporate governance and to listen to shareholder concerns.

The frequency and quality of shareholder communications is reviewed regularly to ensure appropriate levels of interaction.

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

In addition to our shareholders (see 2 above) the company's business model identifies, and is designed to maintain good relations with, all our other key stakeholder groups. These are our workforce, clients, suppliers (primarily contractors who work on our clients' properties) and our regulators.

Our Human Resources Strategy and internal communication and feedback programmes (also referred to in 8 below) are designed to create a supportive and developmental environment for our staff to enhance their skills, wellbeing and efficiency.

Questionnaires are sent to our client base on a regular basis to obtain their views on the quality of service delivered and suggestions for improvement.

The company screens all contractors retained to work on our clients' properties through its Contractor Approval Process and feedback from contractors is obtained on an ongoing basis in relation to outcomes and procedures to ensure that we constantly improve our policies and procedures.

The company's regulators are the Royal Institution of Chartered Surveyors (RICS) and the Association of Residential Managing Agents (ARMA) for its professional property work and residential management activities respectively. The company maintains strong links with these two professional bodies to ensure that we are up to date and fully comply with the high standards required.

Feedback received from all our stakeholders is reflected as appropriate in the design of our policies and procedures.

The company understands the importance of being a responsible employer and member of the communities in which our businesses are based. Its Corporate Social Responsibility policy is set out on the company's website and is consistent with its published Mission Statement and Core Values.

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

The executive management led by the CEO maintains the company's Risk Register which identifies the main risks to the company across a range of both incidental and strategic issues which might potentially affect staff, clients, financial integrity and shareholder value.

Procedures are in place to ensure that the health and safety of staff, clients and sub-contractors are paramount. All sub-contractors working on our clients' properties are screened via the company's Contractor Approval Process so that they meet minimum standards of safety and competence. Financial procedures are strictly enforced to maximise the integrity of client and company bank accounts and to minimise fraud for both parties.

Complaints in regard to the quality of work undertaken to the fabric of buildings or the quality of the company's service are carefully monitored and followed up quickly and professionally. The company holds substantial Professional Indemnity Insurance to cover downside risk in these areas and in regard to fraud.

The Board regularly considers risks to the company at each Board Meeting, particularly when new risks have become evident.

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

The Board consists of six directors of which three are full time executives – the CEO, CFO and COO, with the Chair and the other two directors being non-executive. The COO was appointed to the Board in September 2017 and the Board is considered to have the appropriate balance between executive and non-executive directors. The Board also has the support of the Audit and Remuneration Committees, comprised of the two non-executive directors. The Board considers that its size and make-up have not yet called for a separate Nominations Committee but this is

reviewed on a regular basis and it is likely that the company will appoint additional non-executive directors as it expands.

The members of the Board have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining the corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair of the Board.

The directors, their roles and attendance at meetings* (for the previous financial year) are identified below for the purposes of disclosure.

Director	Role	Number of Meetings	Attendance
Main Board			
Richard Smith	Chair	4	4
Robert Plumb	CEO	4	4
James Howgego	CFO	4	4
Alec Guthrie	COO	2 <i>(appointed 8/9/2017)</i>	2
Geoffrey Griggs	Non- Executive	4	4
Elizabeth Holden	Non- Executive	4	4
Audit Committee			
Geoffrey Griggs	Chair	2	2
Elizabeth Holden	Member	2	2
Remuneration Committee			
Geoffrey Griggs	Chair	2	2
Elizabeth Holden	Member	2	2

**In addition to the above a number of meetings were held by conference call for administrative or other limited purposes and the directors also met regularly at other company events.*

Elizabeth Holden and Geoffrey Griggs are considered to be independent directors. Whilst Geoffrey Griggs is also a director of LTC Holdings plc which has a 20.74% shareholding in the company he has only a very small shareholding in LTC compared to his 1.14% % holding (517,167 shares) in HML and is thus considered by the board to be able to sustain an independent position.

The Executive Directors work full time for the company. The two Independent Non-Executive Directors are required to attend all Board Meetings and meetings respectively of the Audit and Remuneration Committees. The Chair oversees the business of the Board and chairs its meetings in addition to weekly meetings with the CEO.

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

The Board is now constituted of six members and all bring a high level of relevant sector experience and knowledge to the company. It is considered that the Board has the appropriate blend of financial and public market skills along with the necessary personal qualities to enable it to successfully execute the company's strategy. All directors attend regulatory seminars, regulatory conferences and trade events to make sure that their commercial knowledge remains current.

Richard Smith - Chairman

Richard founded HML in 1991 and developed the company as CEO until handing over to Rob Plumb in 2005. He qualified as a Chartered Surveyor with DTZ Debenham Tie Lung and has over 30 years' of experience of leadership roles in the property industry, particularly the housing sector. This together with his in-depth knowledge of the company and its sector equips him well to lead the Board. During the year Richard attends relevant RICS and other property seminars or courses to keep abreast of current sector issues and developments.

Time commitment: three to five days per month

Robert Plumb - CEO

Rob qualified as a Chartered Accountant with Ernst & Young before working in financial services as the European CEO of an American owned bank and subsequently CEO of publicly quoted Hercules Property Services Plc and became a Fellow of the Institution of Chartered Surveyors in 2014. Rob's long experience in the sector is invaluable to his leadership of the executive team and the delivery of strategy. Apart from Rob's membership of his professional accounting and surveying bodies he is a participant in relevant trade associations including the Association of Residential Managing Agents and the Leasehold Knowledge Partnership.

Time commitment: full time

James Howgego - CFO and Company Secretary

James qualified as a Chartered Accountant at Smith & Williamson Limited in 1996. He subsequently worked at Ernst & Young and Grant Thornton Corporate Finance and a venture capital backed leisure group before being appointed as Finance Director of HML 6 months prior to its floatation in 2006. His in depth knowledge of client accounting systems and rigorous approach to cost control are key contributions to the company's financial resilience. As well as completing the necessary training to maintain chartered accountant status, James regularly attends industry specific and general management training courses.

Time commitment: full time

Alec Guthrie - COO

Alec has 30 years' experience working in the property services industry including Estate Agency, Residential Lettings, Surveying and Residential and Commercial Property Management. Alec joined the Group through the acquisition of The Guthrie Partnership; a business he set up and as Managing Director of our largest group of businesses (formerly HML Andertons). His extensive and detailed frontline property management experience places him ideally to lead the operations of the business. Alec maintains his professional knowledge by fulfilling the annual requirements set out by RICS to complete continuous professional development and uses this to satisfy his membership of IRPM and NAEA. He also attends a variety of industry lead seminars and conferences.

Time commitment: full time

Elizabeth Holden - Independent Non-Executive Director

Elizabeth was appointed to HML's board in June 2015. She was until July 2017 Non-Executive Director of Great Portland Estates plc and Your Life Space Ltd, and currently sits on the board of Clarion Housing Ltd and Viewber Ltd, a prop-tech outsourced viewings provider. Elizabeth worked for Slaughter and May for 20 years, the last twelve of which was as Corporate Partner, specialising in mergers and acquisitions, joint ventures and governance matters. Elizabeth's legal background and broad knowledge of other property services companies is of significant benefit to the company. She regularly attends legal and governance training sessions for solicitors and directors.

Time commitment: one to two days per month.

Geoffrey Griggs - Independent Non-Executive Director

Geoffrey qualified as a Chartered Accountant with KPMG and then moved to Spicer and Pegler (a predecessor firm of Deloitte) where he became director of finance and subsequently MD of an associated company of Morgan Grenfell and Deutsche Bank. Geoffrey has since worked as an Executive and Non-Executive Director in a wide range of companies both as an advisor and principal for companies privately owned and listed on AIM. Geoffrey is a Fellow of the Chartered Institute for Securities & Investment.

His experience of auditing at a senior level with KPMG and Deloitte and his previous role of Managing Director of a leading firm of Remuneration Consultants, MM&K Limited, is considered to be most valuable to the Board. Geoffrey keeps up his relevant skillset up to date by complying with the Continued Professional Development requirements of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities & Investment. In addition he attends relevant seminars and conferences.

Time commitment: one to two days per month.

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

The review of Board performance and effectiveness has been undertaken internally to date. The regular and ongoing review of the Board as a whole has resulted in new additions to the Board in recent years, with the appointment of Elizabeth Holden as a non-executive director in June 2015 and in September 2017 the internal appointment of Alec Guthrie as Chief Operating Officer and executive director.

In due course we will consider the retention of external facilitators to help assess the Board's effectiveness and performance.

Succession planning at board level is a continuous process and reviewed to take into account both planned and unplanned circumstances.

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

Our corporate culture is underpinned by four core values:

- Outstanding customer service
- Integrity and professionalism
- Respect for fellow employees
- Engagement, recognition and innovation

These values are regularly communicated to staff through an annual all employee meeting, regular internal team briefings, staff communications via our Human Resources department and our quarterly Staff Newsletter.

These values are entirely consistent with the company's purpose and mission by encouraging a high standard and integrity of service to clients and fostering a workplace culture which supports this.

Having first taken on a Human Resources Manager 2013 in the course of the last few years the Board has increased its investment in this area by establishing an in house Human Resources Department, ensuring that this essential function is imbedded and closely aligned to the business strategy. The team members are qualified within the profession through the Chartered Institution of Personnel Development (CIPD). As professional members of the CIPD they have committed to upholding and maintaining the standards and behaviours ('obligations') set out in a Code of Professional Conduct.

These obligations are grouped into four areas:

- Professional Competence and Behaviour
- Ethical Standards and Integrity
- Representative of the Profession
- Stewardship

The Board receives regular reports from our Head of Human Resources which monitors the implementation of our core values and on the basis of regular feedback from employees through planned interaction and formal employee surveys. This enables the Board to ensure that ethical values and behaviours are recognised and respected.

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

The company's governance structure is determined by the Board and currently comprises the Board led by the Chair with supporting Audit and Remuneration Committees.

The terms of reference of the Audit Committee are to assist the Board in the discharge of its responsibilities for corporate governance, and financial reporting. Its duties include maintaining an appropriate relationship with the company's auditors and keeping under review the scope and the results of the audit and its effectiveness.

The remit of the Remuneration Committee is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual directors.

An Operations and Management Committee comprising senior departmental heads and led by the CEO and COO, meets monthly to report on key aspects of the business, review operational plans and to decide on key issues. The company has also recently established a Systems Council to guide the company's development in software and technology.

The principal matters reserved to the Board are as follows:

- Setting long-term objectives and commercial strategy.
- Approving annual operating and capital expenditure budgets.
- Changing the share capital or corporate structure of the group.
- Approving half-year and full-year results and reports.
- Approving dividend policy and the declaration of dividends.
- Approving the company's major policies including the remuneration policy and annual remuneration for senior employees.
- Approving major investments, disposals, capital projects or contracts.

- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars.
- Approving changes to the board structure and composition.

The Board has approved the adoption of the QCA Code as the basis of its corporate governance structure and is committed to the regular examination of its governance policy to ensure that it is consistent with the QCA Code (or appropriate alternative) going forward and that it evolves in response to the company's plans for growth.

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

The governance of the company is set out in this statement and the approach taken to reporting structure and dialogue with stakeholders is described in sections 2 and 3 above. All future Annual Report and Accounts will contain reports on Corporate Governance and the Board Performance Effectiveness Process together with reports from the Audit and Remuneration Committees. All future voting results of Annual General Meetings and other General Meetings will be disclosed on the company's website.