

## Chairman's Corporate Governance Statement

PLC



Mike Love

**“We apply the Quoted Companies Alliance Corporate Governance Code, and believe in high standards of corporate governance.”**

- Mike Love, Chairman

As the Chairman, I have overall responsibility for implementing corporate governance within SCISYS Group PLC (the “Company” or “SCISYS”) and for our corporate governance statements. The Board is collectively responsible for setting the tone and culture of the Company and promoting good corporate governance.

SCISYS applies the Quoted Companies Alliance Corporate Governance Code (the “Code”). At SCISYS we believe in good corporate governance and accountability and we make robust corporate governance part of our culture and business values.

I set out below how the Code is applied by the Company against the corresponding Code principle and disclose where the Company departs from the expectations set by the Code. Where we do not fully comply with the expectations of the Code we say so, and we review our position regularly. Adopting the Code in June 2018 was a significant change in our corporate governance. When preparing our Annual Report, we also review and report any significant changes in our corporate governance over the previous 12 months. During this process we review our governance framework and consider whether it should evolve further in line with our growth. This statement is also published on our website at <https://www.scisys.co.uk/who-we-are/corporate-governance.html>.

Our primary means of communicating our corporate governance structure is through this annual report and our website disclosures. Where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders, generally through the Finance Director and the Chief Executive Officer. Where appropriate I engage directly. I have set out below how the Board is led, its responsibilities, our risk reporting, governance structure and engagement with stakeholders. I believe in robust corporate governance, which is key to the long-term success of the Company – by helping to improve performance and mitigate risk.

Finally, a word about our corporate culture. We seek to communicate our corporate culture through staff presentations and inductions. We promote openness and respectfulness in all our dealings. We rely on our relatively flat management structure, and our internal reporting structures to assess whether ethical values have been respected, and the current state of our corporate culture. Simply speaking to and engaging with our staff regularly, which our Directors and divisional directors all do, is a good means of eliciting feedback and gauging how our values are promoted throughout the business. ●

**Mike Love**  
Chairman

# Corporate Governance Report

PLC



Natasha Laird,  
Legal Director and  
Company Secretary

**Code principle:**

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

**BUSINESS PURPOSE, STRATEGY AND MODEL**

The Company's general purpose and strategy statement is shared and approved by the Board as follows:

SCISYS began in 1980 believing in the opportunities for software.

The SCISYS Group is a leading developer of IT solutions and services. We are dedicated to our mission of empowering leading organisations and agencies to achieve their goals by creating and delivering quality software solutions.

We develop robust software application solutions and products and provide supporting IT services that create real business benefit to a wide range of customers in diverse markets.

The SCISYS strategy has always been to invest in innovation and acquisition for long-term growth.

The Chairman ensures that the Executive Directors develop a business strategy which is supported by the Board as a whole. There is a 4-year rolling process of business planning throughout the Group, within a framework and structure set by the Board. The Company seeks to deliver long term growth and value to shareholders and other stakeholders; its strategy evolves over time as the Company grows. The Executive Directors through the Chief Executive Officer are responsible for executing the strategy once agreed by the Board. The Chief Executive Officer is also responsible for reporting on business strategy, operational performance, risks and other significant developments at Board meetings. He also prepares an annual report of the Company's Business Strategy and Business Model retrospectively, which is disclosed at page 18. It recognises the key resources needed by the Company to grow and develop – in particular our highly skilled staff and our strong relationships with customers.

We consider it appropriate to publish this report annually, on a retrospective basis, as part of our annual report. New developments

or changes to our business that are price sensitive (and not public) will be reported to the LSE and Euronext as the Company has an obligation to disclose price sensitive information under the AIM and ESM rules. This would include, for example, changes in its trading performance or sphere of activities.

**Code principle:**

- Maintain the Board as a well-functioning, balanced team led by the Chair.
- Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

**THE COMPANY'S BOARD OF DIRECTORS ("BOARD")**

The Board exercises full and effective control over the SCISYS Group. There is a formal schedule of matters reserved specifically for its decisions, relating to strategy, finance, risk, operations and governance.

The Board is responsible for the areas listed below:

**Board responsibilities and accountability:**

- Setting and delivering strategy;
- Setting the Company's organisational structure;
- Enforcing sound risk management and internal controls;
- Reviewing trading and operational performance;
- Ensuring adequate financing is in place;
- Setting the tone for business values;
- Leading the Company and its subsidiaries;
- Engaging with shareholders and other stakeholders;
- Defining and promoting the corporate brand;
- Promoting the interests of shareholders, customers, employees and other stakeholders;
- Monitoring compliance with legislative and London Stock Market obligations, and industry best practices;
- Carrying out risk reviews;
- Considering succession planning; and
- Reviewing and implementing investment opportunities, including M&A activities.

The Board delegates certain functions to its three principal committees, the Audit Committee, the Remuneration Committee and the Nomination Committee, as summarised at page 47 below.

**The Board:**

**Non-Executive**

Mike Love  
**Chairman**  
David Coghlan  
**Independent Non-Executive Director**

**Executive**

Klaus Heidrich  
**CEO**  
David Jones  
**Deputy Chairman**  
Chris Cheetham  
**Finance Director**  
Klaus Meng  
**Chief Mergers & Acquisitions Director**  
Steve Brignall  
**Technical Director**  
Natasha Laird  
**Legal Director (since 18 December 2018)**

## Corporate Governance Report

Details of the members of the Board are set out below.

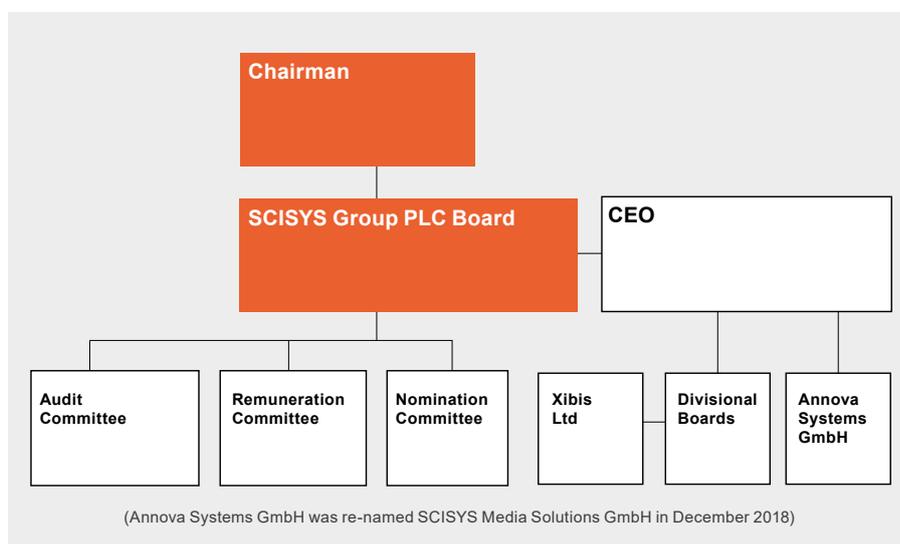
The Chairman leads the Board, while the Chief Executive Officer is charged with managing the Group's business. The roles of the Chairman and Chief Executive Officer are distinct.

The Code expects an appropriate combination of Executive and Non-Executive directors. Our split is between six Executive and two Non-Executive Directors (including the Non-Executive Chairman).

The Chairman and the Board collectively believe this split between its Executive and Non-Executive Directors is appropriate. This composition still continues to provide the expertise, breadth of experience and independence of thought needed, while maintaining efficient Board meetings.

The Board reviews its composition against the requirements of the Code, and the need for any additional independent Non-Executive Directors and/or senior independent Directors is reviewed annually ▶

## Leadership and governance structure



## Board members

### NON-EXECUTIVE DIRECTORS



#### Mike Love

**Chairman:** Mike was Chief Executive of SCISYS (formerly CODASCISYS) from 1986 (when he led the management buy-in of the business) until 2003, when he became Non-Executive Chairman. He stepped back in as Executive Chairman in late 2007 but from 2012 stepped back out as Non-Executive Chairman. Mike has a PhD in theoretical physics and 30+ years' experience in the software industry. He serves as Non-Executive Chairman at Dillistone Group PLC and is a Director of Redcliffe Precision Limited and The Nepal Trust. He is a previous member of the AIM Advisory Group of the London Stock Exchange.



#### David Coghlan

**Independent Non-Executive Director:** David has more than a twenty-year track record in the technology sector with experience of working on both UK and US boards. He has been a Director of the AIM-listed Synectics PLC since 1993 and Chairman since 2005 and was recently appointed to the board of AIM-listed Eckoh PLC (December 2017). He co-founded Quadrant Group Limited in 2002, a flight and air traffic control simulation and services company, and remains its Chairman. He is a founding investor and Non-Executive Director of TrafficLand, Inc., a leading US-based provider of live traffic video to a broad customer base. David was previously a partner at strategy consultants Bain & Company. He has degrees in Law and in Finance from the University of New South Wales, and an MBA from the Wharton School, University of Pennsylvania. David's appointment was effective from 2 January 2013. He chairs the Audit Committee and sits on the Remuneration Committee.

at a Board meeting. The Company does not currently appoint a senior independent Director.

The composition of the Board, its Audit Committee and Remuneration Committee, do not meet the Code's recommendations as the Company does not have two independent Non-Executive Directors. The Company has one independent Non-Executive Director. The level of the Chairman's shareholding means he is not independent; nevertheless, his interests are aligned with those of shareholders. The Board considers its composition appropriate for an AIM/ESM quoted company of its size, market cap, and individual circumstances.

Currently, one third of the Board submits itself for re-election at each AGM as part of the Company's formal retirement by rotation policy, and the Board has resolved to continue the retirement by rotation schedule of its former Group parent company. Under the current Articles every Director must offer themselves for re-election every three years. We consider a re-election every three years appropriate for all Directors, which is not in line with the Code's suggestion of annual re-elections. Apart from the Chief Executive Officer, the Independent Non-Executive Director and the Legal Director, the Directors have served on the Board for more than 9 years; despite serving the Board on a long-term basis, these Directors individually believe that they act objectively in their respective roles and can act with sufficient independence. The Legal Director is the Chairman's daughter and reports to the Finance Director; she believes that she acts objectively in her role and with sufficient independence. She is also the Company Secretary.

All Directors are given full and timely access to all relevant management and accounting information. All Directors are able to seek independent external professional advice in the course of their duties, at the Company's expense. If any Director has concerns regarding

unresolved business issues, they are entitled to require the Company Secretary to minute their concerns. The Non-Executive Chairman is required to devote 40 days per year and the Independent Non-Executive Director 18 days per year to their non-executive duties for the Company. The Deputy Chairman, also an Executive Director, works for 40 days per year. All other Executive Directors work full time.

All Directors are inducted and kept abreast by the Legal Director of material changes to laws and regulations affecting the Group's business. She advises the Board on legal developments, statutory and regulatory compliance matters and Board procedures. This is a standing Board agenda item at the quarterly Board meetings. She is available to provide advice individually to Directors. Her responsibilities include staying up to date with legal and regulatory developments and seeking external legal advice where appropriate.

The Board considers itself sufficiently diverse when considering the background, knowledge and experience that each individual member brings to the Board. The Board members' personal qualities include strong business acumen and constructive team orientated personalities. Please also see below, and the previous page, for a summary of the Board members qualifications and experience. Where Board appointments are made, the Terms of Reference of the Nomination Committee set out the factors to be taken into account. Due regard is given to diversity. Currently one member of the board is female, Natasha Laird, since her appointment on 18 December 2018. Specifically, the Nomination Committee is required to "consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender" when identifying and recommending candidates.

The Nomination Committee reviews succession planning and will continue to recommend appointments to the Board, including

## EXECUTIVE DIRECTORS



### Klaus Heidrich

**CEO:** Klaus studied electrical engineering with a focus on communications engineering at the University of Dortmund and gained a master's degree in electronics engineering. In 1989 he joined VCS AG (now SCISYS Deutschland GmbH) as a sales engineer. From 1992 he was responsible for marketing and sales of VCS and developed VCS media activities until he briefly left VCS, returning a year later taking responsibility for strategic business development within corporate management. From 2005 to 2011 he was a Director of the Media & Broadcast division. On 1 January 2012 he became an Executive Director and Chief Operations Officer of SCISYS and from 1 January 2014 became CEO.



### Chris Cheetham

**Finance Director:** Chris is an engineering graduate of Cambridge University who qualified as a Chartered Accountant with Ernst & Young in 1990 and worked in the Corporate Finance department until 1996. He has extensive experience gained from working as Finance Director and Company Secretary within the software industry for six years prior to joining SCISYS. He was appointed Finance Director on 1 January 2007.



### Steve Brignall

**Technical Director:** Steve joined the original Science Systems group in 1986 as a senior analyst/programmer. He was appointed Technical Director of Science Systems (Industrial) in 1999 and Technical Director of the SCISYS Division in 2004. He was appointed Executive Director of SCISYS on 26 September 2006. Before joining SCISYS, he spent five years at Rolls-Royce (Aero) and Westinghouse Systems. He studied mathematics at Manchester University.



### David Jones

**Executive Director and Deputy Chairman:** David joined the Board as a Non-Executive Director in June 2002 and stepped in as an Executive Director in late 2007. He was appointed Chief Operations Officer on 1 January 2010 and then Chief Executive Officer on 1 January 2012. He ceased to be Chief Executive Officer on 1 January 2014 and became Deputy Chairman on 1 January 2014, while remaining an Executive Director.



### Klaus Meng

**Executive Director:** Klaus studied electrical engineering at the University of Bochum and graduated with a PhD in optic communication engineering in 1987. He was appointed a Non-Executive Director of SCISYS in January 2009 and was appointed an Executive Director in July 2012, responsible for mergers and acquisitions as well as remaining a Director of SCISYS Deutschland GmbH.



### Natasha Laird

**Legal Director and Company Secretary:** Natasha joined SCISYS as General Counsel in 2014 and has been Company Secretary since September 2016. She has a degree in Law and German Law from King's College, London and qualified as a solicitor in 1998. Prior to joining SCISYS, she practised as a commercial litigation lawyer in private practice at Hammonds (now Squire Patton Boggs) and then as a General Counsel in industry. She has over 20 years' legal and commercial experience. She obtained the ICSA company secretarial CCSP qualification in 2015. Natasha became Legal Director in December 2018 and remains Company Secretary.

possible internal candidates, based on the existing balance of skills, knowledge and experience on the Board, as well as the merit and capabilities of the nominee. It will look at the amount of time that any nominee is able to devote to the role. Other senior management appointments, e.g. divisional and subsidiary directors, and the Company Secretary, are considered by the Board, in consultation with the members of the Nomination Committee. The divisions and subsidiaries are encouraged to liaise with the Nomination Committee for advice in respect of other management appointments as appropriate for senior appointments within their teams.

## The Chairman

He is responsible for leading an effective Board. In particular, the Chairman is tasked with:

- chairing Board meetings and setting the agenda;
- ensuring adequate time is available for all agenda items;
- encouraging discussion of and decision making for agenda items;
- ensuring that accurate and comprehensive management information is distributed to the Board members in a timely manner;
- ensuring compliance with high standards of corporate governance and ethical behaviour; and
- facilitating a two-yearly internal evaluation of the Board.

As one of the original founders of the Company and a significant shareholder, the Non-Executive Chairman contributes relevant experience and expertise. He has regular discussions with the independent Non-Executive Director to review Board matters without the Executive Directors specifically from shareholders and other stakeholders' perspectives. He also provides support and advice to the Chief Executive Officer and the Finance Director.

The Chairman was not independent on appointment and is not considered independent now in accordance with the Code. He receives a relatively small performance related remuneration (in comparison with the Executive Directors) which is not line with the Code. Shareholder approval is sought retrospectively as the remuneration report for the previous financial year is put to shareholders at each AGM. The Chairman does not currently receive Company share options but is a significant shareholder in any event. The other Non-Executive Director was appointed in January 2013 and is considered independent in accordance with the Code, including through length of service, his appointment and role. Both provide constructive challenges during Board meetings and have the experience and gravitas to do so. The independent Non-Executive Director does not participate in performance related remuneration or share option schemes.

The Board reviews trading and operational performance regularly. Divergences from expected performance are followed up promptly and rigorously. Monthly financial and business summary management reports are prepared and distributed internally (these are confidential and for internal circulation/advisers).

There are four quarterly scheduled Board meetings held during the year. All Directors are expected to attend Board meetings, which are scheduled to take a minimum of 1 day and up to 2 days. The Executive Assistant also attends. The Board meeting agenda is provided in advance, with a Board pack containing senior management reports, including the Finance Director's report and

the Chief Executive Officer's sales and operations report (these are confidential and not for publication). All Directors devote appropriate time both in attending the Board meetings, and in preparing and submitting Board papers. The Non-Executive Directors also attend Group business planning meetings, which provide details of the strategy and business plan presented by each division and subsidiary.

The following table summarises attendance at scheduled quarterly Board and Board Committee meetings, with additional Board meetings taking place when needed throughout the year:

### Board attendance

Number of meetings in the year	Board (4)	Audit (2)	Remuneration (4)	Nomination (2)
<b>Number of meetings attended</b>				
Mike Love	4	2	4	- **
David Jones	4	2*	4*	2*
Chris Cheetham	4	2*	4*	2*
Steve Brignall	4	-	-	2*
David Coghlan	4	2	4	2
Klaus Meng	4	-	-	2*
Klaus Heidrich	4	2*	4*	2*

\* Meetings attended by invitation. \*\* Mike Love as the Chairman of the Nomination Committee did not participate in the nomination process of Natasha Laird, his daughter; David Coghlan chaired the Nomination Committee instead. Natasha Laird attended all Board, Audit and Remuneration Committee meetings in her capacity as Company Secretary and General Counsel, before her Board appointment on 18 December 2018.

#### Code principle:

- Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

## BOARD EVALUATION

The Board evaluates its own performance internally every two years, based on questionnaires against key areas of its responsibility including: adherence to Group strategy; operational performance; cash flow and net assets; budgetary control; value created through acquisitions; and the share price. It also evaluates its balance of skills, experience, independence and knowledge of the business, as well as its diversity.

The Board does not undertake an independent evaluation as recommended by the Code. A two-yearly internal evaluation is considered appropriate given the smaller size of the Board and regular contact between Board members. The Chairman and Independent Non-Executive Director prepare the Board evaluation questionnaire and assessment criteria drawing on their experience of running evaluation programmes at other quoted companies.

The evaluation covers a range of questions on areas covering performance and strategy, Director orientation and development, Board leadership, succession planning and ethics. Additionally, more general questions cover areas where the Board member identifies both risks and opportunities. The member is asked to assess the

Board's performance in addressing corporate governance issues and communicating to shareholders. Members are also asked to assess the frequency, focus and structure of Board Meetings and areas for improvement.

The Chairman collects (prior to anonymising and evaluating) the scores given by Board members against the assessment criteria; the evaluation also compares scores against previous evaluations in order to track trends in the performance of the Board. The Chairman considers the scores and feedback from this evaluation and presents the picture back to the full Board for assessment and action planning. In the recent past this process has, for example, identified the need to invest more effort into succession planning and engaging with middle tier management in strategic as well as tactical business planning. Anonymised records of the evaluation process are held by the Chairman and Company Secretary.

Directors' performances are reviewed twice a year by other members of the Board.

**Code principle:**

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

## BOARD COMMITTEES' OVERSIGHT

We have three main Board committees; an Audit Committee, a Nomination Committee and a Remuneration Committee. Their responsibilities are summarised below, and their terms of reference are available upon request from the Company Secretary.

### Audit Committee

Oversees the Group's financial reporting, internal financial controls and risk management processes. It also oversees the external audit process. Through the Audit Committee, the Directors ensure the integrity of financial information, the effectiveness of financial controls, other internal controls and financial risk management systems. It challenges senior management and external auditors where appropriate and reviews the financial reporting processes in the Company's interim and annual reports, including reviewing the need for an internal audit function. Any significant issues are reported to the Board.

### Nomination Committee

Deals with appointments to the Board, monitors potential conflicts of interest, reviews and considers recommendations for the appointment of both Executive and Non-Executive Directors. It meets when required and addresses recommendations to the Board on policy and strategy with respect to succession planning. It takes responsibility for conducting Board workshops and one-to-one discussions on long term succession planning in the context of the Group's long-term strategic plans with respect to both organic growth and M&A aspirations.

### Remuneration Committee

Sets the remuneration of the Directors, including basic salary, bonuses and other incentivisation payments and awards. No Director is responsible for setting his or her own pay and all bonuses are capped. The Remuneration Committee aligns remuneration policy with Company strategy, taking into account both Company growth,

strategy and risk management. It also seeks guidance on market practice and aims to reward the right behaviours. It sets remuneration in respect of other senior executives within the Group. We seek shareholder approval of our remuneration report retrospectively at our Annual General Meeting, as published in our annual report for that year, which is a means of obtaining shareholder feedback. This report also includes our remuneration policies.

Each of the Board Committees' terms of reference is reviewed annually. Any necessary changes are recommended to the Board. The minutes of the Committee meetings are available to all Directors and verbal briefings are given at Board meetings. A smaller Mergers and Acquisitions Board Committee considers acquisitions and mergers on an on-going basis, headed by the M&A Director, Klaus Meng, reporting to the Board.

While our divisions, Space, Media & Broadcast (M&B), Enterprise Solutions & Defence (ESD) and Annova, operated as separate units in 2018 with areas of autonomy set by the Board, they are supervised by the Board through structured Divisional board meetings and reporting, which is collated by the Chief Executive Officer, and reported back into the Board meetings. Other board meetings and management oversight are therefore as follows:

## Committee oversight: 2018

### Divisional board meetings and SCISYS Media Solutions GmbH (re-named in December 2018, previously Annova Systems GmbH, or "Annova")

Monthly Divisional board meetings are attended by the Chief Executive Officer and provide oversight for the operational and financial performance of each individual division (Space, M&B, and ESD). They are led by divisional directors. Commercial issues, sales opportunities and risk management are discussed, and day-to-day management decisions are made. Divisional board meetings provide a forum for the Directors, divisional directors and senior managers to assess performance and, if necessary, to expedite any remedial steps. Each division operates as a separate profit and loss centre on the basis of a 4-year rolling business plan, with agreed short and medium-term targets consistent with the Company's overall strategy. Divisional board meetings therefore perform a key risk-management function. They also provide a key forum for implementing our corporate culture from the top, and for assessing whether ethical values and behaviours are being respected throughout the business. The Chief Executive Officer, Finance Director and Technical Director are members of and attend most Divisional board meetings. Members of the Divisional boards also have regular interaction when carrying out their work. Xibus Limited is a separate subsidiary of the Company but operates as a business unit of ESD. Its board holds monthly board meetings, and reports through ESD Divisional board meetings.

SCISYS Media Solutions GmbH holds monthly board meetings in Munich, (which performs the same function as a Divisional board meeting in all but name) between the directors, Michael Schüller, Klaus Heidrich and Chris Cheetham. These meetings also assess operational and financial performance, its sales opportunities and strategies, and risk management. In 2019 the M&B division merged with SCISYS Media Solutions GmbH, so they now operate as one division, SCISYS Media Solutions.

### SCISYS UK Limited board meetings

SCISYS UK Limited holds regular board meetings (usually monthly) between its company directors, Steve Brignall, Dave Gawthorpe and Chris Cheetham (Chair). Spencer Ziegler (Space UK Business Manager), Klaus Heidrich (CEO of SCISYS Group PLC) and Andy Whitehead (divisional director of ESD) also attend by invitation. Natasha Laird attends as Company Secretary of SCISYS UK Limited (also as Legal Director of SCISYS Group PLC) and provides legal updates. During these monthly board meetings, a range of regulatory, strategic, management and operational matters are discussed and resolved.

### SCISYS Deutschland GmbH board meetings

SCISYS Deutschland GmbH holds regular board meetings (usually monthly), to deal with regulatory matters and strategic decisions affecting SCISYS Deutschland GmbH. In 2018 the company directors of SCISYS Deutschland GmbH were Klaus Meng (Chair), Sandra Krewerth, Karl-Willi Pieper, Horst Wulf and Ulli Leibnitz. From 18 December 2018 Karl-Willi Pieper resigned and Klaus Heidrich and Joachim Dietze became directors.

## Committee oversight: 2018 (continued)

### SCISYS Deutschland Holding GmbH

SCISYS Deutschland Holding GmbH was an acquisition vehicle for the purchase of Annova. It is the holding company of SCISYS Media Solutions GmbH (previously Annova) and the majority shareholder of SCISYS Deutschland GmbH. Its company directors are Klaus Heidrich, Chris Cheetham and Klaus Meng. It holds board meetings when required.

### SCISYS UK Holding Limited

Previously named SCISYS PLC and the former Group parent company, SCISYS UK Holding Limited became a private limited company on 20 December 2018 and is now the parent company of SCISYS UK Limited and Xibis Limited only.

### Xibis Limited

Neil Morjaria (Chair), Steve Brignall, Andy Whitehead, Fiona Holder and Ian Newson are on the Xibis Limited board of directors, and regular board meetings take place (usually monthly). The Xibis board reports into the ESD Divisional board.

## Other Management Committees

### Other Management Committees

#### Internal Governance

Senior managers across the Group meet to consider and make decisions on aspects of the Group's activities that impact on its governance at operational levels. Its remit therefore covers health and safety, environment and quality, as well as information security and cyber security. It is responsible for establishing policies and procedures across the Group and ensuring compliance with these policies. It ensures that SCISYS remains compliant with current and future legislation relevant to health and safety, environment and information security. It reviews security risks including particularly those identified by ISO 27001 compliance, and the response of the business to managing those risks. It meets quarterly.

A separate GDPR committee meets quarterly, headed by Steve Brignall, the Technical Director, and attended by the Natasha Laird, the Legal Director (prior to her appointment as Legal Director she was the UK Data Protection Officer, DPO), to implement appropriate technical and organisational measures and update data protection policies in view of the GDPR. In 2019 Matt Noble (National Security Officer) became the UK DPO. Our German subsidiaries engage an external DPO.

A processes board meets in the UK, and senior managers will discuss and establish the internal governance processes needed across the business.

#### Management Meetings

Corporate IT meets on a two-monthly basis to address and review operational issues, financial issues and the security performance of our IT infrastructure.

The UK Management Meeting meets on a monthly basis and addresses day-to-day UK management and operational issues, legal and regulatory developments.

HR and the Legal Director (also the Company Secretary) meet quarterly to discuss developments in employment law.

In Germany the MTM (management meeting) convene, usually monthly, to discuss day to day operational, management and legal issues, these meetings are chaired by a Director of SCISYS Deutschland GmbH.

#### Code principle:

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

## EMBEDDING RISK MANAGEMENT AND CONTROL

### Accountability and Internal Controls Governance

The Board undertakes a regular and robust assessment of the effectiveness of the Group's systems of risk management and internal financial controls, which is reviewed annually. The latest risk report, including our Brexit strategy, is part of the Director's strategic report in our annual report and can be found at page 35 for 2018. It is prepared by the Technical Director and is published retrospectively on an annual basis; this summarises our risk register. As explained above, any developments or changes to our business that are price

sensitive and not public will be reported anyway by way of an RNS. Our assessment of the risks to the Group is reviewed annually as part of our Annual Report preparation. We do not have a formal risk committee but believe that our risk reporting is appropriate.

Separately our internal management governance and reporting structure, for example through monthly Divisional board meetings, financial reporting and budgeting, provides a key and effective risk management role. Information from Divisional board meetings as to the operational and financial status of individual projects is also reported and considered on a monthly basis at these meetings, by the Chief Executive Officer, the Finance Director and (as appropriate) the Technical Director. From these board meetings the Board elicits assurance that the Company's risk management is effective or identifies areas of weakness. Divergences from expected financial and project performances are followed up rigorously. Details of the regular additional board meetings and other governance meetings and processes governance can be found above and are considered comprehensive, given the size and resources of the Group.

### External advice on significant matters

The Company confirms that in 2018 it took external advice from its advisers on a significant matter, namely its Brexit strategy, which resulted in re-domiciling its Group parent company to Ireland. Ongoing advice that it takes includes advice regarding AIM/ESM rules and procedures, Irish legal advice, funding, tax, health and safety, share option schemes and reporting, and corporate structure.

All such advice is and remains confidential. It is in most instances legally privileged, and such privilege is not waived. The Company's regular advisers include: its nominated adviser ("NomAd") finnCap; Burges Salmon, Mason Hayes Curran and Cooper Cavendish (legal advisers); Grant Thornton and PwC (tax advisers). It also engages EY (auditors) where appropriate.

#### Code principle:

- Seek to understand and meet shareholder needs and expectations.
- Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

## SHAREHOLDER RELATIONS

### Relations with shareholders

The Board recognises its primary role of representing and promoting the interests of the Group's shareholders. The Board is accountable to shareholders for the long-term performance and success of the Company.

Being an AIM/ESM quoted company, the Non-Executive Chairman, Finance Director and Chief Executive Officer continue to hold regular meetings and investor lunches with institutional shareholders and private client brokers to discuss and review the Group's activities, strategies and performance. The Chief Executive Officer and Finance Director generally meet institutional shareholders and other investors at twice yearly investor roadshows set up by our public relations consultants (Walbrook PR), at which financial results are presented. This provides a dialogue with current and potential future shareholders, brokers, and an opportunity to explain the Group's strategy and performance. These are usually hosted by Walbrook PR or our NomAds (also our brokers). Investor feedback is provided by finnCap (in their capacity as brokers) and Walbrook PR. The contact

point for investors is Walbrook PR ([tom.cooper@walbrookpr.com](mailto:tom.cooper@walbrookpr.com)) or [investorrelations@scisys.co.uk](mailto:investorrelations@scisys.co.uk). The Chief Executive Officer and Finance Director also speak to larger shareholders by telephone when the Company's results are announced, as arranged by finnCap. This is their opportunity to gauge shareholder feedback and expectations.

The Annual General Meeting (AGM) in June is our main forum for meeting private shareholders. Shareholder and staff attendance are encouraged and around 60 shareholders attend. The Non-Executive Chairman leads the AGM and takes questions from the floor, together with the other Board members. Shareholder participation is welcomed; the AGM is an interactive event. After the formal AGM business, a lunch is provided, and this is an informal forum to meet and interact with shareholders.

An RNS is published after the AGM to announce the resolutions passed at the AGM (by way of a show of hands, with the proxy votes disclosed afterwards but not counted for the purposes of the show of hands). To date all AGM resolutions proposed have been passed; the Company has not experienced significant dissenting shareholder votes for resolutions proposed at the AGM (over 20%), including proxy votes. Should the Company experience significant dissenting shareholder votes it will engage with its shareholders to establish the root cause of discontent. AGM notices and financial reports over the last 5 years are published on our website.

The Company also puts its remuneration report to shareholders for approval at the AGM, published retrospectively as part of the Company's annual report and financial statements, and this remuneration report also contains the Company's remuneration principles and policies. The Remuneration Committee is tasked with seeking feedback annually through finnCap on the level of Director remuneration in comparison with other AIM/Euronext Growth quoted companies of its size and structure.

The Chief Executive Officer and the Finance Director are also available to meet shareholders during the year by appointment on a case-by-case basis. The Chairman and the Independent Non-Executive Director also make themselves available to discuss any issues or concerns that shareholders may have on a case-by-case basis.

We also distribute INSCIGHT newsletters, which updates shareholders and other stakeholders on our activities and progress. The Company website has a section for investors which contains all publicly available financial information, RNSs and news concerning the Company and provides details of how shareholders can directly discuss particular issues with the Company.

In conjunction with finnCap and other financial advisers we distribute news in a timely fashion through appropriate channels, to ensure that shareholders can access material information about the Company's progress.

#### Code principle:

- Promote a corporate culture that is based on ethical values and behaviours.
- Take into account wider stakeholder and social responsibilities and their implications for long-term success.

## WIDER STAKEHOLDER CONSIDERATIONS

### Other key stakeholders: how we engage with employees, customers, suppliers and lenders

Our approach to corporate social responsibility is set out in our annual report and reported annually on a retrospective basis. It can be found at page 36. We pay close attention to our relationships with key stakeholders, as we recognise that this is important for the success of the business.

Our staff are key to our business and the Directors recognise the need for engagement with employees. Executive Directors meet staff formally by providing twice-yearly results presentations at all office locations and for larger groups of off-site employees, at which questions can be put directly to Directors and feedback taken. Management staff meet the Directors through regular meetings (such as the meetings mentioned above), which provide a forum for feedback. Our smaller size means that Directors and management staff are relatively accessible to all employees. We encourage staff engagement, for example through Company share incentive plans and share option schemes and expect high standards of performance from our staff. Our smaller size also allows our management structures to be relatively flat.

Our customers are clearly essential to our business. We maintain long-term relationships with our customers. We operate a system of key account managers whose role is to communicate with them and ensure close liaison, in addition to the day-to-day communication that occurs with customer projects. Customer feedback is considered carefully at Divisional board meetings, and our software services offering evolves accordingly.

We consider feedback from our NomAds and other advisers and adapt our processes accordingly.

Our bankers are a key constituent of the Company's on-going ability to maximise profitability. We develop long standing relationships with our bankers and keep them regularly updated as to how the business is performing. We also seek to maintain long-term relationships with suppliers. We engage suppliers on industry-standard terms and conditions and seek to act reasonably and proportionately in our dealings with suppliers.

When Board decisions are taken, the Board considers promoting the success of the Company, the interests of shareholders as well as the interests of and relationships with suppliers, customer and employees.

The impact of the Company's operations on the community and the environment is also considered carefully and reported annually in our corporate social responsibility report. Our corporate social responsibility report is our way of illustrating how we deal with these responsibilities and how we promote ethics throughout the Group. Our core corporate values of openness and respect, set by the Board, seek to promote good corporate behaviours. ●