

## AdEPT Technology Group Plc Corporate Governance Statement

### Introduction

The directors recognise the importance of sound corporate governance and have developed governance policies appropriate for the size of the Group. The Group is committed to compliance with the provisions of the QCA Corporate Governance Code published by the Quoted Companies Alliance ([www.theqca.com](http://www.theqca.com)).

The following is a list of the ten core principles of the QCA Corporate Governance Code and the application by the Company in support of the Group's medium to long-term success.

### Code Principles

Number	Item	Adherence
1	Establish a strategy and business model to promote long-term value for shareholders	Yes
2	Understanding and meeting shareholders needs and expectations	Yes
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Yes
4	Embed effective risk management, considering both opportunities and threats throughout the organisation	Yes
5	Maintain the board as a well-functioning, balanced team led by the chair	Yes
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Yes
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partial (Note 1)
8	Promote a corporate culture that is based on ethical values and behaviours	Yes
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Yes (Note 2)
10	Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders	Yes

**Notes:**

1. Currently the Non-Executive Directors do not formally get appraised and they do not formally appraise the Chairman's performance.
2. The Company has a combined Nomination and Remuneration Committee. However, a full Board approach is adopted with regard to nominations and appointments giving due regard to the benefits of diversity on the board room, including gender.

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

AdEPT was originally established as a fixed line telecom provider but is diversifying its product range to become one of the UK's leading independent unified communications and IT service providers with a mission of "Unifying Technology, Inspiring People".

This transition has been largely through development of the organic sales focus combined with strategic acquisition of earnings enhancing business.

The Company is focused on maintaining a high proportion of recurring revenue and margin, a low operating cost base with a high proportion of EBITDA converting to operating free cash flow. This high free cash flow is to be re-invested into the company via strategic earnings enhancing acquisitions combined with returns to shareholders via dividends.

Our strategy focuses on four key areas:

1. Enabling the Company to expand its product range
2. Investing in customer retention
3. Increasing public sector presence by leveraging frameworks
4. Identifying strategic acquisition opportunities

Key challenges in the execution of the strategy of the Group are the following risk factors:

- Credit risk
- Competitor risk
- Acquisition integration
- Capital risk management
- Liquidity risk
- Retention of the Board and senior management

All of these are covered in greater detail later in this statement.

## 2. Understanding and meeting shareholders needs and expectations

The Executive Directors have regular dialogue with all major shareholders of the Company and prospective new shareholders through investor meetings and webinars. In addition, the Executive Directors attend investor shows and produce audio and video updates on a regular basis, copies of which can be found on the investor relations pages of the Company website.

The feedback received by the Board from shareholders is that these audio and video updates provide a time and cost-effective method of getting updates on the strategy and financial performance of the Company.

The Board regularly undertakes reviews with major shareholders to understand the drivers behind their investment decisions. The aim is to try and communicate the strategy of the Company to those shareholders and demonstrate how it expects to deliver long-term value.

The Company has a shareholder benefit scheme for any shareholders with 250 or more shares. The details of the scheme are included on the Company website and provides an open path of communication with shareholders.

Any queries in relation to shareholder liaison can be directed to either:

Ian Fishwick (Chairman): [ian.fishwick@adept.co.uk](mailto:ian.fishwick@adept.co.uk)

Phil Race (CEO): [phil.race@adept.co.uk](mailto:phil.race@adept.co.uk)

John Swaite (FD): [john.swaite@adept.co.uk](mailto:john.swaite@adept.co.uk)

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

The Board has identified the range of stakeholders on which the success of the Company is dependent. The Executive Board is involved in all discussions with key stakeholders to ensure that their needs, interest and expectations are both understood and aligned with those of the Company.

### **Employee involvement**

The Directors believe that the employees of the Company are one of its most important assets and the continued and sustained development of the Company relies on its ability to retain and attract employees of a high standard. AdEPT is proud to have a high number of long-serving employees with more than 5 years' service.

The AdEPT equal opportunities policy ensures that all job applicants and employees are treated fairly and without favour or prejudice. We are committed to applying this policy throughout all areas of employment, recruitment and selection, training, development and promotion.

Employees are regularly informed of matters concerning their interest and the financial factors affecting the Company. The Company uses management forums and employee newsletters to communicate matters as well as team and individual meetings.

***Environmental commitment***

AdEPT is committed to promoting sustainability. Concern for the environment and promoting a broader sustainability agenda are integral to AdEPT's professional activities and the management of the organisation.

We aim to follow and to promote good sustainability practice, to carry out our operations in a way which manages and minimises any adverse environmental impacts from our activities and to help our clients and partners to do the same.

Our sustainability policy is based upon the principles of continual and effective improvement on environmental performance. This policy is communicated to our employees, associates, suppliers, clients and other parties to ensure that all parties are fully aware of our sustainability policy and are committed to implementing and improving it.

The sustainability policy is reviewed annually, and we are committed to continually striving to improve our sustainability performance within the guidelines of our organisation.

The Company encourages its staff to use public transport to attend meetings and site visits whenever possible and minimise sole occupancy travel whenever practical. The Company is committed to encouraging the use of teleconferencing or video-conferencing, and efficient timing of meetings to avoid unnecessary journeys. In addition, the Company supports alternative working arrangement, including home working.

AdEPT encourages the reuse or recycling of office waste, including paper, packaging, computer supplies and redundant equipment. Wherever possible AdEPT ensures that waste materials are disposed of in an environmentally safe manners and in accordance with regulations. AdEPT is committed to reducing the energy consumptions of office equipment by purchasing energy efficient equipment and good housekeeping.

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

In addition to its other roles and responsibilities the Audit Committee are responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Group. The Audit Committee review the risks and controls on a regular basis.

The following principle risks, and controls to mitigate them, have been identified:

***Liquidity risk***

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. External funding facilities are managed to ensure that both short-term and longer-term funding is available to provide short-term flexibility whilst providing sufficient funding to the Group's forecast working capital requirements.

***Credit risk***

The Group extends credit of various durations to customers depending on customer credit worthiness and industry custom and practice for the product or service. In the event that a customer proves unable to meet payments when they fall due, the Group will suffer adverse consequences.

To manage this, the Group continually monitors credit terms to ensure that no single customer is granted credit inappropriate to its credit risk. Additionally, a large proportion of our customer receipts are collected by monthly direct debit. The risk is further reduced by the customer base being spread across a wide variety of industry and service sectors.

***Currency risk***

The Group's operations are handled almost entirely in sterling.

***Capital risk management***

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the Group's approach to capital management during the year.

As part of the banking arrangements, the Group is required to comply with certain covenants, including net debt to adjusted EBITDA and interest cover.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets (customer bases/relationships) to reduce debt.

***Competitor risk***

The Group operates in a highly competitive market with rapidly changing product and pricing innovations. We are subject to the threat of our competitors launching new products in our markets (including updating product lines) before we make corresponding updates and developments to our own product range.

This could render our products and services out-of-date and could result in loss of market share. To reduce this risk, we undertake new product development and maintain strong supplier relationships to ensure that we have products at various stages of the life cycle.

Competitor risk also manifests itself in price pressures which are usually experienced in more mature markets. This results not only in downward pressure on our gross margins but also in the risk that our products are not considered to represent value for money. The Group therefore monitors market prices on an ongoing basis.

***Acquisition integration execution risk***

The Group has set out that its strategy includes the acquisition of businesses where they are earnings enhancing. The Board acknowledges that there is a risk of operational disturbance in the course of integrating the acquired businesses with existing operations. The Group mitigates this risk by careful planning and rigorous due diligence.

***Internal control and risk assessment***

The directors are responsible for risk assessment and systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key features of the Group's system of internal control are:

- a management structure with clearly defined responsibilities and authority limits;
- a comprehensive system of reporting financial results to the Board. Towards the end of each financial year, detailed budgets are prepared for the following year. Re-forecasts are prepared on a regular basis during the year, for example reflecting an additional acquisition. The actual results are compared to budget and/or re-forecasts as appropriate;
- regular review of staff skills and identifying and providing training;
- regular review of operational performance by the executive directors, including sales and customer service;
- appraisal and authorisation of capital expenditure;
- approval of significant contracts; and
- review of the risks faced by the Group.

**5. Maintain the board as a well-functioning, balanced team led by the chair****The Board***Executive directors*

Phil Race (Chief Executive)

John Swaite (Finance Director)

Richard Burbage

*Non-executive directors*

Ian Fishwick (Chairman)

Roger Wilson

Dusko Lukic

Richard Bligh

**The Board**

The Board comprises three executive directors and four non-executive directors.

The Board meets regularly throughout the year and has a formal schedule of matters specifically reserved for its decision. This schedule is included in the corporate governance document available on the Group's website at [www.adept.co.uk](http://www.adept.co.uk) under the investor relations section.

If required, the directors are entitled to take independent legal advice and, if the Board is informed in advance, the cost of the advice will be reimbursed by the Group. The Company secretary's services are available to all members of the Board.

The directors are required to retire on a 3-year rotational basis, and they are required to stand for re-appointment by shareholders at the AGM.

The Quoted Companies Alliance's Corporate Governance Guidelines for AIM companies recommend that an AIM company should have at least two independent non-executive directors.

The Board considers that two of the existing non-executive directors, Roger Wilson and Ian Fishwick, are not independent for the purposes of these guidelines due to their level of shareholdings in the Company and, therefore, that Dusko Lukic and Richard Bligh are the required independent non-executive Directors.

This follows the QCA guidelines.

The composition of the board is regularly reviewed with regard to the ongoing requirements of the Company in the medium to long-term.

**Board appointments**

See note 2

**Meeting attendance**

Bi-monthly Board meetings were held throughout the year ended 31 March 2019. Directors are provided with comprehensive background information on the strategy, sales and financial performance in advance of each meeting, and all directors are able to participate fully and on an informed basis in all Board decisions.

Any specific actions arising during meetings agreed by the Board are minuted, followed up and reviewed at subsequent meetings. Details of the attendance of individual members at meetings during the year are shown in the table below:

	Management	Board Meetings	Audit Committee	Remunerations Committee	Other Meetings
R Wilson	1	6	1	4	2
D Lukic	1	6	1	4	2
I Fishwick	46	6	–	–	–
P Race	24	4	–	–	–
J Swaite	46	6	*1	–	–
R Burbage	46	6	–	–	–

\* By invitation.

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

The Board considers that the Company benefits from a range of highly experienced individuals, with sector specialist skills and personal qualities and capabilities that can deliver the strategy of the Company for the long-term benefit of shareholders.

- Phil Race - CEO (MBA)

Over a 20-year career Phil has headed businesses within Xchanging, SSP, Sirius and Logica (formerly CMG). He has extensive and highly relevant experience of IT outsourcing and enterprise software, having led companies that deployed global, complex, mission critical solutions. Born in Cambridge and an Electronic Engineering graduate of Nottingham University, in 2000 Phil was awarded an MBA from Henley Management College. Phil was appointed to the Board as chief executive on 1 January 2019.

- Roger Wilson - Deputy Chairman (BA Hons, DMS) [AC, R&N]

Roger has worked in the telecom industry for more than 20 years. He was the first managing director for Telewest Communications' residential consumer business in the UK from January 1997 until March 1998. Roger spent three years between June 1998 and April 2001 in Poland establishing a telecom business for American investors. Moreover, he was managing director of ECTA, the European Competitive Telecommunications Association, until January 2006. Roger is a member of the Company's remuneration and audit committees.



- Dusko Lukic - Non-executive director [AC, R&N]

Dusko has worked for over 20 years as an institutional stockbroker covering UK and Continental European equity markets with City firms Wood Mackenzie, Salomon Brothers, Schroder Securities and Cazenove. Whilst at Cazenove, Dusko was the director responsible for pan-European equity sales to German institutions. In 2005 Dusko founded Draganfly Investments Ltd, an AIM-quoted investment company, and in 2006 was the co-founder of Intrinsic Capital LLP, a smaller company investment boutique. Dusko is Chairman of the Company's remuneration and audit committees.

- Ian Fishwick - Chairman (MBA, ACMA) [R&N]

Ian has been a chief executive or managing director in the technology industry for 29 years and is the original founder of AdEPT. In that time, he has completed more than 30 telecoms mergers and acquisitions. Prior to founding AdEPT Telecom in February 2003, from 1983 to 1995 Ian rose through the ranks at Marconi Secure Systems, including two years as financial controller and five years as managing director. From 1996 to 2000 Ian was a managing director at Telewest Communications, managing Telewest North West, Telewest London and South East and Cable London. Ian was managing director of World Access (UK) Limited from 2000 to 2001.

- John Swaite - Finance director (BA Hons, FCA)

John joined AdEPT in March 2008 as Group financial controller and was promoted to finance director and the Board in January 2009. Prior to joining AdEPT, John spent more than nine years with one of the UK's leading accounting firms. In his role as senior corporate finance manager, John was responsible for all aspects of financial due diligence and transaction support on mergers, acquisitions, flotations and subsequent public offerings with transaction values up to £120m.

- Richard Burbage - Unified Communications Director

Richard Burbage was promoted to the Board in July 2016. He began his career in telecoms working with financial institutions and offshore oil and gas companies supplying telex and facsimile machines. In the early 90s Richard established his first business which, after nine successful years, was sold to the industry leader, Genesis Telecommunications plc. After a few years with Genesis, Richard left to establish a new non-competitive business, Centrix Limited, which after 15 years' continued growth and having become one of the most profitable businesses in the sector was acquired by AdEPT in 2015. Richard has over 25 years' experience in telecoms and continues to grow the Fleet division with increasing success in cloud, hosting, IP telephony and unified communications.

- Richard Bligh - Non-executive director (BSc) [R&N]

Richard joined AdEPT in June 2019; prior to this he held the main board position of Chief Operating Officer at Gamma Communications plc, where he was instrumental in building that company to a market value of over £1 billion. Richard has more than 20 years' telecoms sector experience in a variety of marketing and business development vice president roles. These include UK and international experience in ECI Conferencing, Intertek plc, Global Crossing and Racal Telecom. Richard has extensive experience of business markets from serving multi-national corporates to selling via the channel. Richard is a graduate of Cardiff University.

There are no external advisers to the Board or any of its committees, other than that auditors (Crowe U.K. LLP). The company secretary, Dentons LLP, provides the Board with professional expertise in relation to all company secretarial and associated issues. The company secretary is independent of the Company.

It has not been deemed necessary to formalise a training and development programme for each director.

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

The remuneration committee is appointed by the Board and comprises only non-executive directors. The committee meets regularly to determine, on behalf of the Board, the framework of executive remuneration. The performance of the Executive Directors is measured against the internal budget for revenue, EBITDA and cash/net debt, with a performance related bonus for exceeding the internal budget targets.

The members of this committee do not have any conflicts from cross-directorships that relate to the business of the committee. The members do not have any day-to-day involvement in the running of the Group.

The remuneration committee's remit is to measure the performance of, and determine remuneration policy relating to directors and senior employees. To support this responsibility, it has access to professional and other advice external to the Group. Taking the performance factors into account, it then makes recommendations to the Board.

To assist the work of the committee, the views of the chief executive officer are also invited where appropriate. However, he does not participate in any decision related to his own remuneration.

The Group is committed to the governing objective of maximising shareholder value over time. Each year the remuneration framework and the packages of the directors are reviewed to ensure they continue to achieve this objective.

The Group operates in large competitive markets with areas of significant growth potential. The Group's executive director remuneration policy is designed to attract and retain directors of the calibre required to maintain the Group's position in its marketplace. This is maintained through the use of bonus and share option schemes, as follows:

**Bonus**

A cash bonus designed to incentivise specific short-term goals and objectives, both financial and non-financial. Goals and objectives are set for the executive director team as a whole with a significant weight being put on meeting and exceeding the annual budget in terms of revenue, EBITDA and cash/net debt targets. Executive directors' bonuses are set at between 10% and 20% of base salary.

**Share options**

To encourage and reward delivery of the Company's long-term strategic objectives and provide alignment with shareholders through the use of share-based incentives. The remuneration committee applies a policy of issuing share options up to 1% each year of the issued share capital at the date of the previous year end.

All share-based incentives offered to executive directors have minimum 3 year retention schedules. Share option grants made are at market price. Vesting is subject to continuing employment.

Currently the Non-Executive Directors do not formally get appraised and they do not formally appraise the Chairman's performance. However, the performance evaluation of the committees on which the Non-Executive Directors sit is deemed appropriate for the evaluation of their performance.

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

The Board recognises that some groups experience unfair discrimination in society, and AdEPT is committed to challenging unfair discrimination in all forms ensuring that a sound corporate culture which is based on ethical values of equality is at the heart of everything we do. We value diversity and believe that this brings fresh ideas and perceptions.

The equal opportunity policy of AdEPT sets out the Company's position on equal opportunity in all aspects of employment and helps us to meet our statutory Equality Duty under the Equality Act 2010. The Act sets us an "Equality Duty" to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
  - Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
  - Foster good relations between people who share a protected characteristic and people who do not share it.
- The policy has been developed to maintain the following policy objectives:
- To provide a safe and welcoming environment, in which individuals are valued, included and respected;

- To eliminate unfair discrimination;
- To advance equality of opportunity; and
- To foster good relations between different groups of people.

The application of the policy is the responsibility of all directors, employees, contract and partners working on behalf of AdEPT. The policy is made available to all staff via the local network and has been advised to partner organisations.

AdEPT will not discriminate on the basis of sex, race, marital status, disability, age, part-time or fixed term contract status, sexual orientation or religion in the allocation of duties between employees employed at any level with comparable job descriptions.

Our employment application form will be as simple and straight forward as possible and we will not ask for unnecessary information. Interview questions will be related to the requirements of the job and we will not seek irrelevant qualifications. Applicants will be short listed/selected solely on the basis of capability.

Monitoring of our equality and diversity policy is carried out by the senior management team on an annual basis.

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

### ***Remuneration and Nominations committee***

The remuneration committee is responsible for the policy for the remuneration of the executive directors, Company secretary and the Operating Board.

#### **Members**

Dusko Lukic (Chairman)

Ian Fishwick

Roger Wilson

Richard Bligh

The Group does not have a separate nomination committee. Any decision to appoint further directors to the Board is a decision taken by the whole Board and, where necessary, new Board members will be provided with appropriate training in respect of their role and responsibilities as a public company director.

### ***Audit committee***

The audit committee has responsibility for planning and reviewing the Group's interim and preliminary reports and accounts.

#### **Members**

Dusko Lukic (Chairman)

Roger Wilson

The audit committee determines the application of the financial reporting and internal control and risk management procedures and the scope, quality and results of the external audit.

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

The Group has a regular dialogue with institutional shareholders and communication with shareholders is given a high priority. The Board welcomes the attendance of individual shareholders at general meetings and the opportunity to address any questions they may have. The notice of the annual general meeting will be sent to shareholders at least 23 days before the meeting. The proxies for and against each resolution are announced at the meetings.

Shareholders are encouraged to view the Company's website at [www.adept.co.uk](http://www.adept.co.uk), which includes an Investor Relations section which contains all the require information under AIM Rule 26.

The Company produces an Annual Report with the final financial results for each financial year, which is available on the Company website. The Annual Report also contains details of the strategy of the Company and reports from the Remuneration Committee and corporate governance.

The website of the Company also contains copies of every news announcement which has been released by the Regulatory News Service on the AdEPT pages of the London Stock Exchange website.

The Executive Directors have regular dialogue with major shareholders of the Company and prospective new shareholders through investor meetings and webinars. In addition, the Executive Directors attend investor shows and produce audio and video updates on a regular basis, copies of which can be found on the investor relations pages of the Company website.

The Board has an open dialogue with all employees of the Group through monthly communication of all key events and activities which have happened around the Group, including new starters, customer contract wins, financial results which have been released. In addition, regular Group wide events are held at which employees are informed about new products and services and they have the opportunity to network with their fellow employees.

The Group recognises that maintaining strong relationships with key suppliers is vital and therefore members of the senior management team are constantly liaising with suppliers in relation to new opportunities and development of existing products and services.