

## Corporate Governance

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The Directors acknowledge the importance of high standards of corporate governance and have chosen to comply with the principles set out in the Corporate Governance Code for Small and Mid-size Quoted Companies, as issued by the QCA (the QCA Code). A summary of how the Company currently complies with the QCA Code is set out below to be updated at least annually in the manner recommended by the QCA Code. There is also a summary on the Company's website, corporate governance page.

The Chairman's role is to lead the Board of Directors and to be responsible for ensuring that the Company adheres to and applies the standards of corporate governance. The Board meets regularly to review, formulate and approve the Company's strategy, performance and corporate actions. The Company has established an Audit Committee, Nomination Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Each of the committees meets regularly. The executive team are directed to day to day management and are accountable to the rest of the Board.

Many of the disclosures relevant to the Code are already made in our Annual Report and Accounts. In the application of this Code the Board has sought input from the auditors, the Company's advisers and a review by the Company's lawyer. The Board is tasked with returning the business to profit and seeking a path to long term growth for shareholders and the importance of corporate governance is to oversee the division of ownership and stewardship. The executive directors have the day to day responsibility of stewardship and the Chairman and Non-Executives monitor and evaluate this on behalf of the owners.

The disclosures below were last reviewed and approved by the Board on 3 September 2019.

### QCA Principles and Accrol Group Holding's approach

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

The Company is in the process of implementing a comprehensive turnaround plan, focused on improving operational efficiency, winning new business and clear pricing to customers. This strategy is shared by the Board and the senior operational team and has been expressed clearly through recent circulars to shareholders, announcements through RNS and is explained fully within the Strategic Report section in our Annual Report and Accounts each financial year. Key risks and mitigating factors to our business are also detailed in our Annual Report and Accounts.

#### **2. Seek to understand and meet shareholder needs and expectations**

The Board is committed to an open and ongoing engagement with its shareholders and it also reviews and discusses changes in the Company's shareholder base at Board meetings. The main methods of communication with shareholders are the Annual Report and Accounts, the interim and full-year results announcements, the Annual General Meeting and the Company's website.

In addition, the Chairman and Chief Executive Officer meet regularly with institutional investors and analysts to ensure that objectives and any business developments are clearly communicated, and that they are available to respond to any enquiries following Company announcements, together with other Company advisers. The Non-Executive Directors are also available to discuss any matters that shareholders wish to raise and discuss.

The Company does not have a dedicated investor relations department given its size but has engaged an external investor relations adviser to act as another point of contact for shareholders, details of which are on the Company's website. Questions from individual shareholders are typically referred to the Chairman or CEO for written answers.

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

The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders as well as its shareholders; being primarily its employees, customers and suppliers. The Executive Directors maintain an ongoing and collaborative dialogue with such stakeholders and take all feedback into consideration as part of the decision making process and day-to-day running of the business. We have recently undertaken our first employee engagement survey and are actively developing plans to improve from a strong baseline index of 75% see most recent Annual Report.

The Company takes corporate social responsibility very seriously and whilst the nature of the business limits the risk of it having a negative impact on society and the environment, it is well understood that the behaviour of the Company and its employees should always be carefully monitored from this perspective.

Communication with our customers is fundamental to our success. The Company engages in continuous communication with our customers to understand their needs, share our plans, and nurture the collaborative partnership. The Company has key account managers for its customers. Similarly, strong relationships with our key suppliers of materials and third party services are maintained through regular reviews and site visits.

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

Risk management is reported in our Annual Report and Accounts along with how those risks are mitigated and how they change over time. The Board typically meets ten times a year during which business and other risks are assessed. There are also formal and informal communication routes that allow for risks to be communicated to Board members in a timely manner from all areas of the business.

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

The Board has been through a series of changes in recent times in response to the requirement to make significant changes to the structure and operation of the Group (the turnaround project). The Board has now stabilised comprising four Directors: The Executive Chairman, two Non-Executive Directors and one Executive Director. The Executive Director is the longest serving, having been appointed in September 2017. Both Non-Executive Directors, Simon Allport and Euan Hamilton, are considered by the Board to be independent. Over the period the Board has met as frequently as governance required but now meets regularly with processes in place to ensure that each Director is always provided with such information as is necessary to discharge their duties. The Board is also supported by the Committees (Audit, Remuneration and Nomination) each with specific remits. The detail of the number of meetings and attendance by Directors is noted in the most recent Annual Report on page 34.

The Non-Executive Directors were selected with the objective of increasing the breadth of skills and experience of the Board and to bring independent judgement to the Board. The Company believes that the makeup of the Board represents a suitable balance of independence and detailed knowledge of the business to ensure that it can fulfil its roles and responsibilities as effectively as possible. Please see page 35 of the most recent Annual Report and the website for the profiles of the Non-Executive Directors.

All Directors are subject to re-election by shareholders at the Annual General Meeting and any Directors appointed during a financial year must be formally elected at the Annual General Meeting following their appointment. One will seek election at the next meeting.

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

The Board evaluates consistently those skills that are required and whether they are adequately provided for across the Board and executive team. In doing so, and where relevant, it will consider guidance available on appointment and training of Board members. The Company Secretary has the responsibility to make the Board aware of legal changes and will advise on the Company's approach. Where vacancies arise or gaps are identified that must be addressed, the Nomination Committee receives recommendations from the Chief Executive Officer and appraises the candidates. Appointments are made on merit against objective criteria and considering the benefits that will be brought to the Board and the Company.

The Board has access to external advice, including the Company's solicitors where required. The Board receives ongoing training as part of its annual board meeting cycle.

**7. Evaluate Board performance based on clear and relevant objectives seeing continuous improvement.**

The Board has recently undergone huge change and the members of the executive team have been focused on the necessary turnaround plan for the Company. The Board has not yet therefore established a formal system of evaluation of its members.

Nevertheless, the Board is committed to establish a formal system of evaluation to ensure that the members of the Board are committed, independent and provide a relevant and effective contribution. In the interim, the Chairman is responsible for ensuring an effective Board

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

The Board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring these are promoted and maintained throughout the organisation and that they guide the Company's business objectives and strategy. The Company has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically bribery and corrupt practices and modern slavery and these are applicable across its operations including the supply chain and customer chain.

The Company communicates regularly with its employees, both formally and informally, and has recently implemented an employee engagement assessment (see page 19 of the most recent Annual Report and Accounts) to help monitor the impact of its people related processes. As the emphasis on turnaround reduces, the importance of creating a sustainable culture in support of the Company's business model will increase.

The questions in the employee engagement assessment focused on a range of areas, including happiness at, and enjoyment with, work, expected standards and personal development.

The Company is an equal opportunities employer and highly values its people. It is committed to delivering products with as little environmental impact as possible.

Promotion of the right ethical values and behaviours is built into the remuneration plans of the Board.

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

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Chairman is also responsible for ensuring the links between the Board and the shareholders are strong and efficient. The Chief Executive Officer, Chief Operating Officer and Group Finance Director are responsible for the day-to-day management of the business and for implementing the strategic goals agreed by the Board.

The Board has also established an Audit Committee, Remuneration Committee and Nominations Committee. From time to time, separate committees may be set up by the Board in order to consider and address specific issues, when and if the need arises.

Corporate governance disclosures are assessed at least annually, including whether the structures and processes are fit for purpose.

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

The Company places a strong emphasis on the standards of good corporate governance and maintaining an effective engagement with its shareholders and key stakeholders, which it considers to be integral to longer term growth and success.

The Company's reports and presentations and notices of Annual General Meetings are made available on the website, as are the results of voting at shareholder meetings.

#### **AIM Rule Compliance Report**

Accrol Group Holdings plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and Provision of draft notifications in advance;
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.