

## **Statement of Compliance with the QCA Corporate Governance Code**

### **Changes to corporate governance regime**

The London Stock Exchange has recently implemented changes to the AIM Rules for Companies. These changes require all AIM listed companies to adopt a recognised corporate governance code. TP Group's Board has selected and applied the Quoted Companies Alliance (QCA) Corporate Governance Code (the "QCA Code"). This code contains ten principles, details of which and TPGroup's compliance thereof, are disclosed below.

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

TP Group PLC is a professional services and technology provider. Operating globally on highly regulated programmes across the defence, space, energy and intelligence & communications markets. Our vision is to be the company that our customers rely upon to solve their most testing challenges, to create solutions and to manage their most valued assets.

Operating through a number of sites across the UK and offering a combination of innovative thinking and critical technology, we drive to ensure that our stakeholders have absolute trust in us as a business.

We aim to achieve this by:

- develop and deliver technically superior propositions through our two business streams, Consulting & Programme Services and Technology & Engineering;
- utilising our 75 year heritage in energy and defence;
- continuing to invest in facilities and capabilities;
- recruiting, retain and develop the right people at all levels in our business; and
- acquiring companies to deliver growth and capability inline with our strategy.

#### **Principle 2: Seek to understand and meet shareholder needs and expectations**

TP Group remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what investors and analysts think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market via regular investor roadshows and our reporting activities.

##### *Institutional shareholders*

The Directors actively seek to build a relationship with institutional shareholders as they are typically providers of longer term capital. Shareholder relations are managed primarily by the Company's Chief Executive Officer with support from the Chief Financial Officer and our broker, Cenkos as appropriate. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chief Executive Officer and Cenkos. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman is available to meet with major shareholders if required to discuss issues of importance to them.

To request any meetings please contact: Vigo Communications (email: [info@tpgroup.uk.com](mailto:info@tpgroup.uk.com))

##### *Private shareholders*

The Annual General Meeting ("AGM") is the main forum for dialogue with all shareholders and the

Board. The Notice of the Meeting is sent to shareholders at least 21 days beforehand. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website.

The voting results for most recently held AGM are [here](#).

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

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in any decisions made. Alongside our shareholders, suppliers and customers, we recognise that our employees are one of our most important stakeholder groups. We have implemented a series of employee development and management training programmes across the business and the Board is looking to roll-out an appropriate form of employee feedback forum and/or survey.

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

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, any such system of internal controls can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

#### *Financial controls*

The Company has an established framework of internal financial controls, the effectiveness of which is reviewed by the Audit Committee, the Board and the Executive Management, including:

- the Board is responsible for reviewing and signing off the overall Company strategy, including approving revenue, profit and capital budgets and plans, and for determining the financial and reporting structure of the Company. There are well-understood and implemented processes for budgeting and forecasting;
- the Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, operational and financial controls. The Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs);
- a detailed board pack is regularly provided to and discussed by the Board, which includes amongst other things:
  - the financial statements of the Group (income statements, cash flows, capital expenditure and balance sheets)
  - monthly variances to budget and prior year. Forecasts for the current financial year are regularly revised and presented to the Board, typically on a quarterly basis, in light of actual performance to ensure that information is up to date and any risks in meeting year-end numbers can be identified and mitigated as soon as possible
- the Executive Directors and Senior Management Team undertake a number of reviews on a weekly, monthly and quarterly basis, including performance against KPIs and other business measures.

#### *Non-financial controls*

The principal elements of the Group's internal non-financial controls include:

- close management of the day-to-day activities of the Group by the Executive Directors and the Senior Management team;
- an organisational structure with defined levels of responsibility, which promotes

- entrepreneurial decision-making and rapid implementation while minimising risks;
- the Company maintains a business risk register. Risks facing the business are continually re-assessed, and mitigating actions are considered and implemented when necessary to help protect the business
- a clearly documented and enforced approval process covering matters such as capital and operational expenditure, recruitment, tendering, and contract acceptance;
- detailed monthly reviews of major contract activities;
- a Group Compliance Manager to implement and oversee adherence to internal controls, policies and processes;
- central control over key areas such as material capital expenditure and banking facilities; and
- a Group Head of Legal and Compliance to ensure legal risk is properly managed and legal rigour is enforced in all our business negotiations.

The Group continues to review its system of internal controls to ensure compliance with best practice, while also having regard to its size and the resources available.

#### *Standards and policies*

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the 'Anti Modern Slavery Policy' and 'Code of Conduct'. All policies are underpinned by our culture of "Doing the right thing for our customers, people and suppliers". Senior managers are responsible for the implementation of these procedures, and compliance is monitored.

#### *Code of Conduct*

Our Code of Conduct policy includes guidance on matters including business integrity, anti-bribery, gifts, confidential information and corruption. This policy is made available to everyone in the Group. We are implementing a programme whereby every year senior managers and above declare compliance to this code.

#### *Approval process*

All material contracts are required to be reviewed and signed by a Director of the company (or approved delegate) and reviewed by our Head of Legal and Compliance

### **Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board comprises the Non-Executive Chairman, two Non-Executive Directors and two Executive Directors, who between them provide a broad range of skills and experience in their respective roles and joint overall responsibility. The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman engages with the Directors outside of the board meetings on a one-to-one basis as and when required to discuss matters of the business. During 2017, 9 Board meetings took place and all members attended all meetings they were invited to.

Key Board activities include but not limited to:

- strategy review and approval;
- approval of the annual budget;
- careful review and assessment of all acquisition opportunities and targets;
- assessment of key risks for the business;

- approval of key senior management recruitments and promotions; and
- approval of external reporting.

#### *Directors' conflict of interest*

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of compliance with the AIM Rules for Companies and other related legislation, finance, internal controls, risk assessment and management, innovation, international trading, business growth, M&A activity and people development. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Contracts are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

#### *Appointment, removal and re-election of Directors*

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments, which is set out in the Company's Articles of Association.

#### *Independent advice*

All Directors are able to seek independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

#### **Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board recognises the need to put in place an annual formal evaluation process for the Board, its Committees and individual directors, partially through the creation of a Nominations Committee. When such evaluation process has been implemented, the Company will make available on the TP Group website the results of such evaluation including the criteria against which the Board, its Committees and individual directors' effectiveness are considered.

#### **Principle 8: Promote a culture that is based on ethical values and behaviours**

TP Group is committed to promoting a culture based on ethical values and behaviours cross its business. We have policies in place covering key matters such as bribery, protection of intellectual property and sensitive information, diversity & anti-discrimination and whistleblowing. These are rigorously enforced. Furthermore, we have this year (2018) embarked on a companywide training programme covering key aspects of ethical business dealings and see this as an area for continuous improvement.

Our corporate code of conduct is available [here](#).

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

*Board programme*

The Board sets direction for and reviews the performance of the Company through a formal schedule of matters reserved for its decision and meets approximately eight times each year in accordance with its scheduled meeting calendar.

Prior to the start of each financial year, a schedule of dates for that year's Board and committee meetings is compiled to ensure an appropriate spread of meetings across the financial year, taking account of its financial and trading year key calendar events, supplemented by additional meetings as and when required. In addition to the Board meetings, regular meetings of the Audit and Remuneration Committees are scheduled.

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

#### *Roles of the Board, Chairman and Chief Executive Officer*

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved for the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; approval of major contracts, review of external announcements and reporting, Board structure and M&A activity. It monitors the exposure to key business risks and reviews the strategic direction of the two business streams, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility across the Board:

- the Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction; and
- the Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the CFO and senior management team.

#### *Senior Management Team*

The senior management team is responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. Any member of this team may raise issues to the CFO or CEO for discussion as necessary at the Board. The controls applied by the senior management team to financial and non-financial matters are set out in various internal policies and procedure documents, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

#### *Board committees*

The Board is supported by the Audit and Remuneration committees. Each Committee has access to such resources, information and advice, as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties.

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

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM), regular RNS updates and one-to-one meetings with large existing or potential new shareholders as well as more informally via twitter and LinkedIn.

The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Chief Financial Officer and the Company's brokers (Cenkos). The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.