

Earthport Plc - Corporate Governance Statement

The Board is committed to upholding high standards of corporate governance throughout the Group. As part of that, the Board acknowledges its role in setting the culture, values and ethics of the Group, and its collective responsibility for delivering long-term success to the Group. Good corporate governance, involving risk appraisal and management, prudent decision making, communication with shareholders and other stakeholders and business efficiency, is important for the long term benefit of the stakeholders in our Group.

The QCA Code

In September 2018, the Company adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM quoted companies to adopt and comply with a recognised corporate governance code and detail how it complies with that code, and where it departs from its chosen corporate governance code an explanation of the reasons for doing so. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The financial year 2018 was one of transition for the business as a whole, and this includes in respect of its corporate governance structure and practices. The Board intends to develop a more robust corporate governance structure in line with best practice. The QCA Code was adopted subsequent to the end of the financial year 2018 and the Board acknowledges that it would not have been fully compliant with that code during the year. However, having adopted the QCA Code, the Board is already taking steps – and will continue to do so – in order to comply, as far as is appropriate for a business of its size and nature, with the provisions of the code and the disclosures recommended both in terms of its Annual Report and Accounts and on the Company's website.

To the extent it has not been able to do so in its 2018 Annual Report and Accounts, the Company intends to include the disclosures required by the QCA Code in the Company's Annual Report and Accounts for the year ended 30 June 2019 and beyond.

The QCA Code is built around 10 key governance principles which are split into three core areas - Deliver Growth; Maintain a Dynamic Management Framework; and Build Trust.

The table below reflects recent developments and focus issues for the Company against each of the 10 principles. The Company will also prepare, and keep updated, a more detailed table which describes how the Company addresses each principle.

DELIVER GROWTH

QCA Code Principle	Recent developments and focus areas
1. Establish a strategy and business model which promote long-term value for shareholders	A new strategy has been established by the new Executive management team and approved by the Board as referred to in the Chief Executive Officer's Statement in the 2018 Annual Report and Accounts on page 5.
2. Seek to understand and meet shareholder needs and expectations	<p>The Company is committed to listening to and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. The Board acknowledges that this requires improvement.</p> <p>Following the release of the Company's audited results for the financial year 2018, the Executive Directors will meet with the Company's largest institutional shareholders to communicate the new strategy and its implementation, and receive feedback. They will also present to all shareholders attending the Company's AGM who will have the opportunity to raise questions.</p> <p>The Chairman (in respect of governance matters) and CEO (in respect of business related matters) will be responsible for on-going and improved shareholder engagement.</p>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>The Company recognises the importance of establishing good relationships and maintaining open communication channels with different stakeholder groups. The Company's key stakeholders (other than shareholders) include employees, clients, customers, suppliers and regulators. Engaging with our stakeholders strengthens our relationships and helps the Company make better business decisions.</p> <p>Employee feedback and customer/supplier relationship management are key focus areas.</p>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>A new risk management framework has been developed in financial year 2018, and is being enhanced in light of issues identified post period end which led to the prior year restatements described in note 4 to the financial statements in the 2018 Annual Report & Accounts.</p> <p>Further detail on the risk management process, and the key risks and challenges facing the business – and how they are mitigated - are set out in Principal Risks and Uncertainties on pages 9 to 13 of the 2018 Annual Report & Accounts.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

QCA Code Principle	Recent developments and focus areas
5. Maintain the board as a well-functioning, balanced team led by the chair	<p>During the recent period of transition, there have been a number of changes to the Board – executive and non-executive – as described in the Chairman's Statement on pages 2 to 3 of the 2018 Annual Report & Accounts.</p> <p>The Company has a new CEO, CFO and interim Chairman. The process to recruit a new permanent Chairman is underway.</p>
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The Board will seek to ensure that all Directors have relevant and up-to-date skills, experience and capabilities to add value to the business in line with the Company's new strategy.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	A formal Board evaluation process was not carried out during the year. With the adoption of the QCA Code, the Board (through the Nominations Committee) will formally review and consider the performance of each Director, including attendance record at Board and Committee meetings, and review the performance of the Board

QCA Code Principle	Recent developments and focus areas
	<p>as a whole to ensure that its members collectively function in an efficient and productive manner.</p> <p>This review will ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.</p> <p>The Board will utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board aims to lead by example and do what is in the best interests of the Company. A large part of the Group’s activities is centred upon what needs to be an open and respectful dialogue with the key stakeholders, and so in order to grow our business it is vital that all our employees act in a way that reflects the values of the business.</p> <p>Further details are provided in the “Culture and ethics” and “Employees” sections of the Directors’ Report of the 2018 Annual Report and Accounts on pages 23 and 26 respectively.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision- making by the board</p>	<p>Details of the Company’s governance structures (including the Board and its committees) are provided on pages 17 to 22 of the 2018 Annual Report & Accounts.</p> <p>An interim non-executive Chairman was appointed post period end and the process to recruit a permanent non-executive Chairman and identify new non-executive Directors is underway.</p> <p>A new CEO and CFO have joined the Board post period end.</p> <p>The composition of the Board’s 3 committees (Audit, Risk & Compliance; Nominations; Remuneration) have been reviewed and refreshed post period end and each comprise three independent non-executive Directors. The terms of reference of each committee are to be reviewed by the new membership and approved by the Board.</p> <p>With the proposed appointment of a new Chairman, the Board will continue to review its governance structures with the QCA Code in mind. The Company is committed to the evolution of its corporate governance in line with best practice, to the extent the Directors judge it appropriate considering the Company’s size, stage of development and resources.</p>

BUILD TRUST

QCA Code Principle	Recent developments and focus areas
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</p>	<p>The Company communicates with shareholders through the Annual Report and Accounts (the content and disclosures of which it will continue to review and improve going forward), the Company’s website, regulatory announcements, the AGM and one-to-one meetings with large existing or potential new shareholders.</p> <p>Going forward, it is the intention that the Board will receive regular updates on the views of shareholders through briefings and reports from the Chairman, the Chief Executive Officer, Chief Financial Officer and the Company’s brokers.</p>