

# Corporate Governance





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As the Group is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code (the “Code”) issued in September 2012. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

## Board of Directors

The Code requires the Group to have an effective Board whose role is to develop strategy and provide leadership to the Group as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk, ultimately taking collective responsibility for the success of the Group.

The Board is responsible for the overall strategy and direction of Idox Group plc as well as for approving potential acquisitions, major capital expenditure items, disposals, annual budgets, annual reports, interim statements and financing matters.

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies are appropriate in particular in relation to income recognition and research and development.

Financial results with comparisons to budget and forecast results are reported to the Board on a monthly basis together with a commercial report on operational issues. Significant variances from budget or strategy are discussed at Board meetings and actions set in place to address them.

The Board aims to meet eight times throughout the year to discuss a formal schedule of business with all Directors in attendance. The Board is supplied in a timely manner with information in a form and of a suitable quality appropriate to enable it to discharge its duties. Advice from independent sources is available if required. The Group has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group.

## Role of Chairman and Chief Executive Officer

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Group's business, so as to ensure that no one person has unrestricted powers of decision.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this the Chief Executive Officer regularly meets the Executive Management Team which additionally comprises the other executive Directors and senior members of the management team. The day to day operations of the Group are managed by the Executive Management Team.

## Composition of and Appointments to the Board

The Code requires that there should be a balance of Executive and Non-Executive Directors and when appointing new Directors to the Board there should be a formal, rigorous and transparent procedure.

The Board comprises the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and three Non-Executive Directors.

The Board is satisfied with the balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different skills and experience to the Board and the Board Committees. The Board is satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge of the Group.

The Code requires that the Board undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. The Board continue to annually review the composition of the Board to ensure there is adequate diversity to allow for the proper functioning of the board and that the board works effectively together as a unit.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

## Board Committees

The Board has established two committees to deal with specific aspects of the Board's responsibilities: Audit and Remuneration Committees. The Audit Committee is chaired by Jeremy Millard and includes, Laurence Vaughan and Barbara Moorhouse.

The Remuneration Committee includes Barbara Moorhouse, Laurence Vaughan and Jeremy Millard. This Committee has responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors which includes:

- making recommendations to the Board on any changes to service contracts;
- approving and overseeing any share related incentive schemes within the Group; »ensuring that remuneration is in line with current industry practice; and
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Group.

The Audit Committee aims to meet three times a year and the Remuneration Committee twice a year.

The Board has also established a Nominations Committee which includes Barbara Moorehouse and Jeremy Millard.

## Re-election

Under the Code, Directors should offer themselves for re-election at regular intervals and, under the Company's Articles of Association, at every Annual General Meeting at least one third of the Directors who are subject to retirement by rotation are required to retire and may be proposed for re-election.

New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and if eligible, can seek re-appointment.

## Internal Control

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially of financial control, can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The key matters relating to the system of internal control are set out below:

- Idox plc has established an operational management structure with clearly defined responsibilities and regular performance reviews;
- the Group operates a comprehensive system for reporting financial and non-financial information to the Board including preparation and review of strategy plans and the preparation and review of annual budgets;

- financial results are monitored against budgets, forecasts and other performance indicators with action dictated accordingly at each meeting;
- a structured approval process based on assessment of risk and value delivered; and
- sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management.

The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties which need to be disclosed in the accounts.

The Group supports an internal audit function that performs annual audits on its management systems. This function is supported by a management review of the audit findings.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board.

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the company financial statements under UK Generally Accepted Accounting Practice ("UK GAAP").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with United Kingdom company law. They are also responsible for ensuring that the Annual Report includes information required by the AIM Market Rules.

## Information and Development

The Code requires that the Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The Chairman is responsible for ensuring that all the Directors continually update their skills, their knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by external advisors, the Chief Financial Officer and Company Secretary.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are properly complied with and that the discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Group's expense in furtherance of their duties as Directors.

Training in matters relevant to their role on the Board is available to all Board Directors. New Directors are provided with an induction in order to introduce them to the operations and management of the business.

## Shareholder Relations

Idox plc is committed to open communication with all its shareholders. The Directors hold regular meetings with institutional shareholders to discuss and review the Group's activities and objectives. Communication with private shareholders is principally through the Annual General Meeting, where participation is encouraged and where the Board is available to answer questions. Idox plc maintains up-to-date information on the Investor Relations section of its website [www.idoxplc.com](http://www.idoxplc.com).

Every shareholder has access to a full annual report each year end and an interim report at the half year end. Care is taken to ensure that any price sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements.

Idox plc strives to give a full, timely and realistic assessment of its business in a balanced way, in all price-sensitive reports and presentations.



## AIM Rule Compliance Report

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

- sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- seek advice from Nominated Advisor (“Nomad”) regarding its compliance with the Rules whenever appropriate and take that advice into account;
- provide the Nomad with any information it reasonable 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 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 Group 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.