

Idox plc Statement of Compliance with Corporate Governance Code

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The Board of Idox plc have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code.

We set out below how we comply with the core principles of the QCA Code and will provide annual updates on our compliance in our Annual Reports. The principles are set out in three broad themes: Deliver Growth, Maintain a Dynamic Framework and Building Trust.

Deliver Growth

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

The recent appointment of David Meaden as Chief Executive Officer is a vital part of our process of change and of improving the performance of the business. David brings fresh vision and strategy within the Idox group.

As a trusted supplier of digital software and services, delivering innovation across the globe, Idox is leading the way in the provision of cost-effective, digital solutions that help our clients transform their operations, increase engagement and realise true outcomes in their respective industries and sectors.

During the next 12 months we will deliver a simplified business and operating model. This will help us to drive better value from our software and infrastructure investments, streamlining processes and sharpening our focus on clients. The effect will be to lower costs and overheads, whilst making the company more efficient in combining solutions to clients across its chosen sectors. We will focus on improving the long-term visibility of recurring and repeating revenues and conduct a full review of all areas of the business to ensure that they are core to delivering shareholder value.

Appropriate contract pricing and contract terms have been implemented across the Group to increase recurring revenue and reduce the reliance on up front licence fees, which will improve the quality of our earnings. We have also seen a greater number of larger contract wins and this combined with strong client retention bode well for the future.

Some operational changes put in place this year to streamline our business model include:

- Restructuring of Digital division
- Consolidation of public sector business units under one operation and sales team to reduce costs and increase efficiencies
- Engineering division transitioning to a SaaS based model which will result in higher quality, recurring revenue in future periods
- Commitment to and progress towards improving the Group's cash conversion and increased focus on long-term recurring revenues

Principle 2. Seek to understand and meet shareholder needs and expectations

The Board remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. We engage with analysts, helping these audiences understand our business and we actively seek dialogue with the market.

The Executive Directors communicate with investors through roadshows, direct meetings and regular reporting to the market.

Private shareholders

Idox's AGM is the main forum for engagement with private shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. 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.

Questions can be directed via email at investors@idoxplc.com.

Institutional shareholders

The Board all play a key role in engaging with institutional shareholders. Shareholder relations are managed primarily by our Chief Executive Officer and Chief Financial Officer. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts 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 our Broker, N+1 Singer. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Non-Executive Directors are available to meet with major shareholders if required to discuss issues of importance to them.

To request any meetings please contact: investors@idoxplc.com.

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

As a business we recognise that engaging with our stakeholders strengthens our relationships and informs our strategy which in turn makes the business more successful. The Board is regularly updated on wider stakeholder engagement feedback through regular board reporting. The Board search out stakeholder insights into the issues that matter most to them, and this enables the Directors to understand and consider these issues in decision-making within the business. Our key stakeholders, aside from our shareholders, are our suppliers and customers, and our employees.

Employee Engagement

- We are redeveloping our Company wide Employee Engagement surveys and take on board employee feedback received from across the business.
- Released our gender pay gap report and are actively working on reducing that gap.
- Continued to be a Living Wage Employer in the UK

Suppliers

- Established a Supply Chain Management function across the group, with a view to reducing the number of relationships we have, and reinvesting our time and resources on business partnering with key suppliers.

Customers and Communities

- Reviewed our Modern Slavery Statement to ensure we are not inadvertently supporting any type of modern slavery
- Implemented a Code of Conduct in March 2018 for all our employees and contractors to ensure everyone is acting in the best interests of the Company and complying with regulations and laws.
https://www.idoxgroup.com/media/1461/code_of_conduct_2_march_2018.pdf
- Improved our Customer helplines with dedicated Customer Happiness Teams for each business
- Updated and invested in our business websites and our plc website

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

Financial controls: The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

Board: The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company including treasury, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board. The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only 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.

Risk identification, assessment and mitigation are performed across Idox with a more detailed assessment at operational level, and through Board led assessment of strategic and market risk. Risk management and internal controls provide reasonable but not absolute protection against risk. Risk appetite is not static and is regularly assessed by the Board to ensure it continues to be aligned with the Group's goals and strategy.

Audit Committee: The Audit Committee has responsibility for assessing and challenging the robustness of the internal control environment. It directs and reviews local management, internal audit and Group finance reports on internal control and risk management throughout the year, and reports the principal risks to the Board.

Risk Committee: There is a Risk Committee within the group, and its members are currently being reviewed with a view to increasing the skill set of the Risk Committee. The intention is to meet quarterly to discuss the Group's strategy, identify the principal risks to the strategy and agree mitigating actions.

Maintain a dynamic management framework

Principle 5. Maintain the board as a well-functioning, balanced team led by the chair

The Board currently comprises the Non-Executive Chairman, Chief Executive Officer and three Non-Executive Directors. The Board are actively seeking a Chief Financial Officer to join the Board after Jane Mackie stepped down on 29 August 2018.

Laurence Vaughan is the Company's Chairman. In June 2018, David Meaden joined the board as Chief Executive Officer. The Non-Executive Directors are Rickard Kellett-Clarke, Jeremy Millard and Barbara Moorhouse. Peter Lilley stepped down from the board as a Non-Executive Director on 19 April 2018. Barbara Moorhouse has been appointed as the new Chair of the Remuneration and Nominations Committee.

Jane Mackie stepped down as Chief Financial Officer on 29 August 2018 and the Company is looking at appointing a replacement. The Board considers, after careful review, that the Non-Executive Directors, bring an independence to bear. Richard Kellett-Clarke has served on the Board for over 10 years including in a previous Executive capacity.

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 information technology, finance and innovation. All Directors receive regular and timely information on Idox plc'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 reports performance and any significant variances are reviewed at each meeting. Jeremy Millard acts in the role as senior Independent Non-Executive.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

The Company Secretary has been newly appointed. Ruth Paterson also acts as General Counsel for the group.

Appointment, removal and re-election of Directors

Under the Code, Directors should offer themselves for re-election at regular intervals. Additionally, under the Group's Articles of Association, 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 at each Annual General Meeting.

New Directors, who were not appointed at the previous Annual General Meeting, automatically retire at their first Annual General Meeting and if eligible, can seek re-appointment. Two Directors will retire from office at the Group's forthcoming Annual General Meeting and stand for re-appointment.

Independent advice

All Directors are able to take 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

Laurence Vaughan as Chairman, assesses the individual contributions annually of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

Over the next 12 months the Chairman intends to review the performance of the individual Directors, and their functioning as a team to ensure that the members of the board collectively function in an efficient and productive manner.

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

Since joining the group David Meaden has been consistently communicating with the Idox group regarding the priority he places on ethical behaviour within the business. Our Whistleblowing policy has been revised, translated for our international offices and distributed across the group in Summer 2018. The group is currently undergoing updated Anti Bribery and Corruption training and continued training is planned to ensure the corporate culture of the group is based on, and rewards ethical behaviours.

The Idox group is committed to conducting its business fairly, impartially, in an ethical and proper manner, and in full compliance with all laws and regulations. In conducting its business, integrity is the foundation of all company relationships, including those with customers, suppliers, communities and employees.

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

Subject to the Articles of Association, UK legislation and any directions given by special resolution, the business of the Group is managed by the Board. Board and committee meetings are scheduled in line with the financial calendar of the Group. The timing of meetings ensures the latest operating data is available for review and that appropriate time and focus can be given to matters under consideration. The Board met nine times throughout the year for principal Board meetings to discuss a formal schedule of business.

The Board's main roles are to provide leadership to the management of the Group, determine the Group's strategy and ensure that the agreed strategy is implemented. The Board takes responsibility for approving potential acquisitions, major capital expenditure items, disposals, annual budgets, annual reports, interim statements and Group financing matters.

The Board reviews the financial performance and operation of the Group's businesses. The Board regularly reviews the identification, evaluation and management of the principal risks faced by the Group, and the effectiveness of the Group's system of internal control.

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies, in particular in relation to income recognition and research and development, are appropriate and are advised on its Auditors on future changes to such accounting policies. In the coming financial year, the business will be preparing for the adoption of IFRS15.

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 CEO's responsibility to ensure they are delivered upon.

To facilitate this, the CEO regularly meets the executive management team ('EMT') which additionally comprises business division directors and senior members of the management team. The day to day operations of the Group are managed by the EMT.

Board Committees

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

The Nomination and Remuneration Committee is chaired by Barbara Moorhouse, Laurence Vaughan and Jeremy Millard and Richard Kellett-Clarke. The Committee has overall responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors.

The Committee's key responsibilities include:

- 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;

- 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;
- reviewing the size, composition and structure required of the Board and making recommendations to the Board with regard to any changes;
- identifying and nominating, for approval by the Board, candidates to fill Board vacancies as they arise;
- giving full consideration to succession planning for Directors; and
- vetting and approving recommendations from the executive directors for the appointment of senior executives.

The Audit Committee met four times in the year and the Nominations and Remuneration Committee met two times.

Build Trust

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

Trading updates and press releases are issued throughout the year as appropriate and the Group's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website www.idoxplc.com. All Annual Reports and Notices of GM for last 5 years available on website. We will also disclose all future AGM votes on website.

Every shareholder has access to a full annual report each year end and an interim report at the half year end.