

# Idox plc Statement of Compliance with Corporate Governance Code

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The Board of Idox plc adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's 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.

There are references within to our Annual Report 2021 which is available at our website as follows: <https://www.idoxgroup.com/wp-content/uploads/2022/02/Idox-plc-Annual-Report-2021.pdf>.

## Deliver Growth

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

Our business model is to create, extend and acquire well-respected software IP rights within our key markets; and pursue delivery methods that support high levels of recurring revenues and good margins. We reinvest our profits in further IP rights as we look to build on our successes, and directly increase the Group's value to its customers, its people, and its shareholders. More detailed information regarding Idox's strategy is available on pages 9-47 of the Annual Report 2021 and in the Chief Executive's report on page 21. The Group's business model is set out in further detail on pages 16-17 of the Annual Report 2021.

We continue to work towards delivering a simplified business and operating model. This is helping 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 continue to focus on improving the long-term visibility of recurring and repeating revenues and reviewing all areas of the business to ensure that they are delivering shareholder value.

Appropriate contract pricing and contract terms have been implemented across the Group to increase recurring revenue and reduce the reliance on upfront 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, bodes well for the future.

## 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, webcasts, 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 to [investors@idoxplc.com](mailto: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 NOMAD, Peel Hunt, and other financial advisors. 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.

The corporate website also includes details of recent annual and interim results plus a listing of the Company's RNS and RNS Reach publications.

To request any meetings please contact: [investors@idoxplc.com](mailto: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 Directors confirm that during the year, they have conducted themselves in a manner which promotes the long-term success of the Group and of the key stakeholders. The Group considers the interests of these stakeholders when long-term decisions are made as set out in Section 172 of the Companies Act 2006. The key stakeholders are considered to be our shareholders, employees, customers, suppliers, regulators, local communities and banking partners.

### Employee Engagement

We are committed to engaging with employees as follows:

- Communicating with our colleagues through our Company-wide Employee Engagement surveys.

- Listening to employee feedback from across the business to ensure that Idox remains a great place to work.
- Releasing our gender pay gap report and actively working on reducing that gap.
- Continuing to be a Living Wage Employer in the UK.
- Supporting employee wellbeing and promoting diversity via a range of internal employee-led initiatives, as detailed more fully in pages 26-29 of the Annual Report 2021.

### 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

- Published our Modern Slavery Statement to ensure we are not inadvertently supporting any type of modern slavery. This is available at: [Corporate Responsibility - Idox \(idoxgroup.com\)](https://www.idoxgroup.com/corporate-responsibility).
- Reviewed and updated our Code of Conduct in August 2021 for all our employees and contractors to ensure everyone is acting in the best interests of the Company and complying with regulations and laws. This is available at: [Corporate Responsibility - Idox \(idoxgroup.com\)](https://www.idoxgroup.com/corporate-responsibility)
- Updated and invested in our website.

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

As detailed in pages 43-47 of the Annual Report 2021, Idox is committed to embedding effective risk management across the business.

**Financial and legal controls:** The Company has an established framework of internal financial and contract management 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.

## 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, Chief Financial Officer and two Non- Executive Directors, as detailed more fully on page 50 of the Annual Report 2021.

#### **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 Directors' biographies are detailed on pages 50-51 of the Annual Report 2021. 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 on performance, and any significant variances are reviewed at each meeting.

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

The Company Secretary, Ruth Paterson, was appointed in 2018. Ruth Paterson also acts as Chief Legal and Corporate Officer 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.

#### **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

As Chairman, Christopher Stone assesses the individual contributions annually of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- 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.

In terms of succession planning, the Board is encouraged to maintain dialogue with individual Directors regarding their future plans, which enables the Company to complete an orderly transition. The succession process involves a thorough review of potential internal and external candidates to ensure the best person is selected.

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

Idox is committed to ensuring that all employees act in accordance with the Idox DRIVE values (Dynamic, Responsibility, Integrity, Valued and Excellence) to promote a corporate culture that is based on ethical values and behaviours. The Idox Group conducts its business fairly, impartially, in an ethical and proper manner, and in full compliance with all laws and regulations. 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 is supported by an Executive team, and is supported by qualified Executive, senior and finance management teams.

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 intangible assets, are appropriate and is advised by its Auditors on future changes to such accounting policies. The Group's accounting policies are in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### **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 functional 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 three committees to deal with specific aspects of the Board's responsibilities: the Audit Committee, the Remuneration Committee, and the Nomination Committee. The Audit Committee is chaired by Alice Cummings and includes Christopher Stone and Phil Kelly.

The Remuneration Committee is chaired by Phil Kelly and includes Christopher Stone and Alice Cummings. 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;
- 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 Nomination Committee is chaired by Christopher Stone and includes Phil Kelly, Christopher Stone and Alice Cummings. The Committee's responsibilities include:

- 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.

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. The Nomination Committee may elect to engage external recruitment agencies, with appropriate consideration being given in regard to Executive appointments to internal and external candidates.

## **Build Trust**

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

Idox communicates with its shareholders as follows:

- Trading updates and press releases are issued throughout the year as appropriate.
- The Group's brokers and other financial advisors provide briefings on shareholder opinion and compile independent feedback from investor meetings.
- A range of corporate information (including all Company announcements and presentations) is available to shareholders, investors and the public on the Company's corporate website <https://www.idoxgroup.com/>.
- All Annual Reports and Notices of GM for the last 5 years are available on the website. We also

disclose all future AGM votes on the website.

- Every shareholder has access to a full annual report each year end and an interim report at the halfyear end.
- Investor roadshows and one-to-one meetings are held with new and significant shareholders.
- The Executive Team performs regular staff updates throughout the course of the year to provide information and a forum for discussion. In addition, the Executive Team aims to schedule at least one formal staff survey each year. The Company maintains regular contact with customers through senior staff and account managers to ensure feedback on services is obtained. Relations with key suppliers are also maintained with scheduled visits and meetings to ensure future plans and developments are shared allowing both sides to plan and evolve going forward.