

Tern Plc – Corporate Governance

The Company's shares are traded on AIM and, accordingly, adoption of the revised UK Corporate Governance Code is not mandatory. Whilst the Company does not voluntarily adopt all provisions of the Code, the Company has drawn upon best practice available and has sought to comply with a number of the provisions of the Code in so far as it considers them to be appropriate for a company of this size and nature. Over the past four years as the Company has developed from early stage to established, steps have been taken to increase compliance with more provisions of the Corporate Governance Code.

The Board is responsible for the governance of the Company, governance being the systems and procedures by which the Company is directed and controlled. A prescribed set of rules does not itself determine good governance or stewardship of a company and, in fulfilling their responsibilities, the Directors believe that they govern the Company in the best interests of the shareholders, whilst having due regard to the interests of other 'stakeholders' in the Group including, in particular, customers, employees and creditors. A fuller description of the Company's compliance with best practice is detailed below.

Vision

To become the leading investment company specialising in IoT by unlocking opportunities others haven't seen or thought possible to deliver significant returns for shareholders.

Leadership

The Board consists of the non-executive Chairman, three executive directors and one additional non-executive director. A Board of five directors is considered appropriate at this stage in the Company's development. This will be kept under review.

Board meetings are held 11 times a year, as a minimum.

Whilst the company is guided by the provisions of the Combined Code in respect of the independence of directors, it gives regard to the overall effectiveness and independence of the contribution made by directors to the Board in considering their independence, and does not consider a directors' period of service in isolation to determine their independence.

A description of the roles of the Directors is included on this website.

Effectiveness

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. Full biographical details of the Directors are included in the Directors section of the website.

Formal terms of reference have been agreed for the Board Committees. The responsibilities of each of these have been summarised below:

Audit Committee

- To meet at least once a year and otherwise as required, with the external auditor in attendance
- Appointment of external auditors
- To agree the nature and scope of the audit with the external auditors
- To review the effectiveness of Company's internal control framework,
- To review effectiveness of the Company's risk management framework
- To review the annual financial statements, and challenge where necessary, the actions and judgements of management

Remuneration Committee

- To set the remuneration for the Board including basic pay, any bonus basis and awards and share incentive schemes.
- To agree the terms of employment of all Board members, including those on cessation of employment, ensuring all payments are fair to both the employee and the Company.
- To continue to review the appropriateness of the remuneration policies, with reference to the conditions across the Company and up-to-date information in other companies.
- To ensure that all requirement on the disclosure of remuneration is fulfilled.

Appointment of directors

The Board deals with all matters relating to the appointment of directors including determining the specification, identifying suitable candidates and selection of the appointee. No separate nominations committee has been formed.

Throughout the year the Articles of Association have required each director to seek re-election after no more than three years in office. Therefore, the Board considers it inappropriate that non-executive directors be appointed for a fixed term as recommended by the Code.

The Company has a policy of appointing non-executive directors who can provide an independent view of the Company's activities.

The Board do not consider that the company currently has a dominant shareholder where special contractual arrangements would be necessary to protect the interests of minority shareholders.

Independent Non-executive director appointment terms

The Company has a policy of appointing non-executive directors who can provide an independent view of the Company's activities.

The Board do not consider that the company currently has a dominant shareholder where special contractual arrangements would be necessary to protect the interests of minority shareholders.

Appointments continue subject to re-election by shareholders at the Annual General Meeting. Non-executive directors must stand for election at the first Annual General Meeting after appointment and then every third anniversary.

Evaluating Board performance and development

The Board receives regular reports on each of the investments to monitor the Company's performance, these are formally reviewed as a minimum at the monthly Board meetings.

Written recommendations from the executive directors are delivered timeously with supporting documentation, so the Board can constructively challenge recommendations before making decisions.

The Board monitors Company financial and non-financial KPIs at the monthly Board meetings.

Accountability

The Board endeavours to present a balanced and understandable assessment of the Company's position and prospects in all reports as well as in the information required to be presented by statutory requirements. All financial information published by the Company is subject to the approval of the Audit Committee.

The Audit Committee is responsible for reviewing the Company's internal control and risk management systems and reviewing and monitoring the requirement for an internal audit function and the effectiveness of the external audit. The Committee is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Activities of the Audit Committee include monitoring the integrity of the Company's financial statements and other formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them.

The Audit Committee advises the Board on the appointment, reappointment and removal of the external auditor, considers its effectiveness and approves its remuneration and terms of engagement, which includes developing and implementing a policy on the provision of non-audit services by the external audit firm. It also reviews and monitors the independence and objectivity of the external auditor.

Principal business risks and uncertainties

The management of the business and the nature of the Company's strategy are subject to a number of risks. The principal risks facing the business are set out in the annual report. Where possible, processes are in place to monitor and mitigate such risks. The Company operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives with the assistance of the Audit Committee. No system can fully eliminate risk and, therefore, the understanding of operational risk is central to the management process.

Identifying, evaluating and managing the principal risks and uncertainties facing the Company is an integral part of the way the business operates. The Company has policies and procedures in place throughout its operations, embedded within the management structure and as part of the normal operating processes. Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the close monitoring of trading conditions and the performance of the Company's investment portfolio. The Company is affected by a number of risks and uncertainties, not all of which are wholly within its control as they relate to the wider macroeconomic and legislative environment within which the Company operates.

Remuneration

The Remuneration Committee is responsible for agreeing the framework and remuneration policy for the executive directors and is chaired by an independent non-executive director.

A Remuneration Report is included within the annual report.

The policy of the Remuneration Committee is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to manage the Company and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this but to avoid paying more than is necessary.

There are three main elements of the directors' remuneration package being basic annual salary, performance related bonus and share option incentives.

All directors' salaries are reviewed annually by the Remuneration Committee.

Relations with Shareholders

The Board values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore encourages shareholders to offer their views.

The Company's website (www.ternplc.com) maintains up to date news flow for shareholders and other interested parties.

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising.

Three shareholder calls per annum provide an opportunity for shareholders to put their questions to the Board.