

Tern Plc – Corporate Governance

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.

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1. Vision and strategy

Application

The Board should express a shared view of the company's vision and strategy, including detail of:

- what the company is working to achieve;
- the period in which its objectives are to be achieved; and
- what is required to achieve these objectives.

This view should be well communicated, both internally and externally.

Compliance

The vision is to invest in and acquire IT businesses we understand that have products proven with customers. Tern invests both expertise and funds to improve and expand the businesses and enable them to achieve hyper growth in global markets with a view to realising within 36 months.

2. Managing and communicating risk and implementing internal control

Application

The Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control.

The management of risk is an essential business practice. Boards are expected to balance risk and return, threat and opportunity. Setting strategy includes determining the extent of exposure to the critical risks the company is willing and able to bear.

Compliance

The Company receives feedback from its external auditors on its internal controls and has separated key functions so the Board is confident that no individual director is empowered without the Board's authorisation.

Whilst Audit and Remuneration committees were set up in November 2016, the Board as a whole considers matters Nominations, and AIM Rules Compliance.

3. Articulating strategy through corporate communication and investor relations

Application

A healthy dialogue should exist between the Board and all of its shareholders to enable shareholders to come to informed decisions about the company.

Appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder body. This will assist:

- the communication of shareholders' views to the Board; and
- shareholders' understanding of the unique circumstances and constraints faced by that company.

Compliance

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position. The Company releases announcements via RNS and details of news and shareholder communications are provided on the Company's website.

The Board regards the annual general meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

4. Meeting the needs and objectives of your shareholders

Application

Directors should develop a good understanding of the needs and expectations of the company's shareholders, as well as the motivations behind shareholder voting decisions.

No Board ever wants to find itself in a position where it is voted down by shareholders. Accordingly, it is in the interests of the company to understand the view of shareholders before a potentially controversial or unusual proposal is put to them.

Companies with a dominant shareholder must be particularly aware of the need to hear the voices of and protect the interests of minority shareholders and must therefore consider whether it is necessary to put in place contractual arrangements such as a relationship agreement.

Compliance

The Board is aware of the need to protect the interests of minority shareholders, and balancing these interests with those of any more substantial shareholders.

The Board consists of the Chairman, three executive directors and one non-executive director. The Board meetings are normally held 11 times a year, with eleven held from January 2016 to December 2016.

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.

A description of the roles of the Directors is included in the Directors' section of the website.

The Company publishes all relevant material, according to QCA definitions, on its website. This includes all data required under AIM Rule 26 including annual reports and shareholder circulars.

5. Meeting stakeholder and social responsibilities

Application

Good governance includes the Board considering the company's impact on society, the community and the environment.

Every company should consider its corporate social responsibilities (CSR). Any CSR policy should include narrative on social and environmental issues and should show how these are integrated into the company's strategy. Integrating CSR into strategy will help create long term value and reduce risk to shareholders and other stakeholders.

Compliance

The Company's responsibilities to stakeholders including staff, suppliers and customers and wider society are recognised.

6. Using cost effective and value added arrangements

Application

There is a direct cost of delivering effective corporate governance. It is therefore vital to adopt effective and proportionate governance arrangements. The company should benefit from clear and efficient decision making processes.

There should be a clear understanding between the Board and the shareholders of how value is enhanced and abuses prevented through effective corporate governance. Publishing relevant key performance indicators on these measures may assist.

Compliance

Whilst the Company recognises the importance of high standards of Corporate Governance the Board has sought to address the matter in a proportionate way having regard to the size and resources of the Company.

The principal risks faced by the Company relate to the performance of the Company's investments and liquidity. The Company monitors the performance of its investments through regular contact with the management of the investee companies.

The executive directors are closely involved in the day-to-day operations of the Company and report to the Board monthly.

7. Developing structures and processes

Application

The company should determine governance structures and processes appropriate to it, based on:

- corporate culture;
- size;
- the capacity and appetite for risk and the tolerances of the company;
and
- business complexity.

There should be a clear statement as to how the company intends to fulfil its objectives.

The company's governance structures should evolve in parallel with the company's strategy and business.

Compliance

Details of the Company's corporate governance arrangements are provided on this page, in the Corporate Governance section of this website and in the Annual Report.

The directors attendance at Board meetings in the 12 months ended 31 December 2016 was as follows :

Angus Forrest 11/11
Alan Howarth 11/11
Bruce Leith 11/11
Sarah Payne 11/11
Al Sisto 11/11

8. Being responsible and accountable

Application

Responsibility for corporate governance lies with the chairman.

The chairman must therefore determine where responsibility lies within the company for the delivery of key outputs.

The Board has a collective responsibility and legal obligation to promote the long term success of the company.

Compliance

Responsibility and accountability

This website page provides full disclosure on the Company's corporate governance.

Descriptions of the roles of Directors are included in the Director's section of the website.

The Annual Report outlines corporate governance and compliance.

9. Having balance on the Board

Application

The Board should not be dominated by one person or a Company of people.

The Board must not be so large as to prevent efficient operation but must not be too small to be ineffective.

The Board should be balanced between executive and non-executive directors and should have at least two independent non-executive directors.

Compliance

The Board is comprised of four executive Directors, and one 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.

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.

10. Having appropriate skills and capabilities on the Board

Application

The Board must have an appropriate balance of functional and sector skills and experience.

The Board should be supported by committees (audit, remuneration, nomination and others) that have the necessary character, skills and knowledge to discharge their duties and responsibilities effectively.

Compliance

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 whole Board where there is no Committee. 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

Nomination Committee

- To review the size and composition of the Board
- To consider succession planning
- To review the leadership needs of the organisation to ensure the ability of the business to operate effectively
- To keep up to date about commercial changes affecting the company and the market in which it operates

AIM Rules Compliance Committee

- to monitor and report on compliance with the AIM Rules for Companies

11. Evaluating Board performance and development

Application

The Board should periodically review its performance, as well as the performance of its Board committees and the performance of individual Board members. Performance appraisal may include external review and may also identify development needs.

The Board should ensure that it possesses the skills and experience to meet present and future business needs. Ineffective directors (whether executive or non-executive) must be identified, supported to become effective and, if that is not possible, replaced. Review, development and mentoring of directors and the wider management team are very important.

It is healthy for membership of the Board to be periodically refreshed, regardless of performance issues.

Succession planning is a vital task for Boards. No member of the Board should become indispensable. How well succession is managed (particularly of the chairman and the chief executive) represents a key measure of the effectiveness of a Board.

Compliance

The Company was launched in 2013 and is still implementing its investment policy so it is early to measure the performance. However,

the Board receives regular reports on each of the investments to monitor the Company's performance.

The Board will consider the need for the periodic refreshing of its membership.

12. Providing information and support

Application

The whole Board and its committees should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

Non-executive directors should be provided with access to all information they require and to external advice as necessary.

Compliance

The Board is provided with detailed financial reports of the Company's financial performance every month.

Detailed written reports are provided prior to the Company's Board meetings. Written recommendations from the executive directors are delivered timeously with supporting documentation, so the Board can constructively challenge recommendations before making decisions.

Non-executive directors have a contractual right to external advice, at the Company's expense, when necessary.