

## Statement of compliance with the QCA Corporate Governance code

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### Chairman's Introduction

The directors recognise the importance of and are committed to high standards of corporate governance. The corporate governance framework within which the group operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the board believes are proportional to the size, risks, complexity and operations of the business.

In the statement below, we explain our approach to governance, and how the board and its committees operate. It is the role of the Board to ensure that SRT is managed for the long-term benefit of all shareholders, with effective and efficient decision making. Effective corporate governance is an essential part of that role, reducing risk and adding value to our business.

Kevin Finn, Chairman

### Change to Corporate Governance regime

Changes to AIM rules on 30 March 2018 require AIM companies to apply a recognised corporate governance code by 28 September 2018.

Of the two widely recognised formal codes, we have decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The board considers that it does not depart from any of the principles of the QCA Code.

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

SRT is a global leader in the provision of maritime domain awareness (MDA). Our products are used by mariners, infrastructure owners, coast guards and fishing authorities to enhance safety, security and management efficiency of maritime regions.

Our strategy and business model is to address MDA market segments using a small set of innovative core technologies and products which can be combined and customised into multiple product configurations and types each of which address different MDA market segments.:

*i) Systems* – turn-key maritime monitoring, surveillance, analytic and management systems that provide customers such as Coast Guards Coastguards, Fishery Ministries and Port & Waterway authorities with effective maritime domain awareness and related tools to support their day to day operations.

*ii) Transceivers* – a range of AIS transceiver products that are sold to marine electronic companies, dealers and vessel owners in a variety of formats, including modules, OEM product solutions and direct to end users.

Whilst we believe that our strategy and business model will deliver long-term added value for shareholders, we are mindful of the associated challenges & risks and seek to take the necessary steps to mitigate them to the extent possible. The key challenges we face include:

*Nature of systems customers*– our systems business is driven by governments and thus can be subject to significant risk, including but not limited to: the forecasting of project commencement dates and project delivery schedules, political and financial change and uncertainty, sudden cancellation and or changes to contracts without the possibility for redress, negotiation and or compensation. Furthermore, payment terms are frequently extended and variable and in the event of non-payment may not be collectable

We seek to manage this risk by obtaining a deep understanding of our markets, end customers and local partners which is achieved through extensive and close co-operation.

*System execution risk* – the implementation of a system contract contains a wide range of execution risks. We mitigate these risks through forming long term partnerships with local installation partners and investing in our customer support and system project delivery teams.

*Attracting and retaining employees with appropriate skills* - the group's ability to execute its strategy is dependent on the skills and abilities of its staff. We undertake ongoing initiatives to foster good staff engagement and ensure that remuneration packages are competitive in the market.

## **Principle 2: Seek to understand and meet shareholder needs and expectations**

The group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. Understanding what our investors and analysts think about us, and in turn helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We communicate with shareholders through the Annual Report and Accounts, full-year and

half-year announcements, trading updates and the annual general meeting (AGM) and regular shareholder webcasts. Furthermore, we encourage shareholders' participation in face-to-face meetings and direct contact with us. A range of corporate information (including all SRT announcements) is also available to shareholders, investors and the public on our website.

#### *Private shareholders*

The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate. The AGM is combined with an open day to give shareholders an opportunity to tour our offices and engage with our staff.

The Notice of Meeting is sent to shareholders at least 21 days before the meeting. All directors whenever possible, attend the AGM and are available to answer questions raised by shareholders. For each resolution the number of proxy votes received for, against and withheld is announced at the meeting and shareholders attending the meeting vote on each resolution by way of a poll. For each resolution we then announce whether a resolution has been carried and publish the results on our website.

#### *Institutional shareholders*

The directors actively seek to build relationships with institutional shareholders and potential investors. Shareholder relations are managed principally by our CEO who is supported in this role by the Chairman and CFO. Presentations are made to institutional shareholders typically following the release of the full-year and half-year results. In addition, the CEO communicates with significant shareholders following the release of any significant announcements, usually by way of a meeting. The majority of meetings with shareholders and potential investors are arranged by the broking team within the group's nominated advisor. Following meetings, the broker provides anonymised feedback to the board from all fund managers met, from which sentiments, expectations and intentions may be gleaned.

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

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. In addition to its shareholders, these include the Group's employees, customers, local partners, and suppliers. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its shareholders as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to arrangements and plans where appropriate and where such amendments are consistent with the Group's longer term strategy.

In terms of environmental responsibility, SRT takes due account of any impact its activities may have on the environment. The impact of the Group's products and systems in general have a favourable impact on the environment, particularly in terms of controlling illegal and unregulated fishing.

Finally, through various procedures and systems, the Group ensures full compliance with health and safety legislation relevant to its activities.

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

The Board is responsible for the systems of internal control and risk management and reviewing their effectiveness.

A summary of the key risks and their mitigation is considered in principle 1 (above) as well as on page 7 of the Group's 2018 Annual Report.

Furthermore, through the activities of the Audit Committee the effectiveness of these internal controls is considered annually.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. Revised forecasts are also produced on a monthly basis. The Group's results, compared with the budget and forecast are reported to the Board on a monthly basis.

Within the scope of the annual audit, specific financial risks are evaluated in detail, including those in relation to revenue recognition, recoverability of receivables and stock and intangibles valuation.

SRT has published a share dealing policy on its intranet to seek the necessary approval from directors should they, or their families, plan to trade in the group's equities.

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

The members of the board have a collective responsibility and legal obligation to promote the interests of the group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board consists of five directors of which three are executive and two are independent non-executives. The board is satisfied that at present it has a suitable balance between independence on the one hand and knowledge of the company on the other, although acknowledges that as it grows it will need to consider the appointment of additional Non Executive directors.

The board is supported by three committees: audit, nomination and remuneration. These committees are considered on pages 10 and 11 of the Group's 2018 Annual Report.

Non-executive directors are required to attend at least 6 board meetings per year and to be available at other times as required for face-to-face and telephone meetings with the executive team and investors.

During the year ended 31 March 2018 there were 7 board meetings and a further 3 board calls to discuss specific matters. All directors attended a minimum of 6 of the 7 meetings during the year ended March 2018, with the CEO and CFO attending all meetings and the COO and Non Executive Director attending 6 of the 7 meetings. The Chairman, Kevin Finn who was appointed in August 2017 attended all 5 meetings from the date of his appointment to 31 March 2018.

The board has an agenda of items to consider at each meeting subdivided into the key activities of the business, namely operations, sales and marketing and financial matters. Prior to the board meeting a board pack of information is compiled by the executive directors and circulated around the board together with the minutes from the previous meeting for approval and the monthly management accounts.

**Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

The board believes that the composition and breadth of experience of the board are appropriate for the Company at present and that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. All Directors receive regular and timely information on the Group's operational, sales and financial performance.

Biographies of the board are set out in the Corporate Governance section of the Group's website.

All directors retire at regular intervals with the Articles of Association requiring that one-third of Directors must stand for re-election by shareholders at every AGM and that any director not retire from office if he was not appointed at the last two AGM's before that meeting.

**Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

Since the appointment of the chairman, Kevin Finn, he has been assessing the individual contributions of each member of the board to ensure:

- Their contribution is relevant and effective
- They are committed

- Where relevant, they have maintained their independence

No issues have been identified to date.

As the business grows, we will be considering the use of external facilitators in future board evaluations.

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

The Board aims to lead by example and do what is in the best interests of the Company. It seeks to maintain the highest level of integrity in the conduct of the Group's operations. An open culture is encouraged within the Group, with regular communication to staff regarding progress and staff feedback sought on a regular basis.

Given the nature of the customers and markets within our systems business, we operate a strict anti-bribery and corruption policy to ensure our business dealings are carried out to the highest ethical standards.

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

The Board provides strategic leadership for the group and operates within the scope of a robust corporate governance framework. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision making and ensuring that the other Non-Executive director is properly briefed on matters. The Chief Executive Officer has the responsibility for proposing the strategic focus to the Board, implementing it once it has been approved. He is supported in this task by the other Executive directors and overseeing the management of the Company through the Executive team.

The Board has established an Audit Committee, Remuneration Committee and Nomination Committee. These committees comprise of the Board Chairman (Kevin Finn) and the Non Executive Director (Simon Rogers). Kevin Finn chairs the Audit and Nomination Committee and Simon Rogers chairs the remuneration committee.

The work and composition of these committees is considered on pages 10 and 11 of the SRT 2018 Annual Report.

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

The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. It communicates with its shareholders through the Annual Report and Accounts, full and half year announcements, quarterly investor webcasts, the Annual General Meeting (AGM) and one to one meetings with existing or potential new shareholders.

A range of corporate information (including all Company announcements, presentations and Annual Reports) is also available to shareholders, investors and the public on the Company's corporate website, [www.srt-marine.com](http://www.srt-marine.com)

September 2018