

# **Plexus Holdings plc**

## **Disclosures on the Ten Principles of the QCA Corporate Governance Code**

### **Chairman's Introduction**

Plexus' long-term goal is to establish POS-GRIP® friction grip technology as a new industry standard for wellhead and metal sealing systems, whilst continuing to develop new POS-GRIP based products, which can also offer multiple benefits and advantages to the industry in terms of improved safety, functionality, and cost and time savings. In doing so, it is establishing itself in new geographical areas and expanding the range of applications to which such technology may be applied. Core to all of this is the Board ensuring the Company is managed for the long-term benefit of all shareholders, by effective and efficient decision making which may only happen where a culture of strong corporate governance is engendered.

The Board has adopted the Quoted Companies Alliance Corporate Governance Code in line with the recent changes to the AIM Rules of the London Stock Exchange that require all AIM-listed companies to adopt a recognised corporate governance code against which they must comply, or explain why there is any divergence in complying with that code. The disclosures made within this statement regarding the principles comprising the QCA Corporate Governance Code are anticipated to evolve over time, and we shall provide updates on an annual basis.

J. Jeffrey Thrall  
Chairman

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

Plexus has developed a range of products and applications based on its patent-protected POS-GRIP® friction-grip method of wellhead engineering. Included among these are the Company's POS-GRIP friction-grip exploration wellhead equipment and associated tooling. Up until now, the Company's core business has been the rental of this equipment to major oil and gas operators for use on jack-up exploration wells around the world, particularly for High Pressure/High Temperature ("HP/HT") applications. To date, Plexus wellheads have been used on hundreds of wells operated by a customer base, which includes blue-chip customers such as BP, Centrica, Maersk, Royal Dutch Shell, Statoil, and Total. This application was sold to TFMC in February 2018, with the exception of the CIS where Plexus retained its licensing arrangement with its local partner.

Since it was established, Plexus has focused on being an innovative, IP-led company built around its proprietary POS-GRIP technology. POS-GRIP was designed to address a number of limitations associated with conventional wellhead technology particularly in terms of metal sealing, and has subsequently raised standards for HP/HT wellhead applications. POS-GRIP enables Plexus to provide operators with superior solutions, offering unique safety and operational advantages, while at the same time delivering significant time and cost savings on the surface and, the Board anticipates, in due course and even more significantly, subsea. Thanks to POS-GRIP, Plexus has successfully raised wellhead test standards to equal or exceed those of premium couplings and there are numerous applications and products beyond jack-up exploration drilling which the Board believes could benefit from the POS-GRIP method of engineering now and in the future.

The Company has invested extensively in research & development and IP development and areas and applications outside of jack-up exploration, include surface production and subsea wellhead equipment, as well as proprietary connector technology. This suite of new products and applications has grown significantly and now, following a Joint Industry Project, includes: the Python™ Subsea Wellhead (a new standard for subsea wellheads – supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, eni, Senergy, and Oil States Industries Inc); the development and launch of the POS-SET™ Connector ('POS-SET') product for the growing de-commissioning and abandonment market; development of HP/HT dual marine barrier risers to provide an efficient, safe and cost effective solution for use on jack-up rigs; an innovative HP/HT Tie-Back connector product; and a new Well Tree product. Plexus is also assessing opportunities in geothermal drilling.

One of the challenges that Plexus needs to overcome either organically, or with partners, where the volume production market is concerned is that production wellheads have in the past been sold as a package together with a production Xmas Tree and side outlet valves. Therefore, Plexus is looking to develop the capability of offering a complete Wellhead, Valve and Xmas tree package, preferably under Plexus branding and design control. However, in view of the increasing focus on gas and methane leak issues it may be that the focus changes and will be more on sourcing the best and most gas proof equipment, whether as a package or as individual items.

In the past Plexus found the oil & gas sector to be resistant to new technology and has experienced push back from industry participants at the early stage of introducing POS-GRIP technology. As a consequence, Plexus took the decision to initially apply POS-GRIP technology to jack-up exploration drilling, in order to showcase and prove the technology and obtain industry acceptance, before developing and commercialising a wider range of products. The dynamics of exploration drilling enabled the Company to avoid the relatively high and often fixed costs of becoming a manufacturer, allowing Plexus to build a wellhead inventory which could be rented out to customers on a temporary basis for use on exploration drilling projects.

Prior to the sale of the majority of the jack-up exploration business Plexus successfully expanded its focus as part of its strategy to raise the awareness of its superior technology with contracts extending to Asia, Australia, China, Egypt, Middle East, Russia, and West Africa from the UKCS and in the process became a supplier to a wide customer base, including blue-chip customers. An Asian business hub was established to increase the supply of POS-GRIP wellhead equipment and services to the Australian, Brunei, Indonesian, Malaysian, Thai, and Singaporean oil and gas exploration and production markets. Strategic licence agreements were pursued, including in 2016 with Gusar, and

Konar, two independent Russian oil and gas equipment manufacturers, for the rental, manufacture and servicing of Plexus' jack-up drilling wellhead exploration equipment into the Russian Federation and the other CIS states' oil and gas markets.

One of the key challenges faced by the Company continues to be the impact of the significant fall in the oil price in 2015, from circa US\$120 per barrel, which resulted in a significant decline in capital spending and exploration activity by the major E&P operators.

The Company is proprietary technology driven and the challenge now is to build on the value achieved and recognition gained for POS-GRIP technology as part of the TFMC transaction. The superior performance, safety and operational advantages of the Plexus jack-up exploration drilling wellhead designs give the Directors confidence that this success can be extended to the wider energy sector including production, subsea, geothermal and fracking applications based on its POS-GRIP technology.

Plexus' long-term goal is to establish POS-GRIP technology as a new industry standard for wellhead and metal sealing designs, whilst continuing to develop new products, which can also offer multiple benefits and advantages to the industry in terms of improved safety, functionality, and cost and time savings. An example of such extensions for POS-GRIP technology is the Company's connector technology which is ideal for high integrity, low fatigue applications. The directors believe wellhead connectors, riser connectors, subsea jumper connectors, pipeline connectors, tether tensioners and even vessel mooring connectors can all benefit from the simplicity of POS-GRIP.

In line with this strategy, the Company announced earlier this year that it had been awarded a contract with Centrica North Sea Limited to supply its POS-GRIP "HG" 10,000psi adjustable production wellhead for a gas production well in the UK Southern North Sea. This was particularly encouraging for the Company:

- As production wellheads are required for the entire field life, and the size of the market for production wellheads is many times that of jack-up exploration. At the same time as the market shows signs of recovery there is a major shift from coal and even oil to cleaner gas production. This is a positive trend for Plexus as it is widely recognised that gas leaks are very damaging to the atmosphere in terms of climate change, the need for superior and reliable long term metal-to-metal sealing technology and integrity has never been greater.
- In terms of performance the Board monitors the Group by reference to certain financial and non-financial key performance indicators. The financial indicators include revenue, EBITDA, profit and loss, earnings per share and working capital resources and requirements. Non-financial indicators include Health and Safety statistics, geographical diversity of revenues and customers, geo political considerations, effectiveness of various research and development initiatives; for example in relation to new patent activity and inventions and appropriate employee headcount numbers and turnover rates. Following the sale earlier this year of the jack-up exploration wellhead equipment and services business, the key performance indicators of the Group are likely to change to reflect the strategy of the business in relation to the exploitation of its proprietary technology, with the focus on non-financial key performance indicators expected to be on research and development initiatives and commercialization objectives. It may also be that for example licence income rather than sales revenue becomes more relevant.

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

The Company remains committed to regular dialogue and communications with its shareholders to ensure that its strategy, business model and performance are understood by the market. Understanding what analysts and investors think about Plexus, and helping these audiences understand our business, is an important part of driving our business forward and we actively seek dialogue with the market with the support of our brokers Cenkos and Investor Relations advisors St Brides. Such communications include investor roadshows, RNS updates, responding to specific

phone calls and emails, ad hoc meetings as required and results period meetings, and our regular reporting. The Company also maintains a dedicated email address which investors can use to contact the Company which is displayed on the website together with the Company's address and phone number - <http://www.plexusplc.com/contact-us>

As the Company is too small to have a dedicated investor relations department, the Finance Director is responsible for reviewing all communications received from members and in conjunction as necessary with the CEO and if appropriate the Board determining the most appropriate response. Such communications by email or letter with shareholders are sent in a timely manner and to date all such communications have been to the satisfaction of the recipient.

#### *Private shareholders*

Our AGM is the main forum for dialogue with private shareholders. 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. Time is set aside specifically to allow such questions from attending members to any board member. 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 under the Stock Exchange (RNS) Announcements tab - <http://www.plexusplc.com/investors/aim-rule-26/stock-exchange-rns-announcements>

#### *Institutional shareholders*

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the CEO and Finance Director, and supported by the Technical Director, as appropriate. The Chief Executive Officer and Finance Director make presentations as required to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results.

The Board as a whole is kept informed as necessary of the views and concerns of major shareholders. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Independent Directors are available to meet with major shareholders if required to discuss issues of importance to them.

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

The Plexus business model changed emphasis in February 2018 with the sale of our jack-up exploration drilling activities (with the exception of the CIS) to TFMC, one of the three largest oil services companies in the world. This disposal not only succeeded in raising the profile of Plexus and delivered a clear endorsement of our patented POS-GRIP technology, but generated an initial circa £15m of cash with three further earn out payments to follow.

This strong balance sheet position enables Plexus to focus on leveraging its IP into other market areas such as surface production, subsea, and other Plexus products either organically or with partners. Despite this change of business model the key stakeholders (both internal and external) and the way we engage with them has not changed, with the exception of the addition of our earn-out and new collaboration partner TFMC. Stakeholders continue to consist of shareholders, employees, suppliers, customers, advisers.

Engaging with all our stakeholders as constructively as possible is important to Plexus, and we understand that good relations and sound business practices and principles all contribute to a successful business.

Where necessary the Board is updated on stakeholder engagement feedback should any issues arise, to stay abreast of stakeholder insights into what matters most to them and our business, and to enable the Board to understand and consider such issues in relevant decision-making. Aside from our shareholders, suppliers and customers, our employees are one of our most important stakeholder

groups and the Board monitors relevant employee issues through regular operating company operations reports.

### *Employees*

Plexus is a non-discriminatory employer which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Group is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

Staff and staff development continues to be important to the Group, and following a sustained period of depressed operational activity there was concern the technical skills of those who fulfil specific technical roles would diminish and would find it challenging to perform their role effectively and efficiently when activity increased again. To ensure this is not the case, a full review of each individual's abilities was completed during the past twelve months, highlighting areas that have not been refreshed during low levels of operational activity, and suitable in-house training modules were made available to ensure the necessary skill levels were maintained. The training programme was received very well by the technical staff and noted as beneficial and a worthwhile refresher of the skills they have already developed.

Competency across the business has continued to evolve and broaden; particularly within workshop and office based staff areas. The workshop competency system has been developed under the OPITO standards with a view to being accredited by OPITO. The office based competency system will not be developed under the OPITO standard as it is a concise system that supports the requirements of the ISO9001:2015, which Plexus is currently transitioning to.

Importantly Health and Safety is an operational area for employee stakeholders where Plexus remains fully committed to delivering the highest practical safety standards in everything we do each and every day. We continue to maintain a positive safety culture which is aligned with our Company Safety Values and are pleased to report our HSE culture remains strong across the business and this is reflected by our LTCF and TRCF percentages both being zero, with no major findings during our most recent LRQA certification surveillance audits set against the OHSAS 18001:2007 standard.

### *Suppliers*

The Plexus business model has been built around the conscious decision of not having its own manufacturing facilities, and thereby avoids incurring fixed overheads associated with such activities. This means that manufacturing is sub-contracted to carefully selected and assessed manufacturers and machine shops who must operate to prescribed high standards and requirements for delivering Plexus products high quality threshold levels. Such relationships are of course important to Plexus and tend to be of a long term nature reflecting the professional manner in which business is conducted.

### *Customers*

We continue to seek opportunities for continual improvement regarding our relationships with customers, and have fully revised our Business Management System not only to comply with our current certification standards but also to meet the new ISO 9001:2015 standard, demonstrating our relentless commitment to attain and sustain the highest standards possible and allow us to respond quickly to client demands. Quality also remains a key focus in the delivery of our products and services demonstrated by no major findings in our recent LRQA ISO 9001:2008 surveillance audit and the successful recertification of our API monogram licences for 6A and 17D products.

### *Modern Slavery*

In light of the increasingly concerning activities and resultant human misery that have brought about the much needed Modern Slavery Act 2015, in the last year a review of the requirements was carried out and a focus group was formed (HR, Executive Assistant, Contracts & Supply Chain) to create a Business Code of Conduct, Supplier Code of Conduct, Modern Slavery Statement and Whistleblowing procedure suitable for the business needs. Plexus takes such matters very seriously, and it is considered good practice that Plexus manages its supply chain in line with the Modern Slavery Act to support the legislative requirement placed on the majority of our clients. In addition, these business tools have proven to be essential in recent tendering processes as companies' awareness levels about this pernicious crime increase.

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

##### *Audit, risk and internal control*

##### *Financial controls*

The Company has an established framework of internal financial controls. These are reviewed by the Executive Management, the Audit Committee and the Board as part of an ongoing assessment of significant risks by category facing the Company.

The Group does not currently have an internal audit function due to the small size of the administrative function and the high level of Director review and authorisation of transactions.

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 if relevant dividend policy. Monthly results and variances from plans and forecasts are reported to the Board. In addition the Board has a formal schedule of matters reserved for its decision which includes the setting of Company goals, objectives, budgets and other plans. All directors have access to independent professional advice at the Company's expense, if required, as well as to the advice and services of the company secretary.

The Audit Committee assists the Board in discharging its duties regarding the interim and full year results, financial statements, accounting policies, and operational and financial controls. Duties include:

- (A) to consider and recommend to the Board the approval of the appointment of the external auditors of the Company, the audit fee and other external remuneration of the auditors, and any questions of resignation or dismissal;
- (B) to ensure the independence and objectivity of the external auditors;
- (C) to discuss with the external auditors before each annual audit commences the nature and scope of the audit, and other relevant matters;
- (D) to review the half year and annual financial statements before submission to the Board, focusing particularly on:
  - (1) any changes in accounting policies and practices;
  - (2) major judgmental areas;
  - (3) significant adjustments resulting from the audit;
  - (4) the going concern assumption;
  - (5) compliance with accounting standards; and
  - (6) compliance with legal requirements.
- (E) to discuss problems and reservations arising from final audits, interim audits or otherwise, and any matters the external auditors may wish to discuss (in the absence of the executive directors where necessary);
- (F) to review the external auditor's management letter and management's response;
- (G) to review the nature and extent of non-audit services provided by the external auditors and be satisfied that the auditors' objectivity is maintained;
- (H) to keep under review the effectiveness of the Company's internal controls and risk management systems;
- (I) to undertake an annual assessment of internal controls and risk management;
- (J) to review the Company's statement on internal control systems prior to endorsement by the Board;
- (K) to consider the major findings of any internal investigations and management's response;
- (L) to review any internal audit programme and ensure that it is adequately resourced;
- (M) to consider other topics, as defined by and referred to the Audit Committee by the Board; and
- (N) to review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

### *Risk assessment & management controls*

The Board recognises that maintaining sound controls and discipline is key to managing the downside risks to our plan. The Board has ultimate responsibility for the Group's internal controls 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, as summarised and explained below are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Management of the day-to-day activities of the Group by the Executive Directors
- An organisational structure with defined levels of responsibility, which promotes responsible decision-making and implementation while minimising risks
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board
- Detailed monthly reporting of performance against budget
- Control over key areas such as capital expenditure authorisation and banking facilities
- The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. As part of such controls the Company maintains a "Risk assessment & management document" which reviews both financial and non-financial controls areas and risks including Business; Compliance; Finance; Cash; Debtors; Fixed Assets; Other Debtors/Pre-payments; Creditors; Legal and Personnel. Such risks are assessed and reviewed and changes made where appropriate. The key elements of the non-financial controls are set out below.

### *Standards and policies*

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the 'Anti Modern Slavery Policy' and 'Employee Code of Conduct'. Operating procedures for control of operations are clearly documented and set out in operation manuals where a key emphasis is on the Company actively assessing and minimising health and safety risks in all areas of the business and educating the workforce to provide as safe a working environment as possible. Managers are responsible for the implementation of these procedures and compliance is monitored.

### *Approval process*

All material contracts are required to be reviewed and signed by a senior Director of the Company and where necessary reviewed by external legal Counsel.

### *Code of Conduct*

Our internal Code of Conduct includes guidance to employees on business integrity, anti-bribery, gifts, intellectual property and design rights. Every year senior managers and above declare compliance to this code.

### *Legal controls*

Contracting with customers that include large international oil companies inevitably requires the entering into at times complex contracts where the need to address such issues as limitation of liability need careful review and negotiation. The Company commercial personnel have full access to external legal advice to ensure that appropriate steps are taken to help mitigate the damage that can result from poorly negotiated contracts.

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

The Board currently comprises the Non-Executive Chairman, J. Jeffrey Thrall; three Executive

Directors comprising Ben van Bilderbeek (CEO), Graham Stevens (FD); and Craig Hendrie (Technical Director); and two Non-Executive Directors, Kunming Liu and Charles Jones; and a Company Secretary (non-director).

The Audit Committee comprises two Non-Executive Directors, J. Jeffrey Thrall and Charles Jones and is scheduled to meet twice a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply financial reporting and internal control best practice, whilst maintaining an appropriate relationship with the independent auditors of the Group. In order to comply with best practice that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit Committee.

The Remuneration Committee comprises two Non-Executive Directors, J. Jeffrey Thrall and Charles Jones and meets when required. It is the Remuneration Committee's role to set remuneration packages for individual Directors. Where necessary the Remuneration Committee obtains advice and research material from external remuneration specialists.

The Board considers that the Non-Executive Directors bring an independent judgement to bear. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively. In view of the specialist nature of the Company's technology and IP, knowledge gained over time is considered an important part of the Non-Executives understanding and therefore contribution to the business.

All Directors are encouraged to apply their independent judgement and to challenge all matters, whether strategic or operational.

During the last financial year nine Board meetings took place (including Board Committee meetings, but excluding meetings of the Audit Committee and the Remuneration Committee), and key Board activities included but are not exclusively:

- Discussed strategic priorities
- Discussed the Group's capital structure and financial strategy, including capital investments, shareholder returns and the dividend policy
- Reviewed the performance of the company's licensee
- Discussed actual and potential M&A activity
- Discussed internal risk management and assessment report
- Reviewed feedback where relevant from shareholders post full and half year results

Details of the dates of meetings during the last financial year of the Board, Board Committee, Audit Committee, and Remuneration Committee together with attendees is set out in the table below.

#### *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 and if necessary the relevant Board member will recuse themselves from the matter at hand so as to avoid any conflicts for the individual or the Company.

Directors and Non-Executive Directors are expected to be available whenever required where non-routine course of business activity is going on such as the deal concluded in February 2018 with TFMC.

Details of the Directors may be found here <http://www.plexusplc.com/investors/aim-rule-26/board-of-directors>

2017	Board Committee 10.08.17	Board 10.10.17	Board 08.11.17	Audit Committee 08.11.17	Remuneration Committee 09.11.17	Board Committee 15.11.17
Jeff Thrall		✓	✓	✓	✓	
Ben van Bilderbeek		✓	✓			
Graham Stevens	✓	✓	✓			✓
Craig Hendrie	✓	✓	✓			✓
Kunming Liu		✓	✓			
Charles Jones		✓	✓	✓	✓	

2018	Board Committee 30.01.18	Board 22.03.18	Audit Committee 22.03.18	Board Committee 23.03.18	Board 05.07.18	Board Committee 05.07.18
Jeff Thrall		✓	✓		✓	✓
Ben van Bilderbeek		✓			✓	✓
Graham Stevens	✓	✓		✓	✓	✓
Craig Hendrie	✓	✓		✓		
Kunming Liu		✓				
Charles Jones		✓	✓		✓	✓

## 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 finance, governance, commercial experience, public markets, oil and gas industry, and international trade. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of Board and Committee meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Contracts are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

The Directors are very experienced in their own fields and they act on their own initiative in ensuring they remain up-to-date in their respective skills. The Board does not at the current time undertake specific due diligence on, or carry out a formal review of an individual Director's skills and training, but is comfortable with such experience being appropriate from regular engagement and dialogue with each Director.

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

### *Appointment, removal and re-election of Directors*

The Board makes decisions regarding the appointment and removal of Directors. Suitable candidates are identified and put forward for consideration and additionally external views are sought, and, if relevant, background checks are undertaken. The process is formal and transparent and consideration is given to what skills the candidate brings to the Board and how they will work and fit with other Board members. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Directors appointed during the year must stand for re-election at the AGM immediately following their appointment. Ben van Bilderbeek and Craig Hendrie will retire by rotation this year, and, being eligible, offer themselves for re-election.

### *Independent advice*

All Directors can 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, Chief Financial Officer and the Company's nominated adviser.

The Company has not had to engage external advisers to the Board other than its usual professional advisers during the normal course of business.

The Company out-sources the company secretarial duties and responsibilities to a firm of professional company secretaries, ("the Out-Sourced Provider"), which engagement is overseen by the Finance Director. In addition to the routine company secretarial compliance work, the Out-Sourced Provider fulfils a wide-ranging support role to the FD on matters pertaining to the Companies Act, regulatory matters, transactional support, and ad hoc assistance generally. Its services are also available to any other board director who may wish to make an approach for independent advice which the Out-Sourced Provider strives to deliver in an impartial manner.

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

On an informal basis the Chairman Jeff Thrall and CEO Ben van Bilderbeek assess the individual contributions 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
- The skills of the board members are appropriate for the size and complexity of the Group

The responsibilities of the Chairman and CEO are summarised below:-

The Chairman's primary responsibility is to lead the board effectively and to oversee the adoption, delivery and communication of the company's corporate governance model. The chair has sufficient separation from the day-to-day business to be able to make independent decisions. The chair is also responsible for making sure that the board agenda concentrates on the key issues, both operational and financial, including reviews of the company's strategy and its overall implementation.

The CEO is responsible for the delivery of the business model within the timetable agreed by the board. Keeps the chair and board up-to-date with operational performance, risks and other issues to ensure that the business remains aligned with the agreed strategy.

Because of the relative size of the Company, the composition of the Board and the level of experience of each Board member, the Company has not adopted a formal board evaluation process although keeps the topic under review and would conduct one if it were considered beneficial.

The Board is mindful of the subject of succession planning, although has yet to adopt a formal process and, the Company being in transition since the disposal of the rental jack-up business, any succession planning deemed necessary would be carried out on an ad hoc basis. The Board keeps this subject under review. The Board is aware of the current shareholding structure and the importance of the founder's shareholding and is always mindful of the need to balance all shareholders and stakeholders interests.

## **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 and

stakeholders. For example during the challenging trading conditions over the last few years in the oil and gas industry, the Board has taken temporary salary cuts, has not been awarded or accepted any annual salary review or inflationary increase, or been awarded any share options. The Remuneration Committee however considers that goal orientated bonus arrangements subject to performance and milestones are to be considered from time to time.

The culture of the Group is to treat all of our customers, suppliers, shareholders and staff fairly and with respect and to be responsive and professional in all that we do whilst at all times being aware of the critical nature of the industry we operate in and the importance of monitoring and managing a range of risks that include political, legal and environmental; IP infringement, competitive risk, operational, liquidity and financial requirements, and credit. Such an approach has successfully resulted in relationships with stakeholders that have avoided any conflicts or legal action.

The risk assessment of such areas is an ongoing process and the Board has established a process for identifying, evaluating and managing the more significant risk areas faced by the Group. One of the Board's control documents is a detailed "Risks assessment & management document" which categorises risks in terms of - business (including IT), compliance, finance, cash, debtors, fixed assets, other debtors/prepayments, creditors, legal, and personnel. These risks are assessed and updated on a regular basis and can be associated with a variety of internal and external sources including regulatory requirements, disruption to information systems including cyber-crime, control breakdowns and social, ethical, environmental and health and safety issues.

The Company ensures that ethical values and behaviours are recognised and respected by the adoption of appropriate policies which all members of staff are required to read and to which have constant access.

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

### *Board programme*

The Board meets at least seven times each year in accordance with its scheduled meeting calendar. The Board sets direction for the Company through a formal schedule of reserved matters for its decision.

### **Companies Act Requirements**

1. Approval of interim and final financial statements.
2. Approval of the interim dividend and recommendation of the final dividend.
3. Approval of any significant changes in accounting policies or practices.
4. Appointment or removal of the company secretary.
5. Remuneration of the auditors and recommendations for the appointment or removal of auditors, following recommendation of the Audit Committee.
6. Resolutions and corresponding documentation to be put forward to shareholders at a General Meeting.

### **Stock Exchange/Financial Services Authority**

7. Approval of all circulars, listing particulars and announcements.
8. Approval of press releases concerning matters decided by the board.

### **Board membership and board committees**

9. Board appointments and removals, the overall remuneration policy and any special terms and conditions attached to the appointment (subject to the recommendations of the Remuneration committee).
10. Selection and terms of reference of chairman, chief executive and other executive directors.

11. Terms of reference and membership of board committees.
12. Where applicable, appointment of the senior independent director.
13. Succession planning for the board and senior management.
14. Continuance in office of directors at the end of their office, where they are due to be re-elected by shareholders in general meeting or at any other time, subject to the law and the director's service contract.
15. Reviewing reports from committees on activities and progress.

## **Strategy and Management**

16. Overall management of the group.
17. Approval of the group's long term objectives and commercial strategy.
18. Approval of the annual group budgets and any material changes to them.
19. Changes relating to the group's capital structure, listing or its status as a plc.
20. Oversight of the group's operations to ensure competent management, sound planning, adequate systems of internal control, adequate accounting and other records are kept, and compliance with statutory and regulatory obligations are achieved.
21. Review of performance against strategy, budgets, business plans and set objectives and implementation of necessary corrective action.
22. Extending the group's activities into new business or geographic areas or ceasing all or any material part of the group's business.
23. Changes to the group's management and control structure.
24. Capital expenditure projects.
25. Material, either by reason of size or strategically, contracts of the company in the ordinary course of business (defined as the rental and sale of wellhead equipment), above £750,000 for rental equipment, or above £350,000 p.a. for contracts of one year or more.
26. Major investments including the acquisition or disposal of interests of more than 5 percent in the voting shares of any company or the making of any takeover bid.
27. Risk management strategy and review.
28. Treasury policies including foreign currency exposure.

## **Miscellaneous**

29. Review of the company's overall corporate governance arrangements and performance of the board, its committees and the individual directors.
30. Determining 'independence' of the directors.
31. Investor relations management.
32. Major changes in the rules of the company pension scheme.
33. Major changes in employee share schemes.
34. Formulation of policy regarding charitable donations.
35. Political donations.
36. Approval of the company's principal professional advisers.
37. Litigation of any nature to be notified to the board and any settlements above £5,000.
38. Internal control arrangements, annual review and statement in the annual report, subject to recommendations of the Audit Committee as appropriate.
39. Directors' & Officers' liability insurance.
40. Approval of the group's share dealing, code of conduct, health and safety, environmental and corporate social responsibility policies.
41. Approval of third party guarantees
42. This schedule of matters reserved for board decisions.

Prior to the start of each financial year, a schedule of Key Dates for that year's Board and associated meetings is compiled to align as far as reasonably practicable with the Company's financial calendar, while also ensuring an appropriate spread of meetings across the financial year.

The Key Dates schedule is updated throughout the year as necessary. This may be supplemented by additional meetings as and when required, for example in relation to corporate activity. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or if relevant by a Committee, and then followed up by the Company's management.

#### *Roles of the Board, Chairman and Chief Executive Officer.*

The Board is responsible for the long-term success of the Company. There is a formal schedule of reserved Board matters, and it is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It also monitors the exposure to key business risks. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for reviewing appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular information on the Group'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 the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates.

#### *Executive Team*

The Executive Team consists of Graham Stevens CFO and Craig Hendrie Technical Director, with input from the subsidiary directors and teams. They are responsible for the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. They in conjunction with the Board manage and oversees key risks, and where appropriate management development. Graham Stevens is responsible for overseeing shareholder communications, and Craig Hendrie leads on R&D and engineering development activities. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document.

#### *Board Committees*

The Board is supported by the Audit Committee and where necessary the Remuneration Committee. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The duties of the Audit Committee have been outlined in the detail on Principal 4 in this report. The overall duties of the Remuneration Committee are determining the policy and all elements of the remuneration of the executive directors of the Company and other senior executives ("**the Executives**") of the Group and the duties of the Remuneration Committee are:

- to consider the basic salary paid to the Executives and any recommendations made by the Chairman of the Company for changes to that basic salary
- to consider any bonuses to be paid to the Executives and, in respect of any element of remuneration of an Executive which is performance related, to formulate suitable performance related criteria and monitor their operation, and to consider any recommendations of the Chairman of the Company regarding bonuses or performance related remuneration
- to advise on and determine all performance-related formulae relevant to the remuneration of the directors of the Company and to consider the eligibility of directors for annual bonuses and benefits under long term incentive schemes

- to administer all aspects of any executive share option scheme operated by or to be established by the Company including but not limited to (subject always to the rules of that scheme and any applicable legal and Stock Exchange requirements):
  - (1) the selection of those eligible directors of the Company and its subsidiary companies to whom options should be granted
  - (2) the timing of any grant
  - (3) the numbers of shares over which options are to be granted
  - (4) the exercise price at which options are to be granted
  - (5) the imposition of any objective condition which must be complied with before any option may be exercised
- to have regard in the performance of the duties set out in this clause to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes (in particular the guidelines published by the Association of British Insurers and National Association of Pension Funds) which the Remuneration Committee considers relevant or appropriate
- to consider and make recommendations to the directors of the Company concerning disclosure of details of remuneration packages and structures in addition to those required by law
- to consider other benefits granted to the Executives and any recommendations of the Chairman of the Company for changes in those benefits
- to consider the pension arrangements applicable to the Executives
- to consider and make recommendations in respect of the terms of the service contracts of the Executives and any proposed changes to these contracts (including, without limitation, any compensation payments, notice periods, or other entitlements under these contracts)
- to consider other matters relating to the remuneration of or terms of employment applicable to the Executives and referred to the Remuneration Committee by the Board

The governance framework is subject to review on an ongoing basis. No changes to the governance framework are currently planned.

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

The Company communicates with shareholders through Regulatory News Service announcements, the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with existing or potential institutional new shareholders.

Most day to day shareholder interaction and communication is the responsibility of the CEO and the CFO.

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

The Board receives updates on the views of shareholders through briefings and reports from the Company's brokers, Cenkos.

The Company communicates with institutional investors where requested through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

Regular and open communication is encouraged between all layers of management to ensure that any issues or concerns can be raised.

Because of the volume of commercially sensitive information contained within Audit Committee Reports, the Board considers it inappropriate to make public such reports. The Board highlights that since the incorporation of the Company and the listing of its shares on the Alternative Investment Market of the London Stock Exchange, the Company's auditors have signed unqualified reports in respect of the audited accounts for each financial year and have not raised any concerns regarding the interim reports.

Similarly, with regard to Remuneration Reports, the Board considers it inappropriate to make public such reports. The Board also highlights that it is pleased to note the maturity of the shareholder base comprising as it does both long term private investors and a number of blue-chip institutional investors which the Directors interpret as an endorsement of the medium to long term strategy of the Company. A resolution is proposed at every AGM for the approval of the Directors' Remuneration Report and to date only a small minority of votes are cast against such a resolution.

The Company announces the results of all votes on resolutions proposed at any general meeting of the members of the Company by releasing a RNS to the London Stock Exchange immediately upon the conclusion of the meeting. It has not had occasion to announce where a significant proportion of votes (e.g. 20% or more on independent votes) has been cast against any particular resolution, although intends to include this information in the future, where applicable, including a summary of the actions it would take to understand the reasons behind such a voting result. The Company maintains on its website an increasing library of documents including all circulars to shareholders, RNS news releases and historic documents which the Board considers adequate - <http://www.plexusplc.com/investors/aim-rule-26>