

# **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 superior 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. Key to 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 corporate governance is engendered.

Plexus remains committed to a culture built on its objectives of developing the products described above for the stated purposes, and its strategic aims and business model are consistent with that culture. The Board promotes a healthy culture within the business by actively encouraging a collegiate manner of working amongst all staff. It monitors and assesses the culture from time to time through contact as appropriate with staff at all levels which it is able to do because of the relatively small number of staff Plexus employs. The Board also has the benefit if required of feedback from the annual personal development appraisal reviews which all staff are required to complete.

The Board has adopted the Quoted Companies Alliance Corporate Governance Code in line with the AIM Rules of the London Stock Exchange that require all AIM 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 Board considers Plexus complies in all material respects with the principles of the QCA Corporate Governance Code although as indicated in the summary below, the adoption of certain informal procedures rather than formal procedures to reflect the size of the Company and the composition of the Board, does not constitute full compliance in all respects. The disclosures made within the principles comprising the QCA Corporate Governance Code are anticipated to evolve over time.

**Principle 1: Establish a strategy and business model which promotes 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. The Company is focused on establishing this technology and equipment in a range of sectors including surface production wellheads, subsea and de-commissioning, both organically and through licence partners. In line with this strategy, in November 2020 Plexus entered into a licence agreement with Cameron International Limited, which granted the Schlumberger group company a non-exclusive licence to use the POS-GRIP and HG® metal-to-metal seal method of wellhead engineering for the development of conventional and unconventional oil and gas surface wellheads.

Even more recently, in August 2021 Plexus has taken the opportunity to re-enter the exploration rental wellhead market from Jack-up rigs market which it had previously been successful in before selling the division (with the exception of Russia and the CIS) to TechnipFMC in February 2018. Shortly after the beginning of the conflict in Ukraine, all licensed activities in Russia and the CIS were suspended indefinitely.

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 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 in due course anticipates moving into the subsea sector. 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, over many years, invested, and indeed continues to invest in research & development and IP development and areas and applications outside of Jack-up exploration wellheads, including in addition to surface production and subsea wellhead equipment, proprietary connector technology. This suite of new products and applications has grown significantly and includes: the Python Subsea Wellhead (a new standard for subsea wellheads – where a JIP was supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, Eni, Senergy, and Oil States Industries Inc); the development 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 Well Tree product. Plexus is also assessing opportunities in geothermal drilling. Plexus can also offer outlet valves and Xmas trees, resulting in a complete package offering to its customers.

Prior to the sale of the POS-GRIP Jack-up rental wellhead business to TFMC, 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 exploration wellhead equipment into the Russian Federation and the other CIS states' oil and gas markets. The licencing relationship with Gusar is outside of the business activities that were sold to TFMC. However, as noted above, all activities in Russia and the CIS have been suspended indefinitely.

One of the key challenges faced by the Company continues to be the impact of a volatile oil price, which combined with the impact of Covid-19 has resulted in a significant decline in capital spending and exploration activity by the major E&P operators over the last couple of years. The Board is hopeful that this trend is now reversing as the impact of under investment by the industry, partly due to the downturn in economic activity caused by Covid, and partly due to the desire to reduce dependence on hydrocarbons appears to be causing supply problems and a significant spike in oil and gas prices. Furthermore, the ongoing conflict in Ukraine is causing widely reported Russian oil and gas supply interruptions and constraints, and this has led to increased prices and a surge in activity as the world scrambles to replace Russian hydrocarbons. Plexus sees this as positive for new business opportunities outside of Russia and is seeing a marked increase in tender opportunities.

Plexus' long-term goal is to establish POS-GRIP technology as a superior industry standard for wellhead and leak-free 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.

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 wells. At the same time as the market shows signs of recovery there is a major shift from coal and even oil to cleaner natural gas production. This should be a positive trend for Plexus as it is widely recognised that gas leaks are very damaging to the atmosphere in terms of climate change, particularly with regard to the impact of methane on the environment, and therefore the need for superior and reliable long-term metal-to-metal leak-free 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 and margins, overhead expenses, EBITDA, profit and loss, earnings per share and both fixed and working capital resources and requirements. Non-financial indicators include Health and Safety statistics, employee welfare, geographical diversity of revenues and customers, geopolitical 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. The key performance indicators of the Group are currently focused on both financial and non-financial key performance indicators such as cash resources, research and development activities and commercialization objectives, including licencing initiatives. Over time, as financial key performance indicators such as revenue streams become more established it may 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. Inevitably the Covid pandemic has had an adverse impact on such activities. Understanding what analysts and investors think about Plexus, and helping these audiences understand our business, is part of moving our business forward and we welcome dialogue with the market with the support of our broker Cenkos Securities and Investor Relations advisors St Brides Partners. Such communications when and where appropriate include investor presentations, 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, before determining the most appropriate response.

Responses to shareholders are typically sent by email or letter in a timely manner.

### ***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 – <https://www.plexusplc.com/rns/>. However, in 2020 and 2021 as a direct result of the Covid-19 pandemic, the Company held "closed" annual general meetings where only a quorum of members was present in a compliant and secure arrangement. The Board intends to return to pre-pandemic arrangements for this year's AGM and looks forward to welcoming shareholders once again in person.

### ***Institutional shareholders***

The Directors seek to build relationships with institutional shareholders, as well as long term private investors who continue to remain supportive of the Company and its strategy. Shareholder relations are managed primarily by the CEO and Finance Director, and supported by the Technical Director, as appropriate. The CEO and Finance Director make presentations as required to institutional shareholders and analysts following the release of the full-year and half-year results. While such presentations have not been practical in recent times by the various restrictions imposed by COVID-19, the Board is hopeful that they will recommence by the end of this calendar year.

The Board as a whole is kept informed as necessary of the views and concerns of major shareholders, and is aware that a number of institutions and sources of finance have actively begun to move away from investing in oil and gas related companies. However, the Board believes that as the Company's technology can claim to be greener than conventional wellhead designs in terms of its leak proof sealing capabilities, that a case

can be made for investing in the technology not just on superior technology grounds, but also on green ones. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Non-Executive Directors are available to meet with major shareholders if required to discuss issues of importance to them.

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

During the year Plexus entered into a licencing agreement with Cameron and post year-end re-entered the exploration wellhead market in conjunction with Cameron. Despite Plexus' strategy continuing to evolve around such different ways of exploiting its proprietary POSGRIP IP, the key stakeholders (both internal and external) and the way we engage with them has not changed. Stakeholders continue to consist of shareholders, employees, suppliers, customers, licensees and 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 helping make a business a success. Feedback from shareholders is responded to where possible through interaction via letters, emails, phone calls, meetings and the AGM.

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, employments status, age or membership or non-membership of a trade union.

Staff and staff development continues to be important to the Group. To achieve this, the Group operates in-house training and accredited competency programmes ensure that necessary skill levels are maintained.

Additionally, 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 has been developed under the OPITO standard as it is a concise system that supports the requirements of ISO9001:2015, for which Plexus has received and retains APIQR certification.

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. The Group continues 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 ISO 45001:2018 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 our Business Management System complies with the ISO 45001 standard, demonstrating our 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 our accreditation of API Q1 certification in February 2020 along with ISO 45001 certification in January 2022.

### ***Modern Slavery***

In light of the ongoing activities and resultant human misery that have brought about the Modern Slavery Act 2015, in 2018 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 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 relevant for 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 continues not to have an internal audit programme due to the small size of the administrative function and the 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 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 reviews or otherwise (if any), and any matters the external auditors may wish to discuss (in the absence of the executive directors where necessary);
- (F) to review management's letter of representation;
- (G) to review the nature and extent of non-audit services provided by the external auditors (if any) and be satisfied that the auditors' independence and 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 (currently not applicable);
- (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 their 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 an income statement, balance sheet and cash flow, which are approved by the Board;
- Detailed monthly reporting of performance against budget;
- Control over key areas such as capital expenditure authorisation and banking facilities; and
- 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 (including IT); 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 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*

Material contracts are required to be reviewed 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.

#### *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's 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) is in attendance at board meetings.

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 controls, 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 Audit Committee review the Group's policy on auditor rotation. The current auditors have served for 16 years and there are no current plans to retender.

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. There was no requirement for the Remuneration Committee to meet during the year.

The Board considers that the Non-Executive Directors bring an independent judgement to bear, although it is recognised that factors such as length of service and shareholdings can have an impact. 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. The executive members of the Board have considered the independence of their non-executive colleagues and have concluded they remain independent in the context that they provide independent oversight of the Company removed from day-to-day operations and constructively challenge the executive members of the Board.

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

During the last financial year five Board meetings took place (including Board Committee meetings, but excluding meetings of the Audit Committee, and, as disclosed above, the Remuneration Committee did not meet during the last financial year), and key Board activities as listed below are included but are not exclusive:

- Discussed strategic priorities
- Discussed the Group's financial strength and strategy, including capital investments, shareholder returns and the dividend policy
- Reviewed the performance of the Company's licensees
- Discussed actual and potential M&A activity
- Discussed the 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, and Audit Committee, together with attendees are set out in the tables below.

All members of the Board are expected to attend all scheduled main Board meetings whenever possible, but for practical purposes, the completion of the interim or full year accounts, or certain corporate transactions are delegated to a committee of the board to which all directors are entitled to attend by whatever practical means possible. The directors receive timely notice of each meeting along with an agenda and supporting papers which they review in advance of each meeting.

#### *Directors' conflicts 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 in person or virtually, and to have spent sufficient time studying all papers relevant to the regular meetings. Additionally, they are required to similarly attend meetings whenever required where non-routine course of business activity is going on, such as the Board approval of the Licence Agreement with Cameron in November 2020, and the Jack-up Exploration Wellhead Agreements in August 2021.

The executive members of the Board have considered the independence of their non-executive colleagues and have concluded they remain independent in the context that they provide independent oversight of the Company removed from day-to-day operations and constructively challenge the executive members of the Board.

Details of the Directors along with their experience and skills may be found here <https://www.plexusplc.com/board-of-directors/>

	<b>Board</b>	<b>Board</b>	<b>Audit</b>	<b>Board</b>
<b>2021:</b>	<b>03.08.2021</b>	<b>11.11.2021</b>	<b>Committee</b>	<b>Committee</b>
			<b>11.11.2021</b>	<b>19.11.2021</b>
Jeff Thrall	✓	✓	✓	
Ben van Bilderbeek	✓	✓		
Graham Stevens	✓	✓		✓
Craig Hendrie	✓	✓		✓
Kunming Liu		✓		
Charles Jones	✓	✓	✓	

  

	<b>Audit</b>	<b>Board</b>	<b>Board</b>
<b>2022:</b>	<b>Committee</b>	<b>16.03.2022</b>	<b>Committee</b>
	<b>16.03.2022</b>	<b>16.03.2022</b>	<b>28.03.2022</b>
Jeff Thrall	✓	✓	
Ben van Bilderbeek		✓	
Graham Stevens		✓	✓
Craig Hendrie		✓	✓
Kunming Liu		✓	
Charles Jones	✓	✓	

As already disclosed above, the Remuneration Committee did not meet during the last financial year.

#### **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 regularly on its headline performance against its agreed budget, and the Board reviews updates on performance and any significant variances are reviewed at each Board meeting. Directors' Service contracts are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

The Directors are experienced in their own fields, and they act on their own initiative in ensuring they remain up to date in their respective skills where relevant by being members of relevant professional organisations, attending seminars and conferences, attending continuing professional development courses to maintain any current accreditation and approaching the Company to arrange training where and if it is considered appropriate. 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. No such review is anticipated at the current time.

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. As and when necessary suitable candidates are identified and put forward for consideration and additionally external views are sought, and, if relevant, background checks are undertaken in addition to any regulatory checks that are required. 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 in 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.

#### ***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, whose role is to consider compliance with primarily the Companies Act 2006 along with all other relevant legislation, the Finance Director, 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 monitor 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; and
- 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 Chairman has sufficient separation from the day-to-day business to be able to make independent decisions. The Chairman 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 Chairman 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 an assessment of the effectiveness of the whole Board's performance if it were considered beneficial.

The Board is mindful of the subject of succession planning, although has yet to adopt a formal process. At the present time, 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 significance of the founder's shareholding and is always mindful of the need to balance the interests of all shareholders and stakeholders alike.

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

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, environmental, IP infringement, competitive risk, operational, liquidity and financial requirements, and credit.

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 have ready 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 regularly during each year and in accordance with its scheduled meeting calendar as listed below and when necessary considers a formal agenda 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. Draft 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. None is currently appointed, and the role would be defined appropriate to requirements and circumstances applicable at the time.
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 such as the granting of licences in relation to the Company's IP, contracts of the company in the ordinary course of business (defined as the sale and rental 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
- 29.

### **Miscellaneous**

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

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 regularly reports on its headline performance against its agreed budget, and the Board reviews updates on performance and any significant variances are reviewed at each Board meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates.

#### ***Executive Team***

The Executive Team consists of Ben van Bilderbeek (CEO), Graham Stevens (CFO) and Craig Hendrie (Technical Director), with input from the subsidiary company Directors and teams, all of which are full-time staff members and 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 oversee 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 each committee to discharge its duties. The duties of the Audit Committee have been outlined in the detail on Principle 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 when required 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 when relevant, updates on the views of shareholders through briefings and reports from the Company’s brokers, Cenkos Securities Plc.

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.

The Company announces the results of all votes on resolutions proposed at any general meeting of the members of the Company by releasing an 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 of independent votes) has been cast against any particular resolution, although intends to include this information in the future, should such an occasion arise, 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 – <https://www.plexusplc.com/aim-rule-26/>