

Calnex Solutions plc

Statement of Compliance with the QCA Corporate Governance Code

Corporate governance policy

Calnex Solutions plc (“Calnex” or the “Company”) has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the “QCA Code”), the corporate governance code tailored for small and mid-size quoted companies and considers this to be appropriate given the nature of Calnex’s activities and the size of the Company.

The Board is committed to maintaining high standards of corporate governance and considers that a strong corporate governance foundation is essential in delivering shareholder value. The Board has governance procedures and policies that are considered appropriate to the nature and size of the Company and its subsidiaries.

The QCA Code is constructed around ten broad principles. Calnex seeks to adhere to these principles to the highest level possible.

Set out below is an explanation of how the Company currently complies with the principles of the QCA Code and, to the extent applicable, those areas where the Company’s corporate governance structures and practices differ from the expectations set out in the QCA Code.

Annual updates will be provided on the Company’s compliance with the QCA Code.

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

Calnex designs, produces and markets test and measurement instrumentation and solutions, enabling its customers to validate the performance of critical infrastructure associated with telecoms networks.

Calnex provides its equipment to many of the world’s leading telecoms network operators, equipment vendors, component manufacturers and hyperscale/enterprise companies. It has established a global network of partners to create a worldwide distribution capability. Manufacturing of Calnex’s products is outsourced to a high quality local partner, with whom the Company has had a long standing relationship.

Calnex has a three-pronged growth strategy to capitalise on the structural growth drivers in the telecoms market.

1. Continued product innovation to capitalise on the 5G vision

The Directors believe that Calnex has a market-leading suite of products which are currently delivering test and measurement solutions to customers across the world. With the 5G vision supporting a rapidly evolving test and measurement sector, along with the further opportunities emerging from the move to SDN and cloud-computing, the Directors believe Calnex is well positioned to develop its current product lines in line with its existing customers’ needs.

2. *Expand within the Cloud Computing sector and other market niches*

The Directors anticipate that additional opportunities can be identified, in adjacent and new markets, where the products and solutions that Calnex currently offers to its customers can be deployed to broaden the Company's addressable markets.

3. *Target select M&A opportunities to add to the Company's product portfolio*

Calnex currently targets specific sub-sectors of the global telecoms test and measurement market. The Directors believe that with its proven track record of identifying and targeting these market niches, alongside the management team's experience in successfully integrating bolt-on acquisitions, the Company is well positioned to capitalise on new M&A opportunities.

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

The Company is committed to open communication with all of its shareholders so there is a clear understanding of its strategy, business model and performance.

The Chief Executive Officer and Chief Financial Officer will have regular dialogue with shareholders and analysts to discuss strategic and other issues including the Company's financial results. They will meet with its major shareholders in the days following the release of the Company's interim and annual results, to discuss the results statement and to understand the needs and expectations of these shareholders.

Whilst being mindful of the requirements of the AIM Rules and Market Abuse Regulations, the Board may engage with shareholders directly from time to time in relation to matters those shareholders wish to discuss.

The Company will seek to engage with its shareholders through updates to the market via regulatory news flow ("RNS") on matters of a material substance and/or regulatory nature. In conjunction with the Company's brokers and other financial and public relations advisers, all relevant news will be distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress. The Company's website has a section for investors, which will be kept updated to contain all publicly available financial information and news on the Company.

The Board recognises the Annual General Meeting as an important opportunity to engage with shareholders who are given notice of the AGM at least 21 days prior to the meeting. The Chair of the Board, together with all other directors attend the AGM and are available to answer questions raised by shareholders.

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

The Company is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Company's investors, employees, customers, partners, suppliers and regulatory authorities.

The Company's operations and working methodologies take account of the requirement to balance the needs of all these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Company for the benefit of its shareholders as a whole. The Company dedicates significant time to obtaining feedback on the needs and requirements of these groups which is then, where appropriate, considered by the Board and acted upon.

The Company is committed to attracting and retaining the highest quality of personnel. The Company seeks to achieve this through the application of high standards in recruitment and development and providing a strong supportive culture of continuous improvement and innovation. All staff have objectives and regular communication with management is encouraged as part of the Company's culture. Staff are also encouraged to develop their skills and budget is provided for staff training and development.

The Company seeks to be honest and fair in all relationships with customers, distributors and suppliers and encourages feedback from all parties. The sophisticated nature of Calnex's products requires a high level of customer interaction from Calnex personnel throughout the sale process and the Company is typically regarded as a trusted partner by both its distributors and customers. The high level of engagement with customers provides Calnex with visibility of industry direction and gives valuable insight for the Company's R&D and product development activities.

The Company takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Company ensures full compliance with health and safety and environmental legislation relevant to its activities.

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

The Board is ultimately responsible for the Company's system of internal control and for reviewing the effectiveness of the Company's system of internal control in the light of any risks identified. The systems are reviewed for effectiveness by the Audit Committee and the Board.

The Company's systems of risk management and internal control are designed to help the Company meet its business objectives by appropriately managing the risks relating to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board is aware of the need to conduct regular risk assessments to identify any deficiencies in the controls currently operating over all aspects of the Company.

To that end the Board maintains a risk register for all activities of the Company. The risk register details the potential risk likelihood, mitigating factors, mitigated level impact, action owner and the responsible Director. The senior management team meet weekly to consider new risks and opportunities presented to the Company, making recommendations to the CEO, Board and/or the Audit Committee as appropriate.

A summary of the risks relating to Calnex and its business are detailed in part IV of the Admission Document.

A comprehensive budgeting process is conducted once a year for review and approval by the Board. The Company's results, compared with the budget (and any relevant reforecasts), are reported to the Board on a monthly basis.

The Company maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Company. The insured values and type of cover are comprehensively reviewed by the Board on a periodic basis, after detailed specialist advice from the Company's insurance brokers.

Approval levels for expenditure are at set levels and cascaded through the management structure with any expenditure in excess of predefined levels requiring approval from the Executive Directors.

Given the size of the Company, the Board has concluded it is not appropriate to establish a separate, independent internal audit function but will keep this under review.

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

The Board takes responsibility for developing long term strategies and providing leadership to the Company as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of internal controls and risk, ultimately taking collective responsibility for the success of the Company.

The Board comprises the independent Non-Executive Chairman, the CEO, the CFO and two Non-Executive Directors. The Board is highly committed and experienced and is supported by qualified executive and senior management teams.

The Executive Directors are directly responsible for the running the business operations and the Non-Executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board. Through the leadership of the Chairman, the Board sets the Company's strategic goals; ensuring obligations to shareholders are met.

The Company considers two of the non-executive Directors, George Elliott (Chairman) and Graeme Bissett, to be independent. The Board considers that one of the Non-Executive Directors, Ann Budge, is not independent for the purposes of these guidelines due to her length of service on the Board and her significant shareholding in the Company.

Meetings of the Board are intended to occur not less than seven times a year with additional meetings as and when required.

Role of Chair and Chief Executive Officer

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Company's business, so as to ensure that no one person has unrestricted powers of decision. The Chair is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the CEO's responsibility to ensure they are delivered upon.

The Senior Management Team which comprises representatives from Sales, Operations, R&D, Finance and HR reports to and regularly engages with the CEO. The day to day operations of the Company are managed by the Senior Management Team.

Composition of and appointments to the Board

The QCA Code requires that there should be a balance of Executive and Non-Executive Directors and when appointing new Directors to the Board, there should be a formal, rigorous and transparent procedure. The Board is satisfied with the balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Company's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different skills and experience to the Board and the Board Committees. The Board is satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Company. The Code requires that the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and Directors. The Board conducts an annual review its composition to ensure there is adequate diversity to allow for its proper functioning and that the Board works effectively together as a unit. When a new appointment to the Board is to be made, consideration will be given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition.

Board Committees

The Company has established Audit, Remuneration, Nomination and AIM Compliance committees with formally delegated duties and responsibilities.

The Audit Committee has the primary responsibility of monitoring the quality of internal controls and ensuring that the financial performance of Calnex is properly measured and reported on. It will receive and review reports from the executive management team and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout Calnex. The Audit Committee will meet not less than twice in each financial year and will have unrestricted access to the Company's external auditors. The Audit Committee is chaired by Graeme Bissett and includes George Elliott and Ann Budge as members.

The Remuneration Committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary. The Remuneration Committee is chaired by Graeme Bissett and includes George Elliott and Ann Budge as members. Ann Budge is a non-independent Non-Executive Director but her membership on the committee arises from the Board's desire to have the benefit of her experience and guidance on Remuneration matters, while still having a majority of independent Non-Executive Directors on the committee.

The Nomination Committee will consider the selection and re-appointment of Directors. It will identify and nominate candidates to fill Board vacancies and review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board

with regard to any changes. The Nomination Committee is chaired by George Elliott and includes Graeme Bisset, Ann Budge and Tommy Cook as members.

The AIM Compliance Committee will be responsible for ensuring that the Company has in place at all times sufficient procedures, resources and controls to enable it to comply with the AIM Rules. The AIM Compliance Committee is chaired by Graeme Bissett and includes George Elliott and Ashleigh Greenan as members.

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

Biographies of the Board of Directors can be found on the [Company's website](#).

Each member of the Board brings different skills and experience to the Board and the Board Committees. The Board is satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Company.

The CEO's role is critical in developing and maintaining the sustainability and effectiveness of the Company. Specifically, the CEO's tasks will include:

- Environmental, social and corporate governance (the Chair has overall responsibility for corporate governance with the CEO working in conjunction with this)
- Leading the development and execution of the Company's vision and strategy
- Senior human resource management
- Strategic planning
- Financial and physical resources management
- Representing the Company and its objectives to key stakeholders and the market in general
- Leading and driving overall merger and acquisition strategy

The CEO is therefore expected to keep up to date with the industry and market(s) in which the Company operates.

The CEO is also responsible for ensuring that that the Board receives, on an ongoing basis, the information it requires as to the status of the Company in terms of the achievement of the approved strategic objectives and operating budget.

The primary function of the CFO is to ensure that the Company's Board is able to make proper judgements as to the Company's financial position and prospects. This encompasses responsibility for the Company's financial health, that it has in place an appropriate financial strategy to enable it to achieve its wider strategic plan objectives, its annual budget outcomes and, most importantly, is able to meet its obligations to shareholders, the 'market', banks, creditors, suppliers and other stakeholders as required. The CFO's principal responsibilities include:

- Internal and external financial reporting
- Cash Management
- Corporate governance (with CEO)
- Risk management and the maintenance of effective systems of internal control

- Forecasting and planning across the Company
- Tax compliance and planning
- Compliance with AIM Rules

The CFO is required to keep up to date with any changes to accounting standards and to ensure their skillset is refreshed on an ongoing basis.

The Non-Executive Directors hold senior positions with other companies ensuring that their knowledge is continuously refreshed. Specific training will be provided to the Board by the Company when required to support the Directors existing skillsets.

The Board is provided with specific training on the AIM Rules for Companies by its Nominated Adviser on an annual basis. The Company's Nominated Adviser is available to provide guidance and additional training to the Board on specific regulatory matters as required.

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

The effectiveness of the Board, individual directors and senior management is evaluated on an ongoing basis as part of the Board's ongoing review of the business. As the Board remains relatively new there has not yet been a formal external review of the effectiveness. However, this is something that will continue to be considered and, as the directors are mindful that this is a requirement of the QCA, the Board intends to implement this at an appropriate time.

The Chair has overall responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Company's strategy and overall commercial objectives. This process feeds into the ongoing evaluation of Board performance.

The Chair has been tasked with assessing the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- They are committed
- Where relevant, can continue to be considered independent

The Board has established an executive and senior management team with strength in depth in each of its core functions of Sales, Operations, R&D, Finance, Sales and HR which it will draw on, together with appropriate external appointments, with regards to succession.

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

The Board places great emphasis on promoting a corporate culture that reflects the Company's ethical principles and behaviours.

As the Company works with an international team, considerable importance is placed on a culture of inclusivity and sensitive communication, thereby ensuring that individual cultural values and languages are respected.

The Company encourages innovation, has flat management structures and encourages a culture of continuous improvement. This helps to ensure that communication and understanding flows well within the Company.

The Board has implemented formal HR policies and procedures that set out details and guidelines on the culture of the Company and how this should be reflected in employees' individual conduct.

An anti-bribery statement is on the corporate website and the Company ensures that all staff are aware of the anti-bribery policy which sets out the expectations of the Company so far as acceptable business conduct is concerned and in particular that giving or accepting bribes is not acceptable. The Company also has an anti-slavery and human trafficking statement which all staff are made aware of. These policies, along with all other main compliance policies, are provided to staff upon joining the business and recirculated annually. Training is also provided at the induction course and at regular intervals thereafter to ensure that all employees within the business are aware of their importance.

All Company policies are also available to the staff through the Company Sharepoint.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board has overall responsibility for promoting the success of the Company. The Executive Directors have day-to-day responsibility for the operational management of the Company's activities. The Non-Executive Directors are responsible for bringing independent and objective judgment to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Chair. The Chair is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters. The Chair has overall responsibility for corporate governance matters in the Company and chairs the Nomination Committee. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Company.

The Board has established an Audit Committee, an AIM Compliance Committee, Remuneration Committee and Nominations Committee with agreed terms of reference and formally delegated duties and responsibilities. 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 duty.

The Board is scheduled to meet at least seven times each year. The Company has a highly committed and experienced Board and is supported by qualified executive and senior management teams.

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 relevant Committee and then followed up by the Company's management.

Information on the Company's operational and financial performance is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget and market consensus, and the Board evaluates any significant variances. Senior executives below Board level attend Board meetings as appropriate to present business updates.

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies are appropriate and are advised by the Company's auditors on future changes to such accounting policies.

Financial results with comparisons to budget and forecast results are reported to the Board on a regular basis, together with reporting on strategic and operational issues. Significant variances from budget or strategy are discussed at Board meetings and actions set in place to address them.

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

The Company places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Company's activities are fair, balanced and understandable. The Company's website is regularly updated with announcements or details of investor presentations and events as well as the Company's financial reports. Trading updates and press releases are issued as appropriate and the Company's brokers provide the Board with briefings on shareholder opinion and compile independent feedback from investor meetings for review by the Board.

The Annual General Meeting is used by the Directors to communicate with both institutional and private investors. Every shareholder will have access to the full annual report at each year end and the interim report at each half year end. Care is taken to ensure that any price sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements.

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