

## **CORPORATE GOVERNANCE**

The Board recognises that applying sound governance principles in the running of the Group is essential. The Company has adopted the QCA Corporate Governance Code. An explanation of how the 10 QCA Corporate Governance Code principles are applied by the Company is set out below:

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

The long term aim of the Company is to be the world leader in passive people screening technology. This aim is underpinned by world class technology with suitable patent protection and growing worldwide acceptance of the technology.

The Company's business model and strategy are set out in its latest **annual report** ("Annual Report"). In addition, the principal risks and uncertainties identified by the Board to the successful delivery of the Company's strategy, together with the principal controls in place to mitigate those risks, are set out on pages 8 to 10 of the **Annual Report**.

The Board reviews the Company's risk register at least three times a year as part of the external audit and annual and interim accounts processes.

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

The Company is committed to maintaining good relations with all its shareholders through the provision of interim and annual reports, other trading statements and the Annual General Meeting ("AGM").

The Chairman, Chief Executive and Finance Director also meet with the Company's institutional shareholders regularly to discuss the Company's performance and business model and strategy and feedback from these meetings is reported to the Board.

Each of Board member attends the Company's AGM where investors are invited to formally and informally field questions and discuss their views with the Board.

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

The Company recognises that its long-term success relies on maintaining and building strong relationships with its various stakeholders, including in particular, its shareholders, suppliers and employees.

The Company is committed to maintaining long-term strategic partnerships with key suppliers, many of whom have worked with the Company over many of years.

The Company is committed to maintaining good employee relationships and employs a range of recruitment, communication and employee engagement initiatives designed to attract, recruit and retain employees. Further details of the Group's employee engagement programme are set out on page 16 of the **Annual Report**.

The Company also recognises the potential impact of its operations on the environment and examples of how the Company seeks to minimise that impact are set out on page 17 of the [Annual Report](#).

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

The principal elements of the Group's system of internal control are set out on page 25 of the [Annual Report](#).

In addition, the principal risks and uncertainties the Board believes could have the most significant adverse impact on the Company's business, together with the principal controls in place to mitigate those risks, are set out on pages 8 to 10 of the [Annual Report](#)

**Maintain a well-functioning, balanced team led by the Chair**

The Executive Chairman is responsible for leading the Board and its governance arrangements.

The Company currently has four directors, of which one, Paul Taylor, is an independent non-executive. This is not in accordance with the QCA code. Details of the directors, including their roles, committee memberships, skills and experience and are set out on page 11 of the [Annual Report](#) their attendance record at both Board meeting and Board Committee meetings in the last financial year are set out on pages 20 to 22 of the [Annual Report](#).

Details of the Company's board and its committees, being the audit committee, remuneration committee and nominations committee are set out on pages 19 to 24 of the [Annual Report](#).

The Board is satisfied that, in the short term, it has a suitable balance between independence (including the retention of a very experienced and qualified Company Secretary) and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

The composition of the Board, given the fact that there is only one Non-Executive director, is currently under review. The nomination committee is responsible for reviewing the Board's balance and membership.

**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

Details of each Board member's experience, skills and qualifications are set out on page 11 of the [Annual Report](#) and on the company website.

All Directors are able to take independent professional advice, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary.

The Board considers that collectively, it has the necessary experience, skills and capabilities to discharge its duties effectively.

### **Evaluation of Board performance**

The Non-executive Director and the Chairman meet regularly throughout each financial year without the presence of the other Executive Directors, during which the performance of Executive Directors is assessed. The Board as a whole considers the performance of the Non-Executive Director and the Chairman without them being present.

A formal Board and committee evaluation process was undertaken in earlier in 2019 and will be repeated annually.

### **Promote a culture based on ethical values and behaviours**

The Company has clear and defined values based on people, innovation, integrity and customers.

These values are embedded in the Company's internal systems and controls (including its Ethics, Whistleblowing, and anti-corruption policies) and in its HR policies which, collectively define how it behaves as a company.

Further details of our approach to embedding these values are set out on page 25 of the [Annual Report](#).

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

Details of the Company's principal governance structures, including the Board and its committees are set out below. In addition, pages 21 to 24 of the [Annual Report](#) contain reports from the Audit and Remuneration Committees which set out their key areas of responsibility and activities.

The Board considers that the Company's governance structures and processes are fit for purpose and support good decision making by the Board.

### **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 its Annual Report and Accounts, annual and interim announcements, the AGM and individual meetings with shareholders. Key corporate information (including all Company announcements and presentations) is available on the Company's [website](#).

The Board receives regular updates on shareholders views through briefings from the Chairman and Managing Director and the Company brokers, Investec. In addition, the Senior Independent Director is available to meet on an ad hoc basis with the Company's principal shareholders if required.

The Company communicates with its institutional investors through briefings with management at least twice a year, coinciding with the Company's annual and interim results and at other times during the year as required. In addition, analysts' notes and brokers' briefings are reviewed to provide insight into investors' views of the Company, its strategy and performance.

### **AUDIT COMMITTEE**

The Company has established an Audit Committee, which comprises Paul Taylor (Chair) and Tom Black. It meets at least three times each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The Audit Committee is responsible for determining the application of the financial reporting and internal control principles, including reviewing regularly the effectiveness of the Company's financial reporting, internal control and risk-management procedures and the scope, quality and results of the external audit.

### **REMUNERATION COMMITTEE**

The Company has established a Remuneration Committee which comprises Paul Taylor (Chair) and Tom Black. It reviews the performance of the executive Directors and senior management and sets the scale and structure of their remuneration and the basis of their service agreements with due regards to the interests of Shareholders. In determining the remuneration of executive Directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee also makes recommendations to the Board regarding the award of share options under the company's Long-Term Incentive Plan. No Director is permitted to participate in discussions or decisions concerning their own remuneration.

### **NOMINATION COMMITTEE**

The Company has established a Nomination Committee which comprises Paul Taylor (Chair) and Tom Black. It is responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

22 November 2019