

## **Statement of Compliance with the QCA Corporate Governance**

### **Code Changes to corporate governance regime**

The London Stock Exchange requires all AIM listed companies to adopt a recognised corporate governance code. The TP Group Board has selected and applied the Quoted Companies Alliance (QCA) Corporate Governance Code (the “QCA Code”). This code contains ten principles, details of which and TP Group’s compliance thereof, are disclosed below. This statement was last updated in July 2022.

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

The Group strategy and operations were reviewed following the Board changes in October 2021. The revised business strategy was communicated to the market on 1 November 2021 and clearly defined that the business was to focus on its UK based Defence and Aerospace operations, with non-core assets to be disposed of. Furthermore, the Group had already commenced, prior to this, a significant cost reduction programme to substantially reduce head office overhead costs and office facilities. This streamlining of the organisation structure placed clearer responsibilities into the Company operations.

As a result of the restructuring, TP Group comprises two divisions: TPG Services and TPG Maritime. These two divisions historically constituted approximately 70% of the Group’s revenue with the balance coming from the non-core assets comprising Sapienza, Northstar, and Westek.

Subsequent to the 1 November 2021, the Board’s priority has been to resolve the onerous TPG Maritime contracts, and address the short-term cash flow pressures, so as to establish a solid foundation from which to grow the business. As noted in the Chairman’s Statement, this will take some time to resolve and only at that point can the Board start to implement a medium to longer term strategy. Two of the non-core assets, Sapienza and Northstar, have been disposed of.

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

TP Group remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are understood and supported. Understanding what investors and analysts think about us, and in turn helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market via regular investor roadshows and our reporting activities. Furthermore, the Board welcomes as many shareholders as possible to attend the Parent Company’s Annual General Meeting and encourages an open discussion after the formal proceedings.

The Board receives updates on the views of shareholders through briefings and reports from the Chairman, Chief Financial Officer and the Company’s brokers. Analysts’ notes and brokers’ briefings are reviewed to achieve a wide understanding of investors’ views.

There are a number of methods for engaging with and informing shareholders. The Regulatory News Service (“RNS”) ensures that relevant updates are provided in near-real-time to the market, and we work closely with our Nominated Advisor (“NOMAD”) and communications advisor to ensure that the appropriate information is released in a timely fashion. The Company communicates with institutional investors through briefings with

management. We regularly update the investor section of our website to support better engagement and understanding of TP Group.

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

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in any decisions made.

Our key stakeholder groups (aside from shareholders) are identified below. The specific members of each stakeholder group may change from time to time with any specific needs related to these individual stakeholders assessed and reviewed appropriately as part of the engagement process.

#### *Customers and suppliers*

Across the Group, we have many long-standing and highly successful relationships with large customers and suppliers worldwide. We seek to have appropriate, risk-balanced agreements in place with all our customers and suppliers to create proactive working relationships across the supply chain.

#### *Employees*

Alongside our shareholders, suppliers and customers, we recognise that our employees are one of our most important stakeholder groups. They offer skill sets and experience that are critical to our long-term business success, and our employee programme underpins how we attract, retain, develop and reward our employees.

#### *Wider communities*

TP Group builds and develops relationships between the business, its people and the local communities in which it operates, focused on partnering with those organisations or initiatives that have impact and meaning to the business and its employees. This includes:

- The Armed Forces – supporting active service personnel, veterans and their families. The Company is a member of the Armed Forces Covenant and pledges to be an armed forces friendly employer.
- Education and skills – inspiring young people to consider science, technology, engineering and mathematics (STEM) subjects and careers through a UK STEM Programme set up in 2021; the Company's apprenticeship scheme; and as a member of the industry-led 5% Club.
- Supporting the local communities - supporting various initiatives within the areas that the Company operates including sponsoring youth activities and community projects.

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

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, any such system of internal controls can only provide reasonable, but not absolute, assurance against material misstatement or loss. Following the recent issues identified at the end of 2021 in regards to the TPG Maritime contract management /review process, and subsequent changes made within the business as a result thereof, the Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

### *Financial controls*

The Company has an established framework of internal financial controls, the effectiveness of which is reviewed by the Audit Committee, the Board and the Executive Management, including:

- the Board is responsible for reviewing and signing off the overall Company strategy, including approving revenue, profit and capital budgets and plans, and for determining the financial and reporting structure of the Company. There are well-understood and implemented processes for budgeting and forecasting;
- the Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, operational and financial controls. The Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS);
- A detailed Board pack is regularly provided to and discussed by the Board, which includes amongst other things:
  - the financial statements of the Group (income statements, cash flows, capital expenditure and balance sheets)
  - monthly variances to budget and prior year. Forecasts for the current financial year are regularly revised and presented to the Board, in light of actual performance to ensure that information is up to date and any risks in meeting year-end numbers can be identified and mitigated as soon as possible
- A more detailed and robust monthly review of major contract activities following the issues identified at the end of 2021 in regards to the TPG Maritime contract review process;
- central control over key areas such as material capital expenditure and banking facilities; and
- agreed KPIs and other business measures.

### *Non-financial controls*

The principal elements of the Group's internal non-financial controls include:

- close management of the day-to-day activities of the Group by the Executive Director and the senior management team;
- an organisational structure with defined levels of responsibility which promotes decision-making and rapid implementation while minimising risks;
- the Company maintains a business risk register. Risks facing the business are continually re-assessed, and mitigating actions are considered and implemented when necessary to help protect the business;
- a clearly documented and enforced approval process covering matters such as capital and operational expenditure, recruitment, tendering, and contract acceptance;
- robust procedures to review, implement and oversee adherence to the internal controls, policies and ways of working considered appropriate for our business;
- central control over key areas such as material capital expenditure and banking facilities; and
- established approvals matrix underpinning all tender and contract acceptance activities.

The Audit Committee has delegated responsibility for reviewing the Group's systems of risk management and their effectiveness on behalf of the Board. These systems and processes have been in place for the year under review and remained in place up to the date of approval of the Annual Report and financial statements. The Group continues to review its

system of internal controls to ensure compliance with best practice, while also having regard to its size and the resources available.

#### *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 which are regularly reviewed to ensure that remain fit for purpose within our evolving business. Training is also provided across a range of key compliance areas (including GDPR, Anti-Bribery and Security) to all applicable staff annually. New employees are required to review key policies as part of the induction and on-boarding process.

#### **Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board comprises a Chairman, an Executive Director, and two Non-executive Directors, who between them provide a broad range of skills and experience in their respective roles and joint overall responsibility.

All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. Where any Board member believes there may be a conflict of interest, specifically those directors (Martyn Ratcliffe and Peter Bertram) on the Science Group Board, the director can recuse themselves from a decision, as is recently evidenced:

- In December 2021 Martyn Ratcliffe and Peter Bertram recused themselves from all dealings, negotiations and decisions in relation to the Science Group plc loan facility.
- In May 2022 Martyn Ratcliffe and Peter Bertram recused themselves from the ongoing discussions, negotiations and final decision to dispose of Sapienza.

The Board considers, after careful review, that the Board is sufficiently independent but continues to evaluate the Board composition. Where necessary, sub-committees of the main Board have been established to ensure that this independence can be delivered and there are no potential conflicts of interest.

The directors are committed to fulfilling their roles. In addition to Board meetings, established meetings are in place to support business operations and programmes. The Chairman engages with the directors outside of the Board meetings on a one-to-one basis as and when required to discuss matters of the business.

#### *Matters for the Board*

Key Board activities include, but are not limited to:

- strategy review and approval;
- approval of the annual budget;
- careful review and assessment of all acquisition and disposal opportunities;
- assessment of key risks for the business;
- approval of key senior management recruitments and promotions; and
- approval of external reporting.

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 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. The Board members service contracts and letters of appointment

are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

Training on matters related to their respective roles is available if required, to all directors. Directors are subject to re-election in accordance with the Company Articles.

During 2021, nine formal, scheduled Board meetings took place, and all members attended all meetings they were invited to (see table below). Numerous ad hoc and informal meetings were held.

	Board	Audit Committee	Remuneration Committee
M Ratcliffe	7/7	n/a	1/1
D Stroud	13/13	2/2	n/a
D Lindsay	9/9	1/1	n/a
P Bertram	7/7	n/a	1/1
P Cartmell	3/3	1/1	n/a
A McCree	6/6	2/2	2/2
P Holland	7/7	2/2	2/2
J Warner-Allen	6/6	2/2	2/2

D Stroud, P Cartmell and D Lindsay attended the Audit Committee meetings by invitation.

The Audit Committee is chaired by Peter Bertram, who was appointed as chair in November 2021 upon his appointment to the Board. The Committee has specific terms of reference that deal with its authority and duties. It typically meets at least twice a year, with the Executive Directors and auditor attending by invitation.

The Remuneration Committee is chaired by Peter Bertram. Meetings are attended by all Board members as appropriate and by invitation. The Remuneration Committee sets and annually reviews the terms and conditions of employment of the Executive Directors. The remuneration of Non-executive Directors is fixed by the Board as a whole.

**Principle 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 compliance with the AIM Rules for Companies and other related legislation, finance, internal controls, risk assessment and management, innovation, international trading, business growth, M&A activity and people development. The Board work effectively together as a balanced team with no one member being able to dominate over the others in forcing decisions.

Subsequent to the Board changes in October, action has been taken to review and amend amongst other things: financial processes; employee remuneration; the commercial approach to future customer engagement; and the financial stability of the Company. A number of these reviews were in response to the onerous TPG Maritime contracts, but also application of appropriate governance by the new Board. Where required, the Board will take, and has taken, external advice.

### *Directors' obligations*

All directors are made aware of their obligations under S172 of the Companies Act and other applicable legislation and are encouraged to keep up to date with their knowledge and skills. Training on specific areas is arranged by the Company Secretary as required or on request of any of the Board members.

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 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. The Board members' service contracts are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

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

The Board makes decisions regarding the appointment and removal of directors, and there is a formal, rigorous and transparent procedure for appointments, which is set out in the Company's Articles of Association. Directors are put up for re-election at the AGM on a strict rotation basis in accordance with the Company's Articles of Association.

### *Independent advice*

All directors are able to seek independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Non-executive Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

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

Given the nature of the board changes in 2021 and revised strategy including disposal of non-core assets, the Board will be reviewing its performance during 2022.

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

TP Group is committed to promoting a culture based on ethical values and behaviours across its business. Our core values underpin a culture that helps to attract and retain the highly skilled people that are critical to achieving our business objectives and future growth

The Company introduced its core values in 2019 to establish an ethical values-based culture, and progress continues to ensure that these core values are understood and embraced across the Group.

The core values are:

- Strive for Excellence
- Embrace Responsibility
- Achieve Together
- Building Unity
- Challenge Ourselves
- Have Integrity in all we do

Our core values form part of our wider Code of Conduct (which itself covers a wide range of cultural and ethical concepts around matters such as equality, service standards, anti-corruption and environmental matters). This Code of Conduct is reviewed regularly and updated as required to ensure it continues to be fit for purpose and accurately reflects our business standards.

Policies are in place covering key matters such as bribery, protection of intellectual property and sensitive information, diversity and anti-discrimination and whistleblowing. These are rigorously enforced and reviewed at least annually to ensure they remain fit for purpose and in line with current industry good practice. Ongoing training across a range of compliance areas (such as anti-bribery, harassment, GDPR, security) has been delivered during 2021 via our nominated third-party on-line training provider.

The Group first published its formal anti-slavery statement in 2019 and this is available on the Group's website. Also see Principle 3 above

Our corporate Code of Conduct is available [here](#).

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

The Board sets direction for and reviews the performance of the Company through a formal schedule of matters reserved for its decision. It is responsible for matters including but not limited to:

- overall Group strategy;
- monitors the exposure to key business risks and reviews the strategic direction of the two business streams;
- approval of major investments (whether capital expenditure or operating expense);
- approval of the annual and interim results;
- setting of the annual budget;
- approval of major contracts;
- review of external announcements and reporting; and
- M&A activity.

The Board is supported by the Audit and Remuneration Committees. 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.

Prior to the start of each financial year, a schedule of dates for that year's Board and committee meetings is compiled to ensure an appropriate spread of meetings across the financial year, taking account of its financial and trading year key calendar events, supplemented by additional meetings as and when required. In addition to the Board meetings, regular meetings of the Audit and Remuneration Committees are scheduled.

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

Where any Board member believes there may be a conflict in interest, specifically those directors on the Science Group Board, the director can recuse themselves from decisions, examples of which are disclosed in principle 5. 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.

The senior management team members each report to the Board and collectively are responsible for:

- the day-to-day management of the Group's businesses and their overall trading;
- operational and financial performance;
- management of key risks; and
- implementation of the corporate responsibility programmes.

**Principle 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 the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM), regular RNS updates and one-to-one meetings with large existing or potential new shareholders as well as more informally via twitter and LinkedIn.

The Board receives regular updates on the views of shareholders through briefings and reports from the Chairman, Chief Financial Officer and the Company's brokers (Cenkos). The Company communicates with institutional investors through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

Copies of the latest and prior year Annual Reports and AGM voting results can be found in the Investors section of our website.