

Aukett Swanke Group Plc - Compliance with QCA Code

AIM RULE 26

Introduction

Following the introduction of AIM Rule 26, the Aukett Swanke Group Plc has resolved to adopt the QCA Code. Accordingly additional website and Report and Accounts disclosures are required.

The QCA Code comprises 10 Principles. We have set out our compliance with these Principles below and have cross referenced them to a matrix ('QCA matrix') which also includes related considerations and requirements. These related considerations and requirements have been assigned a sub-number within each of the 10 Principles.

PRINCIPLE 1

Strategy and business model (1.1, 1.2)

The current strategy and business model for the Group is set out in the current Report and Accounts and is updated annually. The following is taken from the 2017 report and Accounts.

Our strategic objective is to provide a range of high quality design orientated solutions to our clients that allow us to create shareholder value over the longer term and at the same time provides a pleasant and rewarding working environment for our staff. The cyclical nature of the markets in which we operate gives rise to peaks and troughs in our financial performance. Management is cognisant that our business model needs to reflect this variable factor in both our decision making and expectation of future performance.

We operate our business model through a three hub structure covering: the United Kingdom with our office in London; the Middle East with seven office locations in the United Arab Emirates; and Continental Europe with five offices in Berlin, Frankfurt, Istanbul, Moscow and Prague (operated through subsidiaries, joint ventures and associated entities).

The United Kingdom hub comprises three principal service offers: comprehensive architectural design including master planning, interior design and fit out capability and an executive architectural delivery service under the 'Veretec' brand.

Our Middle East business comprises four separately registered operations which are gradually being marketed under a common brand 'Aukett Swanke'. The service offers within the region include architectural and interior design, post contract delivery services including architect of record and engineering design and site services. Increasingly these separate activities are being combined as a single multidisciplinary service as demanded by this market and we are now better placed to offer such a 'one-stop shop' service.

Our Continental European operations are all separately managed by local Directors. The services offered are consistent with the other two hubs.

Management of the group operations is delegated to members of the Group Management Board ('GMB') which comprises both the CEO and CFO along with four Managing Directors. The GMB meets

on a regular basis to review topics relating to operations and discuss future architectural and related strategic issues.

PRINCIPLE 2

Share capital and shareholders (2.1, 2.2, 10.1)

Information about the Company's shares, listing information, significant shareholders; Directors' shareholdings and share donations are set out on the Group's website Investor Relations > Share information and in the annual Report and Accounts.

The Executive Directors understand the importance of shareholder dialogue and regularly seek to engage with shareholders at the time of results' announcements, at the AGM or as requested. In addition, there is a separate mailbox cosec@aukettswanke.com

The Directors also appreciate the value of a dividend policy which is communicated and they endeavour to ensure that the Company's policy is clear.

The primary contact for investors is Nicholas Thompson, Chief Executive Officer.

PRINCIPLE 3

Corporate Social Responsibility & Stakeholder Engagement (3.1, 3.2, 3.3, 3.4)

Our website under Studio>Profile and Design Services sets out how we engage with our clientele and related stakeholders in the practice of architecture, master planning, urban and interior design.

Our employees recognise that the professional services we offer have a significant impact on not just our direct clientele but also on the public realm, society and the environment as a whole, and this is recognized in the Studio>Design Services for each discipline and the Awards section of the website.

Client and stakeholder engagement and feedback are an integral and iterative part of the design process we undertake on all projects, as expressed in the Studio>Design Services for each discipline and the Awards section of the website.

Alongside the contribution made to our clientele and others through the execution of our services we actively participate as thought and practice leaders in initiatives and events in the property and construction industry. We also undertake a wide variety of voluntary and charitable endeavours that are featured in the Studio>News section of the website, our Intranet site, Twitter and Instagram platforms.

PRINCIPLE 4

Risk Management (4.1, 4.2)

The Group's risk management objective is to identify, document and monitor those factors that represent risks to the Group in fulfilling its strategic objectives and to manage those risks consistent with agreed risk tolerances.

The Business Risk Review (BRR) is the principal tool by which the Group carries out this process and allows the Board to assess the business risks in the context of best practice consistent with any codes of corporate governance. This tool sets out the level of risk incurred and its probability of occurrence in order to establish a level of tolerance applicable to the business.

The BBR is structured to allow monthly reporting from all local businesses to be elevated into a bi-monthly Group Management Board (GMB), with any significant risks elevated to the monthly Plc Board meetings via a 'Red Flag' report. These Red Flag items reflect the key Risks and Uncertainties as set out in the Report and Accounts

PRINCIPLE 5

Board structure and composition (5.1, 5.4, 9.1)

The Board comprises two Non-Executive Directors (NED's) and three Executive directors. The Board believes that the optimal structure is balanced between NED's and Executives such that equal weighting is given to oversight and governance, and, strategic development and operational performance in order to promote the company.

Committees (5.3, 9.3, 10.2)

These are set out under: The Plc Board – Corporate Governance section of the Investors website.

Additionally each year the relevant sub Committee produces its own Business Plan for inclusion in the Group Business Plan setting out any changes to its Terms of Reference and the principal activities it is to undertake in the forthcoming financial period. External surveys and internal analysis of implementation is provided to the relevant committee.

PRINCIPLE 6

Directors experience and capabilities (6.1)

The biographies of each current board member can be found under the Investment section /Plc Board on our website.

Other roles (5.5, 6.2)

Board members are encouraged to take on other roles that do not conflict with their membership of the Board or are seen as supportive of their current role.

Tony Simmonds acts as a consultant to a premier legal firm; John Bullough holds NED roles in property based companies; Nicholas Thompson is an NED of the Wren – the company's mutual professional indemnity insurer, Beverley Wright is a member of the Architect's Financial Management Group (AFMG), and Robert Fry is a regular contributor and awards judge for World Architecture News (WAN).

Group management structure (5.1, 6.1, 6.2, 6.3, 8.4, 9.1, 9.2, 9.3, 9.4, 10.1, 10.2, 10.3)

The ultimate management of the Group is by the Board and its committees. The role, remits and reports of the committees are set out in the Report and Accounts and on the website under Investor

Relations > Plc Board and Investor Relations > other documents. Implicit within all remits is the obligation of the Board under The Companies Act is to promote the company at all times.

Day to day and operational management is delegated to the GMB which comprises the CEO, CFO and the hub Managing Directors. Each hub in turn has its own team under the Managing Director and each business within each hub equally has its own board. The CEO and CFO are represented on all boards.

Delegated responsibility is defined at each level and there are authority matrices which set out limits of responsibility at specific levels and for specific actions and activities. Each individual board, other than the GMB usually meets every month. The GMB meets bi-monthly, unless more frequent meetings are required.

The Directors and senior members of staff review, mentor and develop colleagues on an ongoing basis in a coaching and advisory capacity.

All members of the Board endeavour to keep up-to-date and attend seminars and training courses as appropriate. Each Director is required to complete CPD in accordance with his/her professional qualification.

PRINCIPLE 7

Evaluation of the Board (5.5, 6.1, 7.1, 7.2, 7.5, 9.3)

The Nomination Sub Committee of the Board reviews the skills of each board member on an annual basis using a matrix grid of core requirements and level of each attribute achieved the board membership.

The Skills matrix covers 14 key skills identified as relevant to the operations of the listed company and its key activities. Each skill is given a weighting factor of 1 to 3 and graded by level of knowledge and experience on a scale of 1 to 4. This then provides a weighted ranking of the skills provided by the current board and each member in relation to that ranking.

Following completion of the annual review the Nomination Committee makes recommendations to the Board on further training or mentoring requirements as necessary.

Appraisals are carried out by the Chairman of each board member on an annual basis. The NED's appraise the Chairman. As a result of these meetings, any mentoring and training needs are established.

Board attendance & Effectiveness (5.6/7.1)

Members are encouraged to personally attend all meetings and where this is not possible the Board makes alternative provision through changing of dates or allowing attendance via video conferencing (VC) facilities. This latter VC alternative has been used on numerous occasions particularly when Board members are travelling. This has resulted in the high attendance record. The Board meets on a monthly basis.

The attendance record for the year will be contained in the next Report and Accounts.

Board remit (7.1, 9.4)

The role of the Board and its composition is set out in the Group's Report and Accounts which are on the Group's website.

In summary the Board is a balanced team of executives and non-executives with the remit to ensure good, appropriate, safe governance and compliance of the Group and to manage the staff and assets, monitoring performance and developing and implementing strategy in order to deliver the best possible results for the shareholders.

The principle matters reserved for the Board are set out on the website, see [Investor Relations > Other documents](#).

Succession planning (7.3, 7.4)

The Nomination Committee is responsible for managing the succession plan of the Board. This is carried out by maintaining a succession planning matrix. This matrix contains information on: the Role, Job Holder, Sub Committee membership, term and notice period, AGM re-election dates, and alternatives for either temporary or permanent replacement.

NED's hold office for no more than three successive terms of three years - in line with industry norms.

Executives are on contracts of six or twelve month's duration.

PRINCIPLE 8

Corporate Governance – External (8.1, 8.2, 8.4)

Key corporate governance statements relating to the company and its operations are set out on our website under: [The Plc Board > Investors \[portal\] > Other Documents](#), as stated below.

Our strategic health & safety statement acknowledging our duties and responsibilities is signed by the CEO. Two other Plc Board members form a part of the H&S Steering Committee which meets bi-monthly and reports into the Plc Board meetings.

Data Privacy (GDPR)

A data privacy notice outlines our policy and procedures covering how information is collected and used whether via our website or by visiting our studios, an individual's rights and the measures to be adopted for reporting any breaches.

Corporate Governance – Internal (8.1, 8.2)

Our external statements are supported by other policy and procedural documents located on our intranet site and in a Studio Handbook for the benefit of our employees.

The company's intranet site provides details of our Group and internal management structure, design culture, employment, health & safety, data privacy, anti-corruption & bribery and sustainability policies.

The Studio Handbook is a separate printable document available on the intranet site which contains more detailed operational information and requirements pertaining to the activities of employees. It includes various sections covering Practice Profile, Studio wellbeing, health & safety, fire evacuation, IT protocols, CPD, mentoring, training and office administration.

The Project Handbook is a separate section of the intranet site that covers the range of policy, procedures, guidelines and templates for the application of our professional skills on the projects we design and deliver for our clients. It includes project execution, drawing and CAD/BIM protocols, guides and templates, a design review methodology and data management tools.

Our business operation in the practice of architecture, master planning and interior design in the UK is underpinned by accreditation and certification by the British Standards Institute for our Environmental Management System ISO 14001:2015 and our Quality Management System ISO 9001:2016. These standards are emulated in our overseas operations where relevant and in relation to local standards and license requirements.

In addition we have an extensive track record of peer recognition and reward through award winning projects meeting exacting design, delivery and environmental performance requirements such as the RIBA, British Council for Offices, BREEAM, LEED, SKA, Estidama and DGNB.

Performance and rewards (7.1, 9.3)

The Remuneration Committee is responsible for assessing the Board on a performance and rewards basis. The Committee uses industry available material to assess remuneration levels and has undertaken external reviews of the level of reward for both executive and non-executive directors. The most recent external review was undertaken in 2017 by UHY Hacker Young and, the most recent AIM survey information was provided by BDO in 2018.

PRINCIPLE 9

Roles (5.1, 5.2, 9.2)

Chairman – the Chair leads the Board at its regular meetings, sets the Agenda, oversees the governance aspects of the internal control process and, monitors and challenges the strategic direction of the company.

Chief Executive –the CEO provides guidance and information to inform on the strategic direction of the company and its operations. Along with the senior management team the CEO leads the delivery of the strategy.

Non-Executive Directors – act as independent voices on the Board and attend a maximum of 24 days per annum under their contracts.

PRINCIPLE 10

Corporate information (10.5)

The following documents are posted and held on the Group's website:

- Annual Report and Accounts
- Interim Announcements
- AGM notices (where separately issued and not contained in the Report and Accounts) : years 2016 and 2017.
- Trading updates
- Memorandum and Articles of Association

Company's registered office is;

10 Bonhill Street, London, EC2A 4PE

The Group's advisors

As set out in the Report and accounts;

Auditors

BDO

www.bdo.do.uk

Nominated advisor and broker

finncap

www.finncap.co

Registrar

Equiniti

www.equiniti.com

Solicitors

Fox Williams

www.foxwilliams.com

Non-Compliance with Rule 26 (10.4)

The following requirements of the QCA code are not covered by our website or Report and Accounts

8.3 Rewards reflecting company values

8.5 Rewarding ethical behaviour

QCA CODE - ASG Plc - CORPORATE GOVERNANCE MATRIX

	PRINCIPLES	CONSIDERATIONS/REQUIREMENTS
1	Establish a strategy and business model which promote long term value for shareholders	1.1 Strategy; delivery of shareholder value 1.2 Long-term growth to deliver long-term value
2	Seek to understand and meet shareholder needs and expectations	2.1 How do we engage with shareholders; discuss and understand their motivations 2.2 To cover all elements of the shareholder base
3	Take into account wider stakeholder and social responsibilities and their implications for long term success	3.1 Stakeholder relations - suppliers, customers, regulators, advisors 3.2 Impact on society; social interaction 3.3 How are key resources and relationships identified 3.4 Stakeholder feedback
4	Embed effective risk management, considering both opportunities and threats throughout the organisation	4.1 Framework identifies and addresses all risks including supply chain 4.2 Tolerable limits should be set
5	Maintain the board as a well-functioning balanced team led by the chair	5.1 Board has legal obligation to promote company 5.2 Corp governance - Chair's responsibility 5.3 Timely high quality info to committees 5.4 Non exec / exec balance 5.5 Committees - skillset and balance 5.6 Time commitment ; no. of meetings
6	Ensure that between them the directors have the necessary experience, skills and capabilities	6.1 Each director's attributes; how do they keep up to date? 6.2 6.3 Internal advisory?
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	7.1 Review effectiveness of board performance 7.2 Mentoring needs 7.3 Periodically refresh membership 7.4 Succession planning - board and senior mgt 7.5 Frequency of evaluations
8	Promote a corporate culture that is based on ethical values and behaviours	8.1 Promote ethical values - use as an asset 8.2 Clear, visible policy 8.3 Performance and reward system endorse values 8.4 Chair's corporate governance statement 8.5 Can the Company afford to reward ethics?
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	9.1 Structures and processes in line with co size 9.2 Roles of Chair, CEO 9.3 Committee roles and terms of ref 9.4 Which matters are reserved for the board
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	10.1 Board stakeholder dialogue including with all elements of shareholder base 10.2 Committee work during the year 10.3 Remuneration committee report 10.4 Identify any failures to disclose re the points above 10.5 Historical annual reports and 5 years' AGM notices