

# Corporate Governance

---

## Chairman's statement – Corporate Governance

The Xeros Technology Group (the “Group” or “Xeros”) Board is committed to embedding good corporate governance throughout the Group. The role of chairman plays a crucial role within this process and retains overall responsibility for the Group’s corporate governance environment.

The Xeros Technology Group has now adopted the Quoted Companies Alliance Corporate Governance Code (the “Code”). The Board have taken steps to apply the principles of the Code as far as it is practical, given the size of the Group and the nature of our business. Below you will find an explanation as to how the Code is applied by the Group, and certain areas where we take a different approach to that set out by the Code.

It is the Board’s job to ensure that the Xeros Technology Group is managed for the long-term benefit of all shareholders, with effective and efficient decision making. Corporate governance is an important part of that job, reducing risk and adding value to our business. As such, the Xeros Group applies the principles of the QCA Code, apart from Principle Seven, which relates to formal evaluations of the Board. The Board does not currently have a formal evaluation process in place and believes that the current process of critical self-review and continuous improvement is more effective and efficient given the current size and scope of the Group.

Since the beginning of 2019, there have been some changes to the corporate governance environment in which Xeros operates. David Armfield, David Baynes, Klaas de Boer and Rachel Nooney have all joined the Board and Richard Ellis has resigned. Klaas de Boer was appointed Chairman in February 2020 and David Armfield is the Senior Independent Director.

**Klaas de Boer, *Chairman***

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

The Group's strategy is to develop into an IP-rich, capital-light licensor of polymer-based water saving solutions to multiple scale industries, all of which deploy the same Xeros core technologies. Given the scale of the markets in which the Group operates, the strategy is to commercialise the Xeros technology with partners who already have strong international market positions and who also demonstrate a strategic intent to deliver increased levels of sustainability. Full details of the Xeros Group strategy can be seen in the Annual Report for the year ended 31 December 2021.

Updates on the strategy of the Group are published within the half-year and full-year financial reports, and at other times as necessary.

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

The Group remains committed to an ongoing dialogue with shareholders to ensure that its strategy, direction and performance are clearly understood. Understanding the opinion of analysts and investors in the Group, and, as result, helping our business be better understood, is a crucial objective for the Group and the Group actively seeks to engage in this area.

### **Private shareholders**

The AGM is the key forum for dialogue between retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and the Executive Directors routinely attend the AGM and are available to answer questions raised by shareholders. 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 Group's website.

### **Institutional shareholders**

The Directors seek to build long-term relationships with institutional shareholders. These relationships are primarily managed by the Chief Executive Officer and the

Chief Financial Officers (the “Executive Directors”). This process includes presentations to institutional shareholders and analysts following the release of the full-year and interim results, alongside other meetings as appropriate.

The Board as a whole is updated on these relationships, including any views or concerns held by shareholders, by the Executive Directors on a regular basis. Analyst reports are also circulated to the Board as and when they are produced.

Shareholders can contact Paul Denney, the Chief Financial Officer and Company Secretary on [ir@xerostech.com](mailto:ir@xerostech.com)

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

The Board believes that the long-term success of the Groups is reliant on good relationships with a wide variety of stakeholders, both internal and external to the Group. The Board is regularly updated on key stakeholder engagement by the Executive team and through other members of senior management, who manage stakeholder relationships where appropriate.

#### **Employees**

The Group is committed to employee engagement, as the knowledge, skill and application of its employees is the defining factor in the long-term success of the Group. The Group takes the employee value proposition seriously, engaging with employees to establish what is important to them, through direct feedback and ongoing dialogue. The annual performance review cycle is key to the Group, ensuring that staff are given the necessary support in their development throughout the year, as well as allowing the senior management team to get feedback at a one to one level.

#### **Suppliers**

The Group has relationships with key suppliers which are managed closely by relevant senior management to ensure ongoing supply of products which are crucial to the Group. The Board are actively updated on supplier relationships on a regular basis.

## Customers

As the medium and long-term strategy of the business evolves into the IP-rich, capital-light licensor of polymer-based water saving solutions, relationships with customers become longer-term and more co-operative. These key customers relationships are managed by the appropriate members of the Group's senior management, with Board support where necessary. The Board are updated on key customer relationships on a regular basis.

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

### **Audit, risk and internal control**

The Group has established a framework of internal controls which the Directors believe to be appropriate for the size and operations of the Group. This framework is reviewed by the Executive team, the Audit Committee and the Board on an ongoing basis.

The Board is responsible for reviewing and approving overall Group strategy, approving Group budgets and determines the financial structure of the Group. Monthly results, including variances and commentary are reported to the Board on a regular basis.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

The Board has ultimate responsibility for the Group's system of internal control and the effectiveness thereof. Any such system can only mitigate partially against the risk of material misstatement or loss to the Group. The Board consider that the internal control environment in place within the Group is appropriate for the size, complexity and risk profile of the Group.

Further details on the Xeros Group risk policy can be seen in the Annual Report for the year ended 31 December 2021.

### **Principle Five: Maintain the Board as a well-functioning, balanced team led by the chair**

The Board comprises the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. The Board believes that the Non-Executive Chairman and the Non-Executive Directors are classified as independent.

The Board believes that the make-up of the Directors currently provides a balanced between independence and knowledge of the Group which allows them to discharge their responsibilities effectively, alongside the relevant Board committees. The Board are expected to commit time for a minimum of eight Board meetings a year, alongside adequate preparation time. Other meetings and commitments may be required as appropriate.

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

The Board believes that the current make-up of Directors offers a well-balanced mix of skills in areas relevant to the long-term strategy of the Group. This belief is gained through a knowledge and understanding of the backgrounds of the Board, alongside the understanding of the needs of the Xeros Group. The Board are considering the balance of the Directors in light of Stephen Taylor's recent resignation. Details of the Directors, their backgrounds and the skills and expertise they bring to Xeros can be found on [here](#). The Board keep their skills up to date through regular updates from professional advisors.

The Board consider succession planning through the work of the nomination committee, considering the long-term benefits an appointee and how their skills fit in to the existing skills possessed by the Board. The continuous improvement process the Board undergo ensures that they are aware of the areas in which they would like to strengthen, and it is through this lens that Director Recruitment is performed. Executive Director and Senior Management succession planning is informed through the annual review cycle.

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

The Board is committed to continuous improvement and ensuring that the Board performs as an effective unit and provides the leadership that that the Group requires.

There is no formal Board evaluation process currently in place, nor has one been performed in recent years. In this area, Xeros does not comply with the requirements of the Code. The Group does not perform external evaluations as it believes that the current approach of critical self-review and continuous improvement is more effective and cost-effective given the current nature of the Xeros Group. The Board will keep the need for formal evaluations under consideration.

The Board considers that current policy is sufficient given the size and scope of the Xeros Group and will consider more formal evaluation processes in future years.

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

The Xeros Group exists to provide solutions to global environmental challenges of water scarcity and pollution. The Board believes that Xeros technology provides genuine solutions to these challenges and prides itself on the impact that the Group can make in these critical areas. It is through this lens that the Group promotes a corporate culture based on ethical values and behaviours.

This process is led by the Board, through actions such as committing resources to projects with an ethical and societally beneficial purpose and setting a tone at the top which encourages these within the wider Group.

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

The Board meets at least eight times a year in accordance with its meeting calendar. This meeting calendar is established each year to align with the Group's financial calendar, ensuring a spread across the financial year alongside meetings at key times during the year. This calendar can also be supplemented with additional meetings as and when required.

The Board and the associated committees receive appropriate information in a timely manner prior to each meeting.

### **Roles of the Board, Chairman and Chief Executive Officer**

The Board is responsible for the long-term success of the Group. There is a formal schedule of matters which are reserved for the Board. These matters reserved for the Board include:

- The overall strategy for the Group
- The structure and capital of the Group
- The financial reporting and control environment of the Group
- The Group's internal control framework
- Major contracts for the Group
- Shareholder communications
- The delegation of authority and other key Group policies

There is clear distinction between the roles of the Chairman and the Chief Executive Officer. The Chairman is responsible for providing leadership to the Board and ensuring that the long-term strategic focus of the Group is in the best interest of shareholders. The Chief Executive Officer is responsible for implementing the strategy as agreed by the Board and managing the direction of the Group through the Executive and wider senior management teams.

### **Board committees**

The Board has established three subcommittees – the Audit, Remuneration and Nomination committees – which exist to support the Board in its objectives. The terms of reference of these committees can be see here.

The Board believes the current governance structure is appropriate for the current size and scope of the Group. The Board remains committed to good corporate governance and will evolve the governance policies and procedures in place as the nature and scope of the Group evolves.

**Principle Ten: Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Group communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, and AGM and meetings with institutional shareholders. More detailed corporate information, including all announcements and presentations can be seen on the Xeros website. The Board are provided with updates on these communications by the Executive team and through the Group's brokers as appropriate. The Group maintains an open dialogue with other key stakeholders, including Group employees.

*February 2022*