



BEEKS FINANCIAL CLOUD GROUP PLC

# GOVERNANCE

10 January 2020

Company Number SC521839

# Corporate governance policy

The Company has adopted the Quoted Company Alliance Corporate Governance Code 2018 (the 'QCA Code') in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-traded companies to adopt and comply with a recognised corporate governance code.

The Board recognises the importance of good corporate governance and considers that a strong corporate governance foundation is essential in delivering shareholder value. The QCA Code has ten principles that companies should look to apply within their business. Beeks seeks to adhere to these principles to the highest level possible.

Set out below is an explanation at a high level 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

Beeks Financial Cloud is a leading cloud computing and connectivity provider for financial markets, offering Infrastructure as a Service to institutional and retail traders in forex, futures, equities, fixed income and cryptocurrency asset classes.

Beeks provides:

- **Dedicated and virtual servers that host traders and brokers in 15 datacentres around the world**
- **Ultra-low latency connectivity between clients and key financial venues and exchanges**
- **Co-location for clients to position their own computing power in our space, benefitting from our proximity to financial hubs**
- **In-house security software in order to protect client infrastructure from cyber attacks**

The business model focuses on efficiency and flexibility, offering our clients the ability to scale up and scale down as needed. Due to market fluctuations and the inherent risk involved in algorithmic trading, this makes our services highly attractive to clients.

The Group's strategy and business model can be viewed on pages 5 to 13 of our annual report, which can be found [here](#).

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

The Group is committed to open communication with all its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors 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. We do so via investor roadshows, attending investor conferences and through our regular reporting.

### INSTITUTIONAL SHAREHOLDERS

The Directors hold regular meetings with institutional shareholders to discuss and review the Group's activities and objectives. The CEO and CFO meet institutional investors shortly after publication of the annual and interim results, and on an ongoing basis as required. Directors also undertake consultation on certain matters with major shareholders from time to time. Through these consultations, the Group maintains a regular dialogue with institutional shareholders and analysts. Feedback is reported to the Board so that all Directors develop an understanding of the views of major shareholders.

### PRIVATE SHAREHOLDERS

Communication with private shareholders is done via investor events during the year such as Mello and Sharesoc where the CEO and CFO present, and are available to speak to private investors on a one to one basis. This is in addition to the Annual General Meeting, where attendance by shareholders is encouraged and where the Board is available to answer questions. The Notice of AGM is sent to

shareholders at least 21 days before the meeting. The Chairman of the Board and the committees, together with all other directors 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 Company's corporate website.

Specific queries may be raised at any time by any shareholder by emailing Beeks' investor relations team at [investorrelations@beeksfinancialcloud.com](mailto:investorrelations@beeksfinancialcloud.com). The team ensures that the person best placed to address each query responds as soon as possible. The CEO is responsible for overseeing day-to-day communications with shareholders.

The news and investor relations sections of the Beeks website are regularly updated and provide the market with the latest business news and shareholder updates. Following major periods of communications, our advisers consolidate feedback, on an anonymised basis, from the relevant parties which then forms the basis of a briefing pack for the Board to ensure awareness of shareholder opinions.

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

In addition to its shareholders, the Company believes its main stakeholders are its employees and clients. The Company dedicates significant time to understanding and acting on the needs and requirements of these groups via meetings dedicated to obtaining feedback which is then, where appropriate, considered by the Board and acted upon.

The Company believe recruiting and maintaining highly talented and motivated staff is key to its success. 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 always identified for staff training and development. The Company has low levels of staff attrition and fosters a culture of continuous improvement and innovation. The Company has regular communication with its customers and has recently recruited a Service Delivery Director whose responsibilities include developing client relations, and providing feedback to the Board on issues arising.

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

The Company's risk management processes and internal control procedures are set out on pages 11 to 13 of the Company's annual report, which can be found [here](#).

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

For the year ended 30 June 2019 the PLC Board comprises the independent Non-Executive Chairman, the CEO, the CFO and two independent Non-Executive Directors. The Board is highly committed and experienced and is supported by qualified executive and senior management teams. Short biographies of the Directors are set out on page 14 of the Annual Report. The Chairman, Mark Cubitt holds 70,707 ordinary shares, William Meldrum holds 23,500 ordinary shares. The Company considers the three Non-Executive Directors to be independent.

The Executive Directors of the Company are full time and do not serve as non executive directors in any other organisation. The Non-Executive Chairman also serves as a non-executive director of private company RHA Technologies Ltd based in Glasgow and is also a retained advisor to pureLiFi based in Edinburgh. The Non-Executive Directors devote as much time as is necessary for the proper performance of their duties. The Non-Executive Directors typically spend one to two days a month on Company-related matters. The Board met ten times in the year ended 30 June 2019. The attendance of each director is shown on page 23 of our Annual Report.

## **ROLE OF CHAIRMAN 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 Group's business, so as to ensure that no one person has unrestricted powers of decision. The Chairman 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. To facilitate this, the CEO regularly meets the Executive Management Team (EMT) which comprises representatives from Operations, Technical Delivery, Finance and Sales. The day to day operations of the Group are managed by the EMT.



## COMPOSITION OF AND APPOINTMENTS TO THE BOARD

The 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.

For the year ended 30 June 2019, the PLC Board comprises the Non-Executive Chairman, the CEO, the CFO and two Non-Executive Directors. 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 Group'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 Group. 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 continues to annually 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 due 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 Board has established two committees to deal with specific aspects of the Board's responsibilities: the Audit Committee and the Nomination and Remuneration Committee. The Report of the Audit Committee can be found on pages 25 to 26 of our Annual Report. The Audit Committee is chaired by Mark Cubitt and includes William Meldrum.

The Nomination and Remuneration Committee is chaired by Mark Cubitt and includes William Meldrum and Christopher Livesey. The Committee has overall responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors. The Board considers it appropriate, due both to the size of the Group and the experience of the Board members, to have a combined nomination and remuneration committee.

These Board operate under the terms of reference as set out in the Group's Financial Position and Prospects. The Audit Committee and the Nominations and Remuneration Committee met twice during the year.

## RE-ELECTION

Under the Code, Directors should offer themselves for re-election at regular intervals.

### **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 page 14 of the Annual Report here.

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 Group.

The CEO's role is critical in developing and maintaining the sustainability and effectiveness of the Group. Specifically, the CEO's key responsibilities include:

- Leading the development and execution of the Group's vision and strategy
- Senior human resource management: Recruit, retain and motivate an appropriately skilled executive management team.
- Representing the Group: The CEO will be requested to consistently present the Group and its objectives to key stakeholders and the market in general.
- Lead and drive overall Merger and Acquisition strategy

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

The primary function of the CFO is to ensure that the Group's Board is able to make proper judgements as to the Group's financial position. This encompasses responsibility for the Group'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 responsibilities also encompass:

- Internal and external financial reporting
- Corporate governance
- Risk management and the maintenance of effective systems of internal control
- Responsible for the Company Secretary role
- Tax compliance and planning
- Liaising with the Nomad on a regular basis
- Compliance with AIM Rules and Market Abuse Regulation (MAR)

The CFO is required to keep up to date with any changes to accounting standards and to ensure his 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 skillset.

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

The Company was admitted to trading on AIM on 27 November 2017. The Board was appointed in advance of Admission, with the exception of the CFO who was appointed at the Company's AGM on 24 October 2018. Since Admission, evaluation of the performance of the Company's Board has historically been implemented in an informal manner. The Chairman regularly communicates with Board Members outside of Board meetings to ensure that each director is satisfied with the performance of the Board and has the opportunity to raise any issues of concern. Similarly, the Chairman uses his substantial experience of plc boards to evaluate the Board effectiveness on an ongoing basis.

The Chairman 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, they have maintained their independence

The Board has established an executive team with strength in depth in each of its core functions of network operations, software development, sales & marketing and finance which it will draw on, together with appropriate external appointments, in regards to succession.

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

The Board places a high degree of value on promoting a corporate culture that reflects the Group's ethical principles and behaviours in order to maximise the quality of service that is passed on to the customer. As the Group works as an international team that is spread across three continents, a lot of importance is placed on a culture of inclusivity and communication; ensuring that employees are equally understood, trusted, and that individual cultural values and languages are respected. The Company encourages innovation, has flat management structures, open plan offices and a culture of continuous improvement. This helps to ensure that communication and understanding flows well within the Company, and thereby provides the most efficient and highest quality of service to clients.

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

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

The Board comprises three independent Non-executive Directors and two Executive Directors.

## BOARD PROGRAMME

The Board is scheduled to meet ten times each year in accordance with its scheduled meeting calendar. The Group has a highly committed and experienced Board and is supported by qualified executive and senior management teams.

Board meetings held during the period under review and the attendance of directors can be found on page 23 of the Annual Report.

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.

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 market forecast, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. 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, in particular in relation to income recognition and research and development, are appropriate and are advised by its Auditors on future changes to such accounting policies. During the financial year ended 30 June 2019, the business reviewed the impact of the changes as a result of IFRS 9, IFRS 15 and IFRS 16 and prepared papers that were reviewed and agreed by the Company's auditor.

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

There is a clear division of responsibility at the head of the Company. The Chairman 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. To facilitate this, the CEO regularly meets the Executive Management Team (EMT) which comprises representatives from Operations, Technical Delivery, Finance and Sales. The day to day operations of the Group are managed by the EMT.

## BOARD COMMITTEES

The Board is supported by the Audit, and Remuneration and Nominations 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 duty.

Based on the current stage of growth within the business, the Board do not believe it is a requirement to have an internal audit function, but this will be kept under review as the business continues to grow or equivalent.

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

Trading updates and press releases are issued as appropriate and the Company's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings. Information offered at the analysts' meetings together with financial press releases are available on the Company's website, [www.beeksfinancialcloud.com](http://www.beeksfinancialcloud.com).

The Annual General Meeting is used by the Directors to communicate with both institutional and private investors. Every shareholder will have access to a full annual report each year end and an interim report at the 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. The Company strives to give a full, timely and realistic assessment of its business in all price-sensitive reports and presentations.

## REMUNERATION COMMITTEE REPORT

The Remuneration Committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes 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 meets as and when necessary. The Remuneration Committee comprises the Chairman and two Non-Executive Directors and is chaired by Mark Cubitt.

During the period under review, the Remuneration Committee met two times and has granted options over ordinary shares in the company to some senior management, including executive directors, under the Company's Staff Long term incentive scheme (LTIP). In granting these options, the Remuneration Committee's objective was to attract, motivate and retain key staff over the long term, designed to incentivise delivery of the company's growth objectives.

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