



driven to deliver

QCA Code Ten Principles

informing the ESG drive of tern plc

QCA Code Ten Principles

By adhering to the fundamental principles of transparency, accountability and ethical behaviour, we strive to build and maintain the trust of our stakeholders.

Ian Ritchie, Non-Executive Chairman, tern plc

1: A business model built for the future

Tern plc has a vision to become the leading investment company specialising in IoT in the UK by unlocking opportunities that others have not seen or thought possible, to deliver significant returns to shareholders.

More detail surrounding the investment and portfolio vision is set out in the CEO's Statement on pages 2-3 of our Report & Accounts for the year ended 31 December 2022.

The business model and strategy, including principal business risks, key challenges and uncertainties and how the Company seeks to address these are set out in the Business Risks section on pages 18-20 of our Report & Accounts for the year ended 31 December 2022. The Company's investing policy is set out on our website (on the AIM Rule 26 page).

The Company's business model and criteria for investment is also set out on the website (in the Why Tern section).

The key performance indicators for the year are set out on the Financial Review section of the Report & Accounts for the year ended 31 December 2022.

2: Working together with shareholders

The Board values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. The Board encourages shareholders to offer their views.

The Company's website (www.ternplc.com) maintains up to date news flow for shareholders and other interested parties. A dedicated email address is highlighted on the contact page: info@ternplc.com. Inquiries that are received will be directed to the Company's retained investor relations adviser, IFC Advisory, who will inform management and management will consider an appropriate response. The Company may exercise discretion as to which shareholder questions shall be responded to, and the information used to answer questions will be information that is freely available in the public domain or not commercially confidential. If deemed necessary, the inquiries will be brought to the Board's attention.

The Chairman and non-Board Chief Executive Officer (CEO) are principally responsible for shareholder liaison. The Chairman and CEO talk regularly with the Company's IR adviser to understand the key messages being delivered by the Company's larger shareholders and others who make contact, ensuring that their views are communicated fully to the Board.

The Annual General Meeting provides an opportunity for all shareholders to interact with the Board on issues arising. The notice of Annual General Meeting is sent to shareholders at least 21 days before the meeting. At the meeting, the Directors are available to listen to the views of shareholders and again, informally, immediately following the AGM. The Company also works to provide access to shareholders via video conference webinars, showcasing a few of the companies in Tern's network and providing an opportunity for questions to be posed to the Company and the CEOs of Tern's companies.

The Company has adopted a shareholder communication policy which commits to discussing the accomplishments of Tern's companies after they have been fully realised and to ensure that there is a connection between the events of Tern's companies and Tern, as a key investor. Tern has also committed to host at least two shareholder presentations via video conference, with question and answer sessions, a year to provide an opportunity for shareholders to hear about the Company, trends in the IoT sector, and its network of companies and to put their questions to the Company's management.

The Directors believe these events provide a helpful way of presenting an update to shareholders on a regular basis and addressing their questions.

Tern has appointed IFC Advisory as its financial public relations and investor relations adviser to manage shareholder communication and their details are

set out on the website and on all RNS announcements. IFC Advisory provides the Board with a briefing on shareholder views and questions being posed every month to ensure the Board is fully briefed on all shareholder engagement activities and sentiments.

The Directors believe that the above methods of shareholder engagement are appropriate to support the Company's aims in meeting shareholders' needs and expectations.

The programme of events established to ensure engagement with shareholders is also set out in the Corporate Governance and Compliance section on pages 13-17 of our Report & Accounts for the year ended 31 December 2022.

3: *Long-term sustainability for success*

The Company has a small number of external stakeholder groups and is therefore able to interact with them both orally and in writing on a regular basis, as a minimum this happens monthly. Feedback is an inherent part of this interaction. Specifically, feedback from our nomad broker and PR agency have resulted in improved external communication via our website and our news releases.

Following feedback collated from key stakeholders as part of the Board evaluation process, additional opportunities to interact with these stakeholders was agreed by formalising their periodic attendance at Board meetings. In addition monthly reports for the Board are now prepared by IFC Advisory summarising key shareholder feedback during the month.

On the basis of the Directors' experience and their knowledge from the operation of the Company, the Directors believe that the key resources and relationships on which the Company relies (aside from the Company's shareholders) are the companies in Tern's network, including their senior management and the Company's employees.

Tern has a small number of employees, all of whom have regular contact with the Tern Board and senior management team, where open communication and feedback is encouraged.

Feedback from the portfolio companies is obtained via regular interactions with the nominated Tern representative and more formally through attendance at their monthly board meetings. A monthly video call is also held between the CEOs

of the companies in Tern's network and the Tern Board and senior management team which enables regular updates on performance and an opportunity for questions to enhance understanding.

Identification of and engagement with our key stakeholders is set out in the Corporate Governance and Compliance section on pages 13-17 of our Report & Accounts for the year ended 31 December 2022.

4: Mitigating risk, maximising opportunities

The Company maintains a risk register that reflects the challenges facing the Company. The Board reviews the Company risk register on a quarterly basis and the risk register is updated following each meeting after it is reviewed.

The principal business risks and uncertainties are set out in the Business Risk section on pages 18-20 of our Report & Accounts for the year ended 31 December 2022, with an assessment of the potential impact and the strategy in place to address.

The Senior Management Team meet at least weekly to review ongoing trading performance for both the Company and Tern's companies, discuss budgets, forecasts, opportunities and new risks associated with ongoing trading. The key points from these discussions are then fed into the papers prepared for the monthly Board meetings.

5: *Ensuring an effective team*

The Board consists of the non-executive Chairman, and two additional non-executive directors, Alan Howarth and Sarah Payne. Ian Ritchie, the non-executive Chairman, is responsible for the running of the Board. The Board makes the investment decisions and decides on the strategy in relation to its portfolio companies. Albert Sisto, the CEO, is tasked by the Board with implementing these decisions and he reports to the Board in relation to this.

Ian Ritchie and Alan Howarth are considered to be independent directors. Sarah Payne, is not considered to be an independent non-executive director.

Board meetings are held 11 times a year, as a minimum. The role of the Board Committees along with meetings and attendees are set out in the Corporate Governance and Compliance report on pages 13-17 of the Report & Accounts for the year ended 31 December 2022.

All Directors receive regular and timely information on the Company's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Company's expense.

The Board meetings continue to be available via video conference for any Board member who is unable to attend physically due to illness or other reasons, for example, travel disruption and strikes.

The Board gives regard to the overall effectiveness and independence of the contribution made by Directors to the Board in considering their independence and does not consider a Directors' period of service in isolation to determine their independence.

A description of the roles of the Directors is included on the website under the Our People section. Details of the Directors, their independence and their meeting attendance and their time commitment over the year ended 31 December 2022 are included in the Corporate Governance and Compliance section on pages 13-17 of the Report & Accounts for the year ended 31 December 2022. Following changes to the Board structure and composition post the 2022 year end, the current Board composition is as set out above and can be found on the Company website, under the AIM Rule 26 section.

6: Keeping skillsets contemporary

Ian Ritchie is the Company's Non-Executive Chairman. Alan Howarth and Sarah Payne are Non-Executive Directors of the Company.

The above Board member's biographies can be found on the Company's website (www.ternplc.com/our-people).

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer and to ensure a diversity of experience on the Board. Full biographical details of the Directors are included in the Our People section of the website. Details of how Board members keep their skill set up to date is included in the Corporate Governance and Compliance section on pages 13-17 of the Report & Accounts for the year ended 31 December 2022.

The Board deals with all matters relating to the appointment of directors including determining the specification, identifying suitable candidates and selection of the

appointee. No separate nominations committee has been formed. When new Board appointments are considered, the search for candidates is conducted and appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Board also considers succession planning.

The Company has a policy of appointing non-executive directors who can provide an independent view of the Company's activities.

Advice sought from external advisors is set out in the Corporate Governance and Compliance section on pages 13-17 of the Report & Accounts for the year ended 31 December 2022.

7: Key KPIs to track goals and objectives

The Board carries out an evaluation of its performance as a whole annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. All Board members complete a detailed questionnaire covering all aspects of the Board performance, this is collated anonymously to encourage open and honest feedback. This process is led by the Chairman and along with the evaluation of the effectiveness of the Board Committees is explained in the Corporate Governance and Compliance section on pages 13-17 of the Report & Accounts for the year ended 31 December 2022.

Feedback was also obtained from key advisors during the Board evaluation process. Following the feedback in the last evaluation key advisors are now more regularly invited to attend the Board

meeting to brief the Board directly and provide an opportunity to pose questions. A formal report is also now prepared for every Board meeting summarising the interaction with individual shareholders during the previous month to ensure the Board is kept up to date on the key themes being raised and discussed.

The Board regularly reviews resource requirements. When a new appointment is deemed necessary, a detailed job specification is drawn up and a recruitment company engaged. The Board reviews a summary of the potential candidates and a short list will be interviewed by the executive team. Final approval will be given by the Board following final interviews with key Board members.

The Board uses the results of its evaluation process when considering the adequacy of the composition of the Board and any succession planning requirements. The results of the Board evaluation are discussed at length in a separate Board meeting which cover all areas, including succession planning and ongoing resource requirements. The last Board performance evaluation did not lead to any material recommendations for any Board changes, although the Board approved changes to the Board's composition to reduce the number of directors and maintaining an entirely non-executive Board following engagement with investors ahead of and after the Company's 2023 AGM.

Succession planning was highlighted as an area to develop further over the coming year and will be considered in more detail

in the upcoming Board evaluation exercise.

8: *A commitment to a value-based culture*

The Board strives for the highest ethical standards in every action and transaction it undertakes. The Chairman's Corporate Governance Statement is included within the Corporate Governance and Compliance section on pages 13-17 of the Report & Accounts for the year ended 31 December 2022. The Statement outlines the importance of a corporate culture built on sound ethical values and behaviours.

The cultural risks in the business and the mitigation strategy undertaken by the Board are outlined in the Business Risk section of the Annual Report & Accounts for the year ended 31 December 2022, pages 18-20.

The Board practices open and direct communication both internally and with all associated parties.

Tern has in place an employee handbook and an anti-bribery policy approved by the Board. Acting in contravention of the anti-bribery policy would be deemed to be gross misconduct, along with other behaviours which would go against the ethical values and behaviours expected by the Board. Our Business Code of Conduct setting out the standard of conduct expected within the Company can be found on our website under the Approach to ESG section.

The Board also strives to encourage a high standard of conduct at all of the companies in Tern's network.

During any recruitment process, a review of the ethical values and behaviours of a candidate would be considered as part of the evaluation process.

The Board is conscious of the community and whenever appropriate gives consideration to sustainability in its decision making. The key stakeholders and the engagement with these stakeholders is set out in the Corporate Governance and Compliance section on pages 13-17 of our Report & Accounts for the year ended 31 December 2022. The Board has recently approved an ESG policy setting out the agreed approach to embedding strong ESG processes within all operations.

9: Backing the board for better stakeholder outcomes

Our Corporate Governance Statement on pages 13-17 of our Report & Accounts for the year ended 31 December 2022 details the Company's governance structures and why they are appropriate and suitable for the Company.

Roles of responsibilities of the Chairman and non-Board CEO are set out below:

Chairman

As a partner to the other Board members, the Chairman provides leadership to the Company. The Chairman supports and sustains the work of the Company and provides overall governance leadership, strategic business support and overall responsibility for shareholder liaison.

Chief Executive Officer ("CEO")

The role of the non-Board CEO is to oversee the day-to-day management of the Company, in line with the Board's wishes, the non-Board CEO must report to the Board and does not have a vote on the investments made by Tern or any material decisions regarding the Company, which are collective decisions made by the Board.

The non-Board CEO acts with board approval and oversight on day-to-day decisions that are within the scope of the Board approved budget and the Board approved strategy, in particular, in relation to the management and oversight of Tern's holdings in its portfolio companies.

Appointment of directors

The Board deals with all matters relating to the appointment of directors including determining the specification, identifying suitable candidates and selection of the appointee.

No separate nominations committee has been formed. The Articles of Association require each director to seek re-election after no more than three years in office. The Company has a policy of appointing non-executive directors who can provide an independent view of the Company's activities.

The Board do not consider that the Company currently has a dominant shareholder where special contractual arrangements would be necessary to protect the interests of minority shareholders.

Board Committees' Terms of Reference

Formal terms of reference have been agreed for the Board Committees. The responsibilities of each of these are set out below:

Audit Committee

- To meet at least once a year and otherwise as required, with the external auditor in attendance
- Appointment of external auditors
- To agree the nature and scope of the audit with the external auditors
- To review the effectiveness of Company's internal control framework,
- To review the effectiveness of the Company's risk management framework
- To review the annual financial statements, and challenge where necessary, the actions and judgements of management

Remuneration Committee

- To set the remuneration for the Board including basic pay, any bonus and share incentive schemes.
- To agree the terms of employment of all Board members, including those on cessation of employment, ensuring all payments are fair to both the employee and the Company.
- To continue to review the appropriateness of the remuneration policies, with reference to the conditions across the Company and up-to-date information in other companies.
- To ensure that all requirement on the disclosure of remuneration is fulfilled

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9: Backing the board for better stakeholder outcomes

Matters reserved for the Board

Matters reserved for the Board have been approved by the Board and the key areas are summarised below:

- **Strategy & Management**
- **Structure and capital**
- **Financial reporting and controls**
- **Internal controls**
- **Investments**
- **Communication**
- **Board membership and other appointments**
- **Remuneration**
- **Delegation of authority**
- **Corporate governance**
- **Approval of employee handbook policies**
- **Other including charitable donations, adviser appointments, insurance**

The Board is committed to evolve governance in line with best practice as appropriate with the Company's growing size and changing requirements. However, at present, the Board is satisfied with the Company's corporate governance, given the Company's size and the nature of its operations, and as such there are no specific plans for any material changes to the Company's corporate governance arrangements in the shorter term.

10: A continuous collaboration and dialogue

The Chairman and CEO talk regularly with the Company's larger shareholders and ensure that their views are communicated fully to the Board. IFC Advisory who manage investor relations for the Company also regularly attend the Board meeting and provide a monthly Board briefing to ensure shareholder views and common themes are communicated on a timely basis to the Board.

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising. At the meeting, the Directors are available to listen to the views of shareholders and again, informally, immediately following the AGM.

The Company's financial reports for the last five years can be found here: www.ternplc.com/aim-rule-26

Notices of General Meetings of the Company for the last five years are included at the end of each of the annual report and accounts, which can be found here: www.ternplc.com/aim-rule-26

The work of the Board Committees is outlined on pages 13-17 of the Corporate Governance and Compliance section of the Report and Accounts for the year ended 31 December 2022. Given the size of the company and the Board's familiarity with the business of the Company it is not considered necessary to provide formal reports from the Audit Committee and Remuneration Committee, although the Committees do report to the Board on all recommendations.

The Directors' Remuneration Report is found on pages 21-22 of the Report and Accounts for the year ended 31 December 2022.

The Company values the views of its shareholders and has set out how it manages its relations with shareholders, including a shareholder communication policy in the Corporate Governance and Compliance section on pages 13-17 of the Report and Accounts for the year ended 31 December 2022.

The Company also communicates how it is governed and is performing through its regulatory announcements, and via its website, which is regularly updated. A contact section is available on the website for queries to be addressed to the Company and Tern has appointed IFC Advisory to manage shareholder communication and their details are set out on the website under the Aim Rule 26 section and on all Company announcements. The outcome of all resolutions tabled at general meetings, are posted on the Company's website and also announced via RNS.

The results of voting on all resolutions in future general meetings will be posted to the Company's website and announced via RNS, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders. At the 2023 Annual General Meeting approximately 37% of the Tern shares were voted and three resolutions failed to pass with more than 20% of the Tern shares voted against these resolutions.

In the period up to the AGM and in the weeks after the AGM results were released the Company and its investor relations adviser, IFC Advisory, reached out to many of its larger shareholders, and those who have made contact, to engage and understand their position in relation to the resolutions and more widely. Following this engagement an announcement was made regarding a change to Board structure, reducing the number of directors and maintaining an entirely non-executive Board more appropriate to the status of an investment company and the ongoing strategy to focus on existing portfolio company progress and eventual exit. In addition the Company is implementing other cost saving measures, including reduced remuneration for the senior management team.

tern:empowering the exceptional