



# QCA Code Ten Principles

What we do and why





# 1.

Establish a strategy and business model which promote long-term value for shareholders

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.

The business model and strategy, including principal business risks, challenges and uncertainties and how the Company seeks to address these are set out in the Business Risks section on pages 19-21 of our [Report & Accounts for the year ended 31 December 2020](#). The Company's investing policy is set out on pages 15-16 of our [Report & Accounts for the year ended 31 December 2020](#).

The Tern business model and criteria for investment is also set out on the website (in the Approach section). [Here](#)

The key performance indicators for the year are set out on the inside cover of the [Report & Accounts for the year ended 31 December 2020](#).



## 2.

Seek to understand and  
meet shareholder needs  
and expectations



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](http://www.ternplc.com) maintains up to date news flow for shareholders and other interested parties. A dedicated email address is highlighted on the investor page: [info@ternplc.com](mailto: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. If deemed necessary, the inquiries will be brought to Board's attention.

The Chairman and Chief Executive Officer are principally responsible for shareholder liaison. The Chairman and Chief Executive Officer talk regularly with the Company's IR advisor 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. Regrettably, due to the COVID-19 measures in 2020 and 2021, this was not possible. However, because of the COVID-19 restrictions, the Company looked at alternative ways of liaising with shareholders, this included a Capital Markets Day following the AGM, which showcased a few of the portfolio companies and provided an opportunity for questions to be posed to the Company and the CEOs of the presenting portfolio companies.

At the recent Annual General Meeting two resolutions in relation to share allotment authorities were withdrawn. Shareholders were consulted on these resolutions which were changed to reflect feedback before being put to shareholders at a General Meeting where the replacement resolutions were passed.

The Company has adopted a shareholder communication policy which commits to discussing the accomplishments of portfolio companies after they have been fully realised and to ensure that there is a connection between the events of investee companies and Tern, as a key investor. Tern has also committed to host at least two shareholder presentations a year, with question and answer sessions, to provide an opportunity for shareholders to hear about the Company and its portfolio 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.

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 on pages 35-36 of our [Report & Accounts for the year ended 31 December 2020](#).



### 3.

Take into account wider stakeholder and social responsibilities and their implications for long-term 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, brokers and PR agency have resulted in improved external communication via our website and our news releases.

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 portfolio companies and the Company's employees.

Tern is a growing company with a small number of employees, all of whom have regular contact with the CEO and other directors, where open communication and feedback is encouraged.

Feedback from the portfolio companies is obtained via regular interactions with the nominated Tern director who sits on the particular portfolio company's board and more formally through attendance at their monthly board meetings. A fortnightly video call is also held between portfolio company CEOs and the Tern Board which enables regular updates on performance and an opportunity for questions to enhance understanding.

The Company seeks to take into account feedback received from key stakeholders, however, no material changes to the Company's processes were required over the year to 31 December 2020, or more recently, as a result of feedback that has been received by the Company from the stated key resources and relationships on which the business relies.

Identification of and engagement with our key stakeholders is set out on pages 35-37 of our [Report & Accounts for the year ended 31 December 2020](#).





# 4.

Embed effective risk management, considering both opportunities and threats, throughout the organization

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 19-21 of our [Report & Accounts for the year ended 31 December 2020](#), with an assessment of the potential impact and the strategy in place to address.

The Executive Directors meet at least monthly to review ongoing trading performance for both the Company and the portfolio companies, discuss budgets, forecasts, opportunities and new risks associated with ongoing trading.





## 5.

Maintain the board as a well-functioning, balanced team led by the chair

The Board consists of the non-executive Chairman, four executive directors and one additional non-executive director. Ian Ritchie, the non-executive Chairman, is responsible for the running of the Board and Albert Sisto, the Chief Executive, has executive responsibility for running the Company's business and executing the Company strategy.

The two non-executive directors are considered to be independent.

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 32-37 of the [Report & Accounts for the year ended 31 December 2020](#).

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 recent restrictions imposed in the wake of the COVID-19 pandemic has brought fresh challenges to the Board and the portfolio companies. A fortnightly conference call with all the CEOs from the principal portfolio companies and all Tern Executive and Non-Executive Directors has created valuable opportunities to provide advice, support and partnerships and ensure the Tern Board is kept up to date on a timely basis.

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 Team section. Details of the Directors and their independence are included in the Corporate Governance and Compliance section on pages 32-27 of the [Report & Accounts for the year ended 31 December 2020](#).

## 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 basis and awards 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.



6.

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

[Ian Ritchie](#) - Non-Executive Chairman

[Albert Sisto](#) - Chief Executive Officer

[Sarah Payne](#) - Chief Financial Officer and Company Secretary

[Bruce Leith](#) - Business Development Director

[Matthew Scherba](#) - Investment Director

[Alan Howarth](#) - Non-Executive Director

The Directors' experience is set out in the Corporate Governance and Compliance section on page 32 of the [Report & Accounts for the year ended 31 December 2020](#).

The above Board member's biographies can be found on the Company's website [www.ternplc.com/team](http://www.ternplc.com/team) and in the Board of Directors section on pages 26-27 of the [Report & Accounts for the year ended 31 December 2020](#) as well as the Corporate Governance and Compliance section on page 32 of the [Report & Accounts for the year ended 31 December 2020](#).

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. Full biographical details of the Directors are included in the [Team section](#) of the website.

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.



# 7.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement



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 page 33 of the [Report & Accounts for the year ended 31 December 2020](#). The Articles of Association require each director to seek re-election after no more than three years in office.

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.





8.

Promote a corporate culture  
that is based on ethical values  
and behaviours

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 page 32-37 of the [Report & Accounts for the year ended 31 December 2020](#).

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.

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 on pages 35-37 of our [Report & Accounts for the year ended 31 December 2020](#).





## 9.

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



Our Corporate Governance Statement on pages 32-37 of our Report & Accounts for the year ended 31 December 2020 details the Company's governance structures and why they are appropriate and suitable for the Company.

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

## Chairman

As a partner to the chief executive officer ("CEO") and 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 CEO is responsible for leading the development and execution of the Company's long-term strategy with a view to creating shareholder value, in partnership with the Chairman. The CEO's leadership role also entails being ultimately responsible for integrating the strategy into the day-to-day management decisions and for implementing the Company's long and short-term plans.

Formal terms of reference have been agreed for the Board Committees. The responsibilities of each of these have been set out in the disclosures in respect of Principle 5 above.

## 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.

## 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.

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Chairman and Chief Executive Officer talk regularly with the Company's IR advisor 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 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. Regrettably, due to the COVID-19 measures in 2020, this was not possible. However, because of the COVID-19 restrictions, the Company looked at alternative ways of liaising with shareholders, this included a Capital Markets Day following the AGM, which showcased a few of the portfolio companies and provided an opportunity for questions to be posed to the Company and the CEOs of the presenting portfolio companies.

The Company's financial reports for the last five years can be found here:  
[www.ternplc.com/investors](http://www.ternplc.com/investors)

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/investors](http://www.ternplc.com/investors)

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 32-37 of the [Report and Accounts for the year ended 31 December 2019](#).

The Company also communicates how it is governed and is performing through its regulatory announcements, and via its website, which is regularly updated.

Tern has also committed to host at least two shareholder events a year to provide an opportunity for shareholders to put their questions to the Board. The Company may be required to 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.

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 [Investor 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.

Following withdrawal of two resolutions in relation to share allotment authorities at the 2021 Annual General Meeting, shareholders were canvased for their views on the resolutions. Changes to these resolutions were made, taking into account the views of shareholders and then put to a General Meeting on 2 June 2021 where they passed. The intention to consult with shareholders on this issue was announced in the Result of AGM RNS and the Circular convening the General Meeting referred to the canvassing of opinion and the resultant impact on the resolutions. Although the resolutions passed at the General Meeting, more than 20% of independent votes were cast against the resolutions. In the period up to the General Meeting the Company had reached out to many of its larger shareholders to engage and understand their position in relation to the resolutions and the Directors were aware that a minority of shareholders remained opposed to any share allotment authorities being granted. As a result of these discussions and the votes against the resolutions, the Company subsequently included a statement in the results RNS that reassured its shareholders that, among other things, the Company will not look to issue any further equity without having an appropriate use for the funds that is focussed on maximising shareholder value.

The work of the Board Committees is set out in the Corporate Governance and Compliance section on page 33-34 of the [Report & Accounts for the year ended 31 December 2020](#). Formal reports are not provided by these Committees due to the size of the Company and the Board's familiarity with the business, although the Committees do report to the Board on all recommendations.





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