

**Chair’s Corporate Governance Statement**

As Chairman of the Board, it remains my responsibility, working closely with my fellow board colleagues, to ensure that the highest standards of corporate governance are embraced throughout the Group. In addition, it is my role to manage the Board in the best interests of the Group’s many stakeholders and be responsible for ensuring the Board’s integrity and effectiveness. It is also my responsibility to ensure we have effective and clear communication with shareholders and that the Board members are made aware of any shareholder concerns.

On pages 20 to 26 of our 2018 Annual Report and Accounts we provided details of the corporate governance arrangements in place during the financial year in question. We are committed to ensuring that strong standards of corporate governance operate within our Group and have established governance procedures and policies that we consider appropriate to the nature and size of the Group.

In our governance report we also made reference to the London Stock Exchange requirement for AIM companies to recognise a corporate governance code and to explain how that code had been implemented. We indicated that it was likely that we would choose to adopt The Quoted Companies Alliance (QCA) Corporate Governance Code (2018 Edition) (the “**QCA Code**”). On 28 August 2018, the Board of iomart Group plc (“iomart”) decided to adopt the QCA Code. The Board feel that the QCA Code is the most appropriate code for iomart at this point in time. We believe that the QCA Code provides us with the right governance framework: a flexible but rigorous outcome-oriented environment in which we can continue to develop our governance model to support our business. Further information on compliance with the QCA Code will be provided in our next annual report.

The remainder of this report records how the Company addresses the governance principles defined in the QCA Code. The Board will continue to assess and refine our governance procedures and policies to ensure they remain appropriate and aligned with our strategy, business model and external environment.

Ian Steele, Non-executive Chairman

26 September 2018

**Corporate governance principles to be applied**

As a consequence of deciding to apply the QCA Code, the corporate governance principles which now apply to us are those contained in that code. These are:

1. Establish a strategy and business model which promote long term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
5. Maintain the board as a well-functioning, balanced team led by the chair.
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

**Implementation of the QCA Code**

The correct application of the QCA Code requires us to apply the principles set out above and also to publish certain related disclosures. These can either appear in our annual report, or on our website, or in a combination of the two. The QCA Code recommends locations for each disclosure and we have chosen to follow that approach. An index setting out where each required disclosure can be found appears at the end of this document.

## **Website disclosures**

### **Principle 2 - Seek to understand and meet shareholder needs and expectations**

#### **Disclosure required by the QCA Code**

The disclosure required is to explain the ways in which the Company seeks to engage with shareholders and how successful that has been. It should include information on those responsible for shareholder liaison or specify of the point of contact for such matters.

#### **Our disclosure**

Communications with shareholders are given high priority. The Chief Executive Officer and Chief Financial Officer have regular dialogue with shareholders and analysts to discuss strategic and other issues including the Company's financial results. 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.

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. In conjunction with the Company's brokers and other financial advisers all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress. The Company's website has a section for investors, which contains all publicly available financial information and news on the Company.

The Board recognises the AGM as an important opportunity to meet private shareholders. The Chairman aims to ensure that the Directors, including the non-executive Directors, are available at Annual General Meetings to answer questions.

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

#### **Disclosure required by the QCA Code**

The disclosure requires us to explain how the business model identifies the key resources and relationships on which the business relies and how feedback is obtained from stakeholders and what actions have been generated as a result of that feedback (e.g. changes to inputs or improvements in products).

#### **Our disclosure**

Our business model is explained within the Strategic report section of our March 2018 Annual Report and Accounts. The model has been in place for many years. It generally involves the provision of cloud and managed hosting services from our datacentres which delivers to our customers the computing power, storage, and network capability they require for the operation of their own businesses. We have invested in an estate of datacentres, in an extensive fibre network and for each customer the servers, routers, firewalls etc that are required to create the IT infrastructure they require. In addition, the skills of our own team help to ensure that our solutions continue to develop with new technologies and the ever increasing complexity of our customers' requirements. Customers then pay us for the provision of that infrastructure and solutions provided.

Larger customers tend to have multi-year contracts for complex cloud solutions, which are invoiced on a monthly basis. Many of our smaller customers pay in advance for the provision of services, which results in a substantial sum of deferred revenue, which is then recognised over the period of the service provision. A very large proportion of our revenue is therefore recurring and the combination of multi-year contracts and payment in advance provides us with excellent revenue visibility.

The Group's stakeholders include shareholders, employees, customers, suppliers, regulators, industry bodies and debt providers.

The Board recognises that the Company is accountable to its shareholders and, at the same time, seeks to take into account the interests of all its stakeholders as well as the local community and the environment in which it operates.

The Company treats all of its customers with the utmost respect and seeks to be honest and fair in all relationships with them. We provide our customers with products of high quality. The Company encourages feedback from our customers through account managers and engagement with individual customers through customer support teams.

We are committed to attracting and retaining the highest level of personnel. We seek to achieve this through, amongst other things, the application of high standards in recruitment. We are aware of the importance of good communication in relationships with staff and we have a policy of encouraging training. A number of employees participate in the growth of the business through the ownership of share options with some employees also participating in a bonus scheme.

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

**Disclosure required by the QCA Code**

The disclosure requires that we include a more detailed description of the Board performance evaluation process/cycle we have adopted. That should include a summary of:

- The criteria against which the Board, committee and individual effectiveness is considered;
- How evaluation procedures have evolved from previous years, the results of the evaluation process and action taken or planned as a result; and
- How often Board evaluations take place.

We are also required to explain how we approach succession planning and the process by which we determine board and other senior management appointments, including any links to the Board evaluation process.

**Our disclosure**

Each year a formal evaluation is conducted by means of a detailed questionnaire which is completed by each Director. The results of this process are collated by the Chairman and discussed by the Board collectively. The evaluation includes a review of the performance of individual Directors, including the Chairman, and the Board Committees. Based on this evaluation the Board considers whether its performance in the past year has been satisfactory and if not what remedial action should be taken.

The Performance Evaluation process used in the year was the same as in previous years as the Board believe it continues to be fit for purpose. The most recent evaluation, for the year ended March 2018, concluded that the Board and the relevant Committee performance had been satisfactory. There is no outstanding action because of this year's process.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

**Principle 8 - Promote a corporate culture that is based on ethical values and behaviours.**

**Disclosure required by the QCA Code**

The disclosure requires that we explain how we ensure that the Company has the means to determine that ethical values and behaviours are recognised and respected.

**Our disclosure**

The Company maintains core values of Honesty, Integrity, Hard Work, Service and Quality and actively promotes these values in all activities undertaken on behalf of the Group.

The Company treats all of its customers with the utmost respect and seeks to be honest and fair in all relationships with them.

Relationships with suppliers and subcontractors are based on mutual respect, and we seek to be honest and fair in our relationships with suppliers and subcontractors, and to honour the terms and conditions of its agreements in place with such suppliers and subcontractors. We ensure that everyone is aware that the giving or accepting of bribes is not acceptable business conduct.

We recognise the importance of all of our employees and that the success of the Company is due to their efforts. We respect the dignity and rights of all employees and provide clean, healthy and safe working conditions. An

inclusive working environment and a culture of openness are maintained by the regular dissemination of information.

The Company endeavours to provide equal opportunities for all employees and facilitates the development of employees' skill sets. A fair remuneration policy is adopted throughout our Group. We do not tolerate any sexual, physical or mental harassment of our employees and we operate an equal opportunities policy that specifically prohibits discrimination on grounds of colour, ethnic origin, gender, ages, religion, political or other opinion, disability, or sexual orientation.

An anti-bribery statement is on our corporate website and we ensure that all staff are aware of our anti-bribery policy. We also have an anti-slavery and human trafficking statement which we also make sure all staff are aware of.

We define corporate responsibility as ensuring that we have or are developing sound policies, practices or programs that address business transparency and ethics, workplace practices and employee relationships and customer consultation.

In practice our commitment to corporate responsibility plays out in a wide variety of ways and includes our employee engagement program, which is designed to foster an inclusive workplace by encouraging our people to continually improve performance in this area. We encourage all of our employees to act in the following way:-

Responsible – We will conduct our business in a socially responsible and ethical manner.

Trustworthy – We will trust, respect and support each other.

Accountable – We will accept responsibility and hold ourselves accountable for our work and our actions.

Honest – We will do what we say we will do.

Inspiring – We will seek new opportunities to deliver services and out of the ordinary solutions.

Regarded – We will earn the respect of our peers, shareholders, stakeholders, clients and employees.

Exceptional – We will commit to excellence in everything we do.

## **Principle 9 - Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.**

### **Disclosure required by the QCA Code**

The disclosure requires that in addition to the high level explanation of the application of the QCA Code set out in the Chairman's corporate governance statement we should also:

- Describe the roles and responsibilities of the Chairman, Chief Executive and any other Directors who have specific individual responsibilities or remits (e.g. the engagement with shareholders or other stakeholder groups).
- Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the board for its consideration.
- Describe which matters are reserved for the Board.
- Describe any plans for evolution of the governance framework in line with the Company's plans for growth.

### **Our disclosure**

Through the leadership of the Chairman, the Board sets the Company's strategic goals; ensuring obligations to shareholders are met. Matters reserved for a decision of the Board include approval of Group strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports, interim statements, and any significant funding and capital expenditure plans.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once the Board has agreed strategic and financial objectives, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, the Chief Executive Officer chairs the Group's Operations Boards which additionally comprises the other executive director and, where appropriate, senior members of the management team. These Boards manage the day-to-day operation of the Group's business.

The Board has established Audit, Remuneration and Nomination Committees.

The Audit Committee, currently chaired by Ian Steele, who has recent and relevant experience, is authorised by the Board to conduct any activity within its terms of reference and to seek any information it requires from any employee. The Audit Committee has written terms of reference, which are available from our website, and include reviewing and monitoring:

- interim and annual reports, including consideration of the appropriateness of accounting policies;
- material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditor's plans for the year-end audit of the Company and its subsidiaries;
- the effectiveness of the Committee;
- the Risk Register covering the systems of internal control and their effectiveness, reporting and making recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the performance and independence of the external auditor concluding in a recommendation to the Board on the reappointment of the auditor by shareholders at the Annual General Meeting;
- non-audit fees charged by the external auditor; and
- the formal engagement terms entered into with the external auditor.

Further details on the committee's responsibilities and activities are on pages 24 and 25 of our March 2018 Annual Report and Accounts.

The Remuneration Committee is chaired by Richard Masters. Its other members are the other Non-Executive Directors. It is normal for the Chief Executive Officer to be invited to attend meetings except where matters under review by the Committee relate to him.

The Remuneration Committee has written terms of reference, which are available from our website. The Committee has responsibility for making recommendations to the Board on the remuneration packages of the Executive Directors, which includes:

- making recommendations to the Board on the Company's policy on Directors' remuneration and overseeing long term incentive plans (including share option schemes for all employees);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Company; and
- ensuring that remuneration is in line with current industry practice.

Further details on the committee's responsibilities and activities are on page 27 of our March 2018 Annual Report and Accounts.

The Nominations Committee is chaired by the Chairman of the Board and includes the other Non-Executive Directors and the Chief Executive Officer. They consider the balance of skills, knowledge and experience on the Board and make recommendations for consideration by the whole board. Following Ian Ritchie's decision to not seek re-election at the August 2018 AGM we are currently undertaking, with the support of an external advisor, a search programme for a new independent non-executive director.

**Principle 10 - Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**

**Disclosure required by the QCA Code**

The disclosure required is the outcome of all votes is disclosed in a clear and transparent manner. Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the company should include, on a timely basis, an explanation of what action it intends to take to understand the reasons behind the vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

Include historical annual reports and other governance-related material, including notices of all general meetings over the last five years.

## Our disclosure

As soon as practicable after any general meeting has concluded, the results of the meeting are released through a regulatory news service and a copy of the announcement is posted on the company's website within the investor section.

Were there to be any significant proportion of votes cast against a resolution at any general meeting we would explain on a timely basis what action we would take to understand the reasons behind the vote result and any action we would intend to take as a result.

The investors section of the C website includes details of all notices of annual general meetings held in the last five years within the relevant annual report. No other general meetings have been held over that period.

## Index

Set out in the following table is a list of the disclosures required to be published by us under the QCA Code. The table also indicates where each disclosure appears in our annual report or in this document. As explained at the start of this document, the disclosure appears in the location recommended in the QCA Code.

<b>Corporate Governance Principle</b>	<b>Disclosure</b>	<b>Location</b>
1	Explain the company's business model and strategy, including key challenges in their execution (and how they will be addressed)	Our 2018 annual report pages 10 and 13
2	Explain the ways in which the company seeks to engage with shareholders and how successful this has been. This should include information on those responsible for shareholder liaison or specification of the point of contact for such matters.	Pages 1 and 2
3	Explain how the business model identifies the key resources and relationships on which the business relies.  Explain how the company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products).	Page 2  Page 2
4	Describe how the board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective.	Our 2018 annual report pages 25 (Risk Management and Internal Control), 33 (Financial risk management objectives and policies) and 84 to 86 (Risk Management).
5	Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained.  Describe the time commitment required from directors (including non-executive directors as well as part time executive directors).  Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.	Our 2018 annual report page 22 (Composition and appointments to the Board).  Our 2018 annual report page 22 (Role of the Chairman and Chief Executive) and (Composition and appointments to the Board).  Our 2018 annual report page 23 (Attendance at Board and Committee Meetings)
6	Identify each director.	Our 2018 annual report pages 20 and 21 (since the

	<p>Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term.</p> <p>Explain how each director keeps his/her skillset up to date.</p> <p>Where the board or any committee has sought external advice on a significant matter, this must be described and explained.</p> <p>Where external advisers to the board or any of its committees have been engaged, explain their role.</p> <p>Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board.</p>	<p>publication of the annual report Ian Ritchie is no longer a member of the board). Our 2018 annual report pages 20, 21 and 22 (Composition and appointments to the Board).</p> <p>Our 2018 annual report page 23 (Information and Development).</p> <p>No such advice was sought in the March 2018 financial year.</p> <p>The Remuneration Committee consult with external advisers when setting executive directors reward packages and the disclosure thereof.</p> <p>There were no such responsibilities in the March 2018 financial year.</p>
7	<p>Include a high-level explanation of the board performance effectiveness process.</p> <p>Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed.</p> <p>Include a more detailed description of the board performance evaluation process / cycle adopted by the company. This should include a summary of:</p> <ul style="list-style-type: none"> <li>• The criteria against which the board, committee and individual effectiveness is considered;</li> <li>• How evaluation procedures have evolved from previous years, the results of the evaluation process and action taken or planned as a result; and</li> <li>• How often the board evaluation takes place.</li> </ul>	<p>Our 2018 annual report page 23 (Performance Evaluation).</p> <p>Page 2 and 3.</p>
8	<p>Include in the chair's corporate governance statement how the culture is consistent with the company's objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties.</p> <p>The statement should explain what the board does to monitor and promote a healthy corporate culture and how the board assesses the state of the culture at present.</p> <p>Explain how the board ensures that the company has the means to determine that ethical values and behaviours are recognised and respected.</p>	<p>Page 3.</p>

9	<p>In addition to the high level explanation of the QCA Code set out in the chair's corporate governance statement:</p> <ul style="list-style-type: none"> <li>• Describe the roles and responsibilities of the chair, chief executive and any other directors who have specific responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups).</li> <li>• Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the board for its consideration.</li> <li>• Describe which matters are reserved for the board.</li> <li>• Describe any plans for evolution of the governance framework in line with the company's plans for growth.</li> </ul>	Page 4 and 5.
10	<p>Describe the work of any board committees undertaken during the year.</p> <p>Include an audit committee report (or equivalent report if such committee is not in place).</p> <p>Include a remuneration committee report (or equivalent report if such committee is not in place).</p> <p>If the company has not published one or more of the disclosures set out under Principles 1-9, the omitted disclosures must be identified and the reason for their omission explained.</p> <p>Disclose the outcomes of all votes in a clear and transparent manner.</p> <p>Where a significant proportion of votes (e.g. 20% of independent votes), have been cast against a resolution at any general meeting, the company should include, on a timely basis, an explanation of what action it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.</p> <p>Include historical annual reports and other governance related material, including notices of all general meetings over the last five years.</p>	<p>Our 2018 annual report pages 23 (Board Committees), 24 and 25 (The Audit Committee), page 25 (The Remuneration Committee) and pages 27 to 32 (Directors' Remuneration Report).</p> <p>Our 2018 annual report – not applicable to this annual report in view of the timing of adoption of the QCA Code.</p> <p>Page 5.</p> <p>Page 5.</p> <p>Page 5.</p>