

## Corporate governance report

Escher Group Holdings plc and its subsidiaries are committed to high standards of corporate governance. The Directors recognise the importance of sound corporate governance and confirm that they aim to comply with best practice in corporate governance, appropriate for a Group of its nature and size.

### The Board

The Board comprises the Chairman, who was independent at the time of appointment, two executive Directors and three Non-Executive Directors. The Board has evaluated the independence of each Non-Executive Director by considering a number of factors and the Board has determined that each of the Non-Executive Directors is independent. The Board is aware that questions exist on the independence of certain Non-Executive Directors as a result of their shareholding in the Group. It is the belief of the Board that each of these Non-Executive Directors demonstrate independence in the execution of their roles and their contribution to the overall performance of the Board. The Board is collectively responsible for the success of the Company and entrepreneurial leadership is balanced by the scrutiny and oversight provided by the Independent Non-Executive Directors. Independent professional advice is taken as required.

To this end, the Board meets at least six times a year to review the Group's strategy and oversee the Group's progress towards its goals. In addition, ad hoc meetings will be called to address specific issues requiring Board approval. The Board has established Audit, Remuneration and Nomination Committees and meetings of these Committees are in addition to those noted above.

The Board considers the current balance of skills and experience appropriate for the business. The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for the leadership and effectiveness of the Board.

The Directors comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings as applicable to AIM companies and will take all reasonable steps to ensure compliance by the Group's applicable employees. They also comply with the other AIM rules for companies as set out by the London Stock Exchange.

### Board Committees

The Board has three Committees with clearly defined terms of reference which are set by the Board. The role, work and members of the Committees are outlined below.

#### Audit Committee

The Audit Committee, chaired by Paul Taylor, consists of two Non-Executive Directors: Paul Taylor and John Quinn. The Audit Committee meets at least three times a year and is responsible for ensuring that the financial performance of the Group is properly reported on, controlled and monitored, including reviewing the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies. It also meets the external auditors without executive Board members being present.

#### Remuneration Committee

The Remuneration Committee is chaired by John Quinn and consists of three Non-Executive Directors: John Quinn, Paul Taylor and Michael Smurfit Jnr. It is expected to meet not less than two times a year. Executive Directors may attend meetings at the Committee's invitation. It is responsible for renewing and determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for executive Directors, including pension rights and compensation payments. It is also responsible for making recommendations for grants of options under the share option plan.

The remuneration of Non-Executive Directors is a matter for the Board. No Director may be involved in any discussions as to his or her own remuneration.

#### Nomination Committee

The Nomination Committee is chaired by Bernard Somers and consists of three Non-Executive Directors: Bernard Somers, John Quinn and Paul Taylor. It is expected to meet not less than two times a year. The Committee has responsibility for reviewing the balance of the Board including its balance of skills and experience and the state of the business and its leadership needs, and gives full consideration to succession planning. It also has responsibility for recommending new appointments to the Board.

### Internal control and risk management

The Group has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group. Executive Directors have a close involvement with all day-to-day operations and also meet with staff on a regular basis to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place. Business risks are monitored and updated on a regular basis. Insurance is in place where appropriate.

There is in place a comprehensive system of financial reporting based on the annual budget which the Board approves. The results for the Group as a whole are reported monthly, along with an analysis of key variances. Year-end forecasts are updated on a regular basis. No system can provide absolute assurance against material misstatement or loss but the Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities. There is currently no internal audit function as this is not considered necessary at this stage of the Group's development but this will be reviewed on an annual basis as the Group evolves.

### Investor relations

Meetings with analysts and institutional shareholders are held following the interim and full-year announcements and on an ad hoc basis. These are usually attended by the Chief Executive and the Finance Director. Feedback from these meetings and regular market updates prepared by the Group's broker are presented to the Board. The Chairman and the other Non-Executive Directors are available to shareholders to discuss strategy and governance issues. In accordance with AIM Rule 26, there is an investors section on the Company's website, investors.eschergroup.com, which is kept up to date. Non-Executive Directors and the Chairman both made themselves available and met with shareholders during the year.