

Corporate Governance

The Board recognises the importance of sound corporate governance and has adopted the Corporate Governance Guidelines for Smaller Quoted Companies published in 2018 by the Quoted Companies Alliance (the “QCA Code”). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code for AIM companies.

The underlying principle of the QCA Code is that “the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term”.

Outlined below are the ten key governance principles as defined in the QCA Code alongside details of how EU Supply plc addresses each of these principles.

This disclosure was last reviewed and updated on 28 September 2018

David Cutler, Non-executive Chairman

QCA Code Principle	Application (according to the QCA Code)	Comments
<p>1. Establish a strategy and business model which promote long-term value for shareholders</p>	<p>The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.</p>	<p>This is described on the Company's website in the Investor Relations section, specifically in the sections headed "Description of business", "History" and "Sales and Marketing Strategy". This is also detailed further in the Strategic Report of the Company's Annual Report and Accounts for the year ended 31 December 2017 where the most recent developments are described. The main risks are outlined in the Directors' Report of the Company's Annual Report.</p>
<p>2. Seek to understand and meet shareholder needs and expectations</p>	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>The Company regularly releases relevant information in announcements which are set out on the Company's website in the Investor Relations section. The Company encourages regular two-way interaction and communication with both private and institutional shareholders and responds to shareholder queries in a timely manner. Twice-yearly investor roadshows are held following the publication of the Company's interim and full year results. Formal feedback of shareholders' views is communicated fully to the Board along with institutional and private investors' feedback. Private investor seminars and events are attended by the Executive Directors in addition to the Company's AGM, which affords all shareholders the opportunity to participate and to meet the Board. Where voting decisions are not in line with the Company's expectations, the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.</p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>EUS' integrated management system covers all business processes, which is certified ISO 14001 (environment), including both internal and external environment, ISO 9001 (quality), ISO 20 001-1 (services), ISO 27 001 (information security) all including "360" feedback loops and improvements, and all with annual internal and external audits. Details of whom the Group considers to be the most important stakeholders to the business, and the input they have on the business, are disclosed on the Company's website and headed "Stakeholders" in the Investor Relations section. The Board ensures that regular meetings take place with the Company's shareholders and receives reports of the regular contacts with employees and other stakeholders.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>Details of the principal risks, how these are mitigated, the potential impact and how these are monitored are set out in the Company's Annual Accounts and Accounts for the year ended 31 December 2017 specifically in each of the Strategic Report, the Directors' report and in Note 3 to the Financial Statements. The Board considers risks to the business at every Board meeting (at least 8 meetings are held each year).</p>

		The Group has built the risk assessment on formal standards which is assessed annually along with appropriate risk mitigation.
5. Maintain the board as a well-functioning, balanced team led by the chair	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>The Company is controlled by the Board of Directors. The constitution of the Board, and the biographies of each Director, is described on pages 7-8 of the Company's Annual Report and Accounts for the year ended 31 December 2017.</p> <p>All Directors receive regular and timely information regarding the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of board meetings.</p> <p>The Board is currently comprised of a non-executive chairman, two executive directors and an additional non-executive director. The Board has a formal schedule of matters reserved to it and is supported by the Audit and Remuneration Committees. Details of each of the Committees are available on the Company's website in the section headed Corporate Governance. The executive directors are employed full time by the Group and the non-executive directors devote an average of 2-3 business days per month in reviewing the activities of the Group and in discharging their committee responsibilities.</p> <p>The Board has formal monthly meetings and meets at least 8 times per year.</p>
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	<p>The Board contains an appropriate mix of diverse skills, personal qualities and capabilities.</p> <p>The biographies of each of the Directors is set out in the Company's Annual Report and Accounts for the year ended 31 December 2017 and on the Company's website.</p> <p>The Chairman is independent from the Chief Executive.</p> <p>The Board and each of the Committees regularly seek input from external advisers, such as the Company's lawyers, nominated adviser and auditors. The Company's Finance Director also serves as its Company Secretary.</p>
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>The understanding, effectiveness and contribution of each Director is kept constantly under review by the Chairman.</p> <p>Each Director's performance is reviewed before each Director is proposed for re-election at the Company's AGM to ensure that their performance is, and continues to be, effective and that, where appropriate, they maintain their independence and that they are demonstrating continued commitment to the role.</p> <p>The review of the Board's performance is undertaken internally by the Chairman, which also takes into consideration external input from the Company's shareholders, as appropriate.</p> <p>Board composition is kept under regular review and membership of the Board has been refreshed from time to time as deemed appropriate.</p>
8. Promote a corporate culture that	The board should embody and promote a corporate culture that is based on sound ethical values and	The culture of the Company is strictly ethical. Maintaining the Group's culture is a specific personal

<p>is based on ethical values and behaviours</p>	<p>behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p>	<p>objective of the Company's Chief Executive who regularly communicates the Group's values both internally across the organisation through employee forums feedback and with external stakeholders.</p> <p>A recruitment policy, which is applied consistently across the business, is in place, together with training and appropriate performance management and development frameworks, which are aligned to the culture and needs of the business.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p>The Board manages the affairs of the Company with regard to the Corporate Governance guidance issued by the QCA.</p> <p>The governance structures maintained by the Board through its constant reviews of the Company's management controls and performance are considered appropriate for its size.</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>Regular communication with shareholders and stakeholders is made through the release of RNS and Reach announcements as well as in regular direct meetings with shareholder and other stakeholders.</p> <p>The Company encourages regular two-way interaction and communication with both private and institutional shareholders and responds to shareholder queries in a timely manner. Twice-yearly investor roadshows are held following the publication of the Company's interim and full year results. Formal feedback of shareholders' views is communicated fully to the Board along with institutional and private investors' feedback.</p> <p>Private investor seminars and events are attended by the Executive Directors in addition to the Company's AGM, which affords all shareholders the opportunity to participate and to meet the Board. The Non-executive Directors are available to discuss any matter stakeholders might wish to raise.</p>