

	Principle	Application
1	Establish a strategy and business model which promotes long-term value for shareholders	<p>The Company's strategy is shaped by the Executive Board and is set out in the Annual Report 2020 and on the 'About Us' website page.</p> <p>CEPS plc is an AIM listed, industrial holding company that combines the benefits of the financial structuring of private equity funding with the entrepreneurial drive and flair of incentivised management teams.</p> <p>Our objective is to generate capital growth by aggregating the steadily growing profits from the subsidiary companies using their cash flows to repay acquisition debt.</p> <p>In due course the objective is to provide a robust and steadily growing dividend stream from an increasing number of growing, profitable and cash generative entrepreneurial companies.</p> <p>The companies we have acquired are in a range of sectors and operate in niche markets, thereby, diversifying the risk.</p>
2	Seek to understand and meet shareholder needs and expectations	<p>The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. The Board communicates with shareholders through the Annual Report and the Interim Statement, trading and other announcements made via RNS and at the Annual General Meeting where the Board encourages investors to participate. The Company also maintains a website, www.cepsplc.com, which contains information on the Group's business, corporate information and specific disclosures required under AIM Rules and the QCA Code.</p> <p>In this way the Directors have developed a good understanding of the needs and expectations of all elements of the Company's shareholder base.</p> <p>There have been no significant votes against resolutions at previous AGMs.</p> <p>As the companies within the Group expand, we continually review the risks and uncertainties facing the Group to ensure we identify any new key risks and how we implement appropriate action to manage these risks.</p>
3	Take into account wider stakeholder and social responsibilities and their implications for long term-success	<p>The Board recognises its responsibility under UK law to promote the success of the Group for the benefit of its stakeholders and understands that the business has a responsibility towards its stakeholders including shareholders, employees, customers, suppliers and to the local community.</p> <p>The Board sets standards across the Group and monitors these at regular board meetings of all Group companies. The Board is very conscious that the tone and culture it sets impacts all aspects of the Group and the way employees behave and operate.</p> <p>The Board encourages open dialogue and commitment to providing the best service possible to the Group's customers and considerate interactions with suppliers.</p> <p>The Company monitors feedback from all its stakeholders as reported by the Group companies and the Board uses this to develop future policy.</p>

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4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board has an active program of working with all the Group companies to assist with achieving goals and to discuss and resolve any issues that arise.</p> <p>The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.</p> <p>The Board monitors financial controls through the setting and approval of annual budgets throughout the Group and the regular review of monthly management accounts.</p> <p>Each Group company has defined authorisation levels for expenditure, the placing of orders and signing authorities. The daily cash movements of the Group companies are reconciled and monitored by their finance departments. The Group's cash flow is monitored by the Board.</p> <p>Each year on behalf of the Board, the Finance Director attends audit review meetings at the Group companies at which the auditors present their findings, including a comprehensive review of risks/potential risks which cover both financial and non-financial issues which could potentially affect a Group company.</p> <p>If any issues are identified by the Group companies at the regular company board meetings these are raised at the next CEPS Board meeting. However, depending on the severity of the issue, information may be disseminated to the Board immediately.</p>
5	Maintain the board as a well-functioning, balanced team led by the chair	<p>The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for all stakeholders.</p> <p>The Board has a formal schedule of matters reserved for its decisions. There is a minimum of five Board meetings spread across each year which tie in, as far as possible, with the Group's financial reporting calendar. Additional meetings are held as required.</p> <p>The Board is accountable to the shareholders for the management and success of the Group and is responsible for providing effective controls to assess and manage risks in the Company.</p> <p>The Board currently comprises David Horner, Executive Chairman, Vivien Langford, Finance Director and two non-executive directors (Geoff Martin and David Johnson). The non-executive directors are considered to be independent of the management and free to exercise independence of judgement.</p> <p>The Board has established procedures to identify and monitor potential or actual conflicts of interest.</p> <p>The Board is supported by the Audit, Remuneration, Nominations and AIM Compliance Committees, each of which has access to information, resources and advice that it deems necessary, at the Company's cost, to enable the Committee to discharge its duties.</p> <p>The Committees' terms of reference are currently under review and, once agreed, will be posted on the AIM Rule 26 page of Company's website.</p> <p>The Audit Committee is comprised of the two independent non-executive directors and is chaired by Geoff Martin. The Audit Committee will meet twice a year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting with the auditors and reviewing their relating to the accounts and internal control systems. The external auditors will attend all Audit Committee meetings. The opportunity is given to the non-executive directors to meet with the external auditors at least once a year without any executive directors being present.</p> <p>The Remuneration Committee comprises the two independent non-executive directors and is chaired by David Johnson. The Remuneration Committee reviews and, if appropriate, sanctions remuneration proposals made by the executive directors.</p>

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		<p>No director is permitted to participate in discussions or decisions concerning his own remuneration. The Remuneration Committee meets as and when necessary.</p> <p>The Nominations Committee comprises the Chairman and one of the independent non-executive directors. The Nominations Committee reviews and, if appropriate, approves recommendations for the appointment of additional directors or the replacement of current directors. It also reviews succession planning for the Company.</p> <p>The AIM Compliance Committee is chaired by the Finance Director, Vivien Langford. The AIM Compliance Committee is responsible for ensuring that the Board is aware of the application of AIM Rules and is compliant.</p> <p>The Board has also established procedures to ensure AIM Rules are complied with and that there is close liaison with the Company's nominated adviser.</p> <p>The Board and its Committees receive appropriate and timely information and minutes are kept of all relevant Committee meeting matters.</p> <p>Any director can challenge proposals with decisions being taken after discussion. Any director can ask for a concern to be formally noted. Specific actions arising from meetings are agreed by the Board or the relevant Committee and then followed up by management.</p> <p>Directors have access to advice or services needed to enable them to carry out their roles and duties.</p> <p>Hitherto, given the size of the Company, the business of the Audit, Remuneration, Nomination and AIM Compliance Committees is dealt with within the Company board meetings and minuted as such. In future, each Committee will prepare an independent set of minutes for meetings.</p> <p>There are usually five Board meetings per year. During 2019, there were six Board meetings and the attendance of the directors has been as follows:</p> <table border="1" data-bbox="725 868 1989 1182"> <thead> <tr> <th>Director</th> <th>Meetings</th> <th>Attended</th> </tr> </thead> <tbody> <tr> <td>David Horner</td> <td>6</td> <td>6</td> </tr> <tr> <td>Vivien Langford</td> <td>6</td> <td>6</td> </tr> <tr> <td>Geoff Martin</td> <td>6</td> <td>6</td> </tr> <tr> <td>David Johnson</td> <td>6</td> <td>6</td> </tr> </tbody> </table> <p>All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and, thereafter, by rotation.</p> <p>In line with the QCA Code, Geoff Martin, who has been a director in excess of nine years, will in future be included in AGM resolutions for re-election.</p> <p>The directors spend such time as is necessary to ensure that their roles and duties are carried out effectively.</p>	Director	Meetings	Attended	David Horner	6	6	Vivien Langford	6	6	Geoff Martin	6	6	David Johnson	6	6
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<p>6</p>	<p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The skills and experience of the Board directors are set out in their biographical details included within the Directors’ Report of the Company’s Annual Report. The experience and knowledge of each of the directors, including business and financial, gives them the ability to constructively challenge strategy and to scrutinise performance.</p> <p>In addition, the Company’s non-executive directors have held senior executive positions.</p> <p>The directors of the Company are:</p> <p>David Horner (Executive Chairman)</p> <p>Vivien Langford (Finance Director and Company Secretary)</p> <p>Geoffrey Martin (Independent Non-Executive Director)</p> <p>David Johnson (Independent Non-Executive Director)</p> <p>Role of the Executive Chairman: David Horner</p> <p>The Executive Chairman has overall responsibility for corporate governance and for promoting high standards throughout the Company. As well as leading and chairing the Board, the Executive Chairman’s is responsible for ensuring:</p> <ul style="list-style-type: none"> • The Committees are properly structured and operate with appropriate terms of reference; • The performance of individual directors, the Board and its Committees are reviewed on a regular basis; • The Company has a coherent strategy and sets objectives against this; and • There is effective communication between the Company and its shareholders. <p>Roles of the Finance Director and Company Secretary: Vivien Langford</p> <p>The roles of Finance Director and Company Secretary are combined. The Board acknowledges the QCA guidelines on this matter and considers the joint roles appropriate for the Company’s size.</p> <p>The Finance Director is responsible for providing financial oversight of the Group, preparing the accounts, monitoring the performance of the Group companies, reporting on financial matters to the Board and providing financial input on acquisitions.</p> <p>The Company Secretary is responsible for providing clear and timely information flow to the Board and its Committees and supports the Board on matters of corporate governance and risk. The Company Secretary has direct access to the Chairman on matters of Corporate Governance.</p> <p>Role of the Independent Non-Executive Directors: Geoff Martin and David Johnson</p> <p>The role of the Independent Non-Executive Directors is to contribute independent thinking and judgement through the application of their external experience and knowledge, to scrutinise the performance of the executive directors, to provide constructive challenge and to ensure that the Company is operating within the governance and risk framework approved by the Board.</p> <p>Skills and Capabilities</p> <p>David Horner: David has an excellent skillset that enables him to source, value and acquire appropriate companies for the group. These skills include but are not limited to contract negotiations, financial analysis and restructuring companies.</p>
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	Principle	Application
		<p>Vivien Langford: Management experience across a wide range of business functions, typically with finance at the core, but also including HR, compliance and IT. Strategic thinking and communication, capable of explaining the big picture whilst planning for delivery and implementation. Significant project management experience with expertise in financial analysis, contract negotiation and company acquisitions. Excellent interpersonal skills including the ability to work with a variety of levels of seniority both internally and externally and nationally and internationally.</p> <p>Geoff Martin: Strong experience within the accountancy profession, both in commerce and overseas. Geoff has extensive experience in takeovers and disposals and refinancing and restructuring proposals.</p> <p>David Johnson: In depth knowledge of management and strategy from extensive career following and analysing companies. Focus on shareholder returns and investor relations. Experienced non executive director across a broad range of sectors. Ability to support and challenge executive teams. Each director is responsible for maintaining the skill set required by the role and this is achieved by continuing professional education, technical updates from professional bodies and advisors and an active role assisting the existing Group companies.</p> <p>The Board, as a whole, is well placed to implement the Company's strategy.</p>
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>In the past, the evaluation of the performance of individual directors of the Board has been implemented as required. However, these processes will be reviewed within the next 12 months. The criteria against which the Board, Committees and individual effectiveness is considered will be established at that time.</p> <p>Responsibility for succession planning lies with the Nominations Committee. The Committee is satisfied that the Board has the skills it presently needs.</p>
8	Promote a corporate culture that is based on ethical values and behaviours.	<p>The Board recognises that its decisions will impact the corporate culture of the Group and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives.</p> <p>The Board has regular interaction with Group company employees and monitors corporate culture in this way. Additionally, it ensures its sound ethical practices and behaviours are deployed at Group company board meetings.</p>
9	Maintain Governance structures and processes that are fit for purpose and support good decision making by the board	<p>There is normally a clear division of responsibility between the Chairman and the Finance Director and the Independent non-executive directors.</p> <p>The roles and responsibilities of each director is set out in the response to Principle 7.</p> <p>The terms of reference of the Board Committees are set out in response to Principle 5.</p> <p>There are a wide range of matters reserved for the Board. These include strategy, finance, corporate governance, approval of significant capital expenditure, appointment of key personnel and compliance with legal and regulatory requirements.</p> <p>The Company's governance framework is reviewed to maintain the highest levels of business performance.</p>

<p>10</p>	<p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>The Board recognises that meaningful engagement with its shareholders is integral to the continued success of the Group. Non-executive directors are kept informed of the views of the shareholders through periodic reports from the Chairman and the Finance Director.</p> <p>The Board believes that the Annual Report and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group’s position and prospects. All reports and press releases are published on the Group’s website.</p> <p>The Annual General Meeting (‘AGM’) is the principal opportunity for private shareholders to meet and discuss the Group’s business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The directors are also available after the meeting for an informal discussion with shareholders.</p> <p>The Committees of the Board have not previously published Committee reports. Each Committee will do so in future. The first reports will appear in the accounts for the year ending 31 December 2020.</p> <p>The Board is supported by the Audit, Remuneration, Nominations and AIM Compliance Committees, each of which has access to information, resources and advice that it deems necessary, at the Company’s cost, to enable the Committee to discharge its duties. These duties are set out in the terms of reference which will be available on the website in due course.</p> <p>The Audit Committee</p> <p>The Audit Committee has had meetings with the external auditors during the year to monitor progress and discuss any issues arising. For the Annual Report 2019 the following items were raised.</p> <ul style="list-style-type: none"> • Goodwill impairment review • Related party issues • Basis of consolidation • Gearing <p><i>Priorities for the year ahead</i></p> <p>Priorities for the coming year will include but not be limited to enhancing audit procedures, consolidating the audit timetable to ensure timely reporting and adopting new accounting standards as required.</p> <p>Audit Committee Terms of Reference: The objective of the Company’s audit committee is to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.</p> <p>The Remuneration Committee</p> <p>The Remuneration Committee reviews and determines on behalf of the Board and shareholders of the Company the pay, benefits and other terms of service of the executive directors of the Company and the broad pay strategy with respect to senior Company employees.</p> <p>Remuneration Committee Terms of Reference: The objective of the Company’s remuneration policy is to determine and agree with the Board the framework or broad policy for the remuneration of the Company’s Chairperson and the Executive Directors including pension rights and compensation payments.</p>
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		<p>The Nominations Committee</p> <p>Potential nominations are reviewed at Board meetings as required, but no meetings were held during 2017 as there were no vacancies to fill, nor were any appointments planned.</p> <p>Nominations Committee Terms of Reference: The purpose is to promote a culture of integrity throughout the Company and to assist the Company in identifying and recommending new nominees for election to the Board.</p> <p>The AIM Compliance Committee</p> <p>The AIM Compliance Committee ensures active consideration is given to AIM compliance matters at each Board meeting and there is a regular agenda item to cover this topic.</p> <p>AIM Compliance Committee Terms of Reference: The objective of the Company's AIM compliance committee is to monitor and report on compliance with the AIM Rules for Companies from time to time.</p> <p>On 23 June 2020 the Company announced the results of its AGM. There was no significant proportion of votes against any resolution.</p>