Statement of Compliance with the QCA Corporate Governance Code

Accsys Technologies Plc (the Company / Accsys)

Chairman's introduction

QCA Adoption

In 2018 Accsys conducted a corporate governance review in preparation for the changes to governance requirements for AIM companies (AIM Rule 26). As a result of such review the Company adopted the QCA Code and shall follow and report against the QCA Code on a comply-or-explain basis.

At Accsys, we hold a strong belief that we have a collective social responsibility to use and develop our technology to tackle climate change and pollution, and such belief, together with health and safety, remains a fundamental priority of our business. Our innovative acetylation technology enables us to sustainably manufacture wood products that make a material difference to the environment as well as offer ‘best in class’ durability, dimensional stability and a wide spectrum of other advantages over alternative fossil fuel dependent or man-made products. This values-led vision also provides an attractive opportunity for our employees, distributors, licensees and other stakeholders. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to change wood to change the world.

Since our values are based on “changing wood to change the world” the Board believes that leadership and governance play a key part in achieving its strategic aims and providing long term benefit and success for the business and our shareholders. As such, corporate governance and social responsibility lies at the very core of our business and it is the Board’s job to ensure that corporate governance and social responsibility remains a key focus.

1 Further detail on the chair’s roles and responsibilities can be found on page 22.
Key Governance Changes During the Year

During the financial year ending on March 2019 there were two key changes to our Board composition and a change to our Management structure:

Firstly, following an independent review of the Board and its Directors, Dr Trudy Schoolenberg was appointed to the Board on 1 April 2018 as a Non-Executive Director to add operational expertise and also carry out the role of Senior Independent Director. More information on Trudy’s background is set out on page 41 of the Company’s Annual Report and Financial Statements for the Year Ended 31 March 2019.

Secondly, the combined Nomination and Remuneration Committee was disaggregated into a separate Nomination Committee and Remuneration Committee with effect from 1 January 2019, allowing for more focused and dedicated time to be spent on each important area of Board and Executive Team composition and remuneration respectively. The terms of reference for each Committee have also been updated and are available on the Corporate Governance page of our website, www.accsysplc.com.

Finally, in addition to our Senior Management Team (which continues to function as before), we constituted an Executive Committee, comprised of the Executive Directors, the Company Secretary and certain other members of the Senior Management Team, with responsibility for implementing all key strategic initiatives determined by the Board and providing clear direction to the Group with the aim of connecting our day to day operations with our broader strategy. This change comes about as a result of our accelerating growth, the increasing complexity of our business, and to improve the efficiency of managing the Group.

Patrick Shanley
(Chairman)

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

Accsys is a fast-growing chemical technology group focused on the sustainable transformation of wood through acetylation. The Company’s primary focus is on the production of Accoya® solid wood and Tricoya® wood elements and licensing of its respective technologies to third parties.
The Company’s strategy is to:

1. drive revenue growth by increasing the Accoya® and Tricoya® volume sold and number of distributors by developing market opportunities into core business
2. grow manufacturing capacity
3. develop its people and organisational capability to enable Accsys to meet its growth objectives
4. develop technology and IP programmes to focus on value and growth, and to manage risk.

Accsys is committed to manufacturing high performance materials which are environmentally-friendly solutions for the construction industry. Accoya® and Tricoya® are made from abundantly available, fast growing, sustainable, renewable resources with durability and dimensional stability exceeding the best performing tropical and temperate hardwoods and manufactured wood and non-wood panels including plastics. In order to develop manufacturing capacity, the third Accoya® reactor in Arnhem is operational and the construction of the Tricoya® plant is well underway.

The Company’s innovative wood processing technology is also a platform with application for use on different solid woods and multiple different panel products. Accsys believes wood acetylation is applicable to multiple wood products and species and the Company has established a platform technology that can be developed to generate additional products and uses. Different species of wood will enable Accoya® to be used for new purposes while opening up greater supply chain opportunities. The Tricoya® process also has the potential to be used for particle board manufacture.

The Company’s key strengths, which in turn promote long-term value for shareholders, include:

1. Intellectual property, expertise and innovation – which is protected at different levels and is exploited in different ways. Accsys has developed families of patents relating to its products and processes which provide robust protection and enable it to market to third parties. Equally important is know-how and trade secrets covering the Company’s process, raw materials, equipment and products which provide commercial protection and value generation as well as a basis for on-going innovation.
2. Branding. Accsys’ brands Accoya® and Tricoya® are registered trademarks in over 50 countries world-wide. Strong branding and trademark protection is vital and has enabled Accsys’ products to generate a significant presence in a relatively
short time in what is otherwise a fragmented market place. Accsys portrays that its products are high performance, class leading and sustainable while offering value for money when considering performance benefits and the product lifecycle.

3. Business partners. Third parties have contributed to Accsys’ success and help the Company meet its long term strategic targets. Particular importance is placed upon those which help develop Accsys’ technology, products and their place in the market including equipment manufacturers, wood suppliers, the acetyls industry, testing and certification bodies as well as wood coating, adhesives and other system supply specialists. The Company will continue to work with others to ensure it develops larger scale manufacturing capacity.

4. People. Accsys’ people are key to its success, with high staff retention and a commitment to the future of the Company. Accsys’ focus on Research & Development (R&D), innovation and developing long-term growth market opportunities to exploit the Company’s first mover advantage is dependent on its employees. Value is generated from know-how, from working with wood products, understanding the Company’s brand on a global basis, to optimising the acetylation process. Accsys develops, motivates and retains a committed team with necessary skills to help it meet its objectives.


Principle 2: Seek to understand and meet shareholder needs and expectations

Communications with shareholders are given high priority and the Board ensures that its strategy, business model and performance are clearly understood and shareholders are provided with updates in a clear and transparent manner. There is regular dialogue with shareholders including webcast presentations after the Company’s preliminary announcement of the year-end results and six monthly results, regular Regulatory News Service announcements and trading updates.

During 2019, the Chairman and the Senior Independent Director invited the Company’s ten largest shareholders to meet to discuss areas of importance, providing key shareholders with an opportunity to give feedback to the Board and discuss any areas of concern.
Accsys also organises bi-annual investor roadshows in the UK and Netherlands offering significant shareholders an opportunity to discuss the business, management and strategy of the Company with the Executive Directors. It also remains informed of shareholders’ views via regular dialogue with its corporate brokers.

**Annual General Meetings**

The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Directors are available at Annual General Meetings to answer questions. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the Annual General Meeting are also subsequently posted on the Accsys website.

Shareholders are encouraged to attend AGMs and the Board engage with significant shareholders on key issues, either with one-to-one meetings or discussions. For example, the Nomination and Remuneration Committee undertook a consultation exercise with the significant shareholders in respect of the development of the Remuneration Policy (as approved at the 2018 Annual General Meeting), and the feedback received was taken into account in finalising the Remuneration Policy. Furthermore, during each year, the Remuneration Committee considers shareholder feedback received in relation to the Annual General Meeting, plus any additional feedback received through other means of dialogue.

With a view to further enhancing Accsys’ understanding of the needs and expectations of the Company’s shareholder base, the Company engaged an investor relations consultant in 2018, who liaises with the Company’s external brokers and reports directly to the FD on a monthly basis. Details of all RNS announcements are provided on the Company’s website here.

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

Accsys’ business model, set out on pages 20-21 of its Annual Report and Financial Statements for the Year Ended 31 March 2019, is to create value using the Company’s proprietary wood acetylation platform technology, which in turn is achieved through manufacturing high performance sustainable Accoya® and Tricoya® wood products and working with third parties to that end. The Company’s business model identifies that investment in key resources on which the business relies - Accsys’ intellectual property,
expertise, innovation, research and development, branding, employees and relationships with numerous third parties including equipment manufacturers, wood suppliers, those in the acetyls industry, testing and certification bodies as well as wood coating, adhesives and other system supply specialists - underpins all that Accsys does. Investment from the Company’s other key stakeholders, its shareholders and finance providers, makes this possible.

The Board are regularly updated on engagement and feedback from Accsys’ stakeholders to enable the Board to consider such views during relevant decision making processes. By way of example, following feedback from stakeholders and careful Board consideration, the Company’s ambition to retain a direct interest in manufacturing whilst fully exploiting the value of its IP led to the development of Accsys’ relationships with BP and MEDITE in respect of Tricoya®, where the new Tricoya® consortium builds upon a broader level of experience and capabilities in the acetyls and panel industries.

Accsys is also aware of the impact its business and operations have on the wider community and places great importance on community and social responsibility. The Company is committed to continuing research and development concerning its products and processes. Amongst other things, this ongoing development is designed to increase the use and improve the environmental and efficiency benefits of Accsys’ products. This will ensure the Company continues to respond to the growing global ambition of consumers to live sustainably, reduce the growth of plastic pollution and tackle climate change and in turn promote the long term success of Accsys. For more detailed information, Accsys’ most recent Sustainability Report can be found at pages 30-32 of its Annual Report and Financial Statements for the Year Ended 31 March 2019 and its CSR policy can be found on the Accsys website.

**Employees**

Accsys believes that its employees are key to its success, and its high staff retention is reflective of their commitment to the future of the Company. Group activities are driven and managed by an Executive Committee and by a Senior Management Team of which the Company is particularly proud. Experts in their fields, the Senior Management Team boasts a broad range of sector knowledge and specialism. Committed to ensure Accsys delivers on its plans for growth and commercial success; it’s their hard work and advice that has supported Accsys’ growth. Further detailed information on the members of the Senior Management Team can be found at pages 42-43 of Accsys’ Annual Report and Financial Statements for the Year Ended 31 March 2019.
In order to effectively engage with its employees Accsys continues to hold bi-annual “Town Hall” meetings whereby all employees are requested to join an open forum meeting with the Chief Executive Officer (CEO) for an update on the Group’s activities, financial position and strategy. Employees are also given the opportunity to ask questions and provide feedback on any matters discussed. In addition, during 2019 the Board invited all personnel to attend ‘Meet the Board Lunches’ at its London, Arnhem and Hull offices, providing an informal forum to facilitate and encourage engagement and open dialogue between the Board and the Company’s workforce. Following good attendance and positive feedback thus far, the intention is to repeat these informal lunches on an annual basis.

Over the last year Accsys has also implemented quarterly “SKIP Meetings” whereby a selected group of employees from all areas and levels of the business meet with the CEO and other key members of the Senior Management Team to, in an open forum, discuss the strategy and movement of the Group. To the extent action points are generated from the SKIP meetings, the Executive Directors then deal with such points as appropriate.

In addition, Accsys has a Works Counsel in the Arnhem office comprising of four employees at present and an Executive Director to enable consultation and representation of the Company’s employees in the Netherlands and to ensure compliance with the Dutch Civil Code.

**Suppliers**

Particular importance is placed upon those which help develop Accsys’ technology, products and their place in the market including equipment manufacturers, wood suppliers, the acetyl industry as well as wood coating, adhesives and other system supply specialists. In 2011, Accsys launched the first Accoya® Worldwide Conference and invited system supply specialists to engage with the Company on Accoya® and Accsys’ business alongside the Company’s customers, distributors and licensees. The Accoya® Worldwide Conference has been held a further five times and grown to include B2B users and specifiers of Accsys’ products from further down the route to market such as joineries. At the last event, Accsys invited three leading industry experts on sustainability, wood innovation and knowledge to discuss the future of sustainable construction in a symposium held on the last day.

Accsys expects the suppliers of all its wood to meet the strict chain of custody criteria set out by either the Forest Stewardship Council (FSC®) or other similarly reputable and
internationally recognised certification schemes. In addition, Accsys remains compliant with the EU Timber Regulation.

Accsys also expects the suppliers of its other key raw materials to comply with its Supplier Code of Conduct or to have confirmed their support for the principles of the UN Global Compact, which is committed to ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The Company has recently updated its Supplier Code of Conduct which can be found on Accsys’ website. Non-adherence to the principles stated within the Code of Conduct influences whether a supplier is deemed eligible to do business with Accsys.

A Supplier is also asked to sign a Slavery and Human Trafficking Statement to ensure that all parties are acting ethically and in the best interest of the Company.

**Distributors and Customers**

Accsys has developed a strong distribution network and other key relationships in the industry and there is an increasing realisation that products such as Accoya® and Tricoya® will serve a long-term role in replacing environmentally damaging man-made products while crucially being able to offer all of the attributes of a high performance product.

Accsys provides training to its end-users (being, in most instances, joiners) and distributors in relation to Accoya® including, use and manufacturing information but also information on environmental and social benefits.

Accsys’ senior sales managers regularly visit the Company’s customers at the customer’s site and customers are also periodically invited to the Group’s manufacturing facilities in Arnhem. In addition, Accsys encourages customers and distributors to attend the Accoya® Worldwide Conference.

Accsys has also updated its websites to ensure they are more user-friendly and enable feedback to be communicated to the Company. Where consent has been provided, the Company also distributes a regular Accsys newsletter.

**Business partners**

Accsys wants its own activities and also those of its licensees, suppliers and other business partners to be socially and environmentally responsible. The Company is committed to a policy of minimising any negative social and environmental impact that may flow from its activities and expect the same high standards from its business...
partners. Such expectations are clearly communicated to Accsys’ business partners, for example, in the Accsys CSR Policy, Anti-Corruption, Bribery and Tax Evasion Policy and Accsys’ Modern Slavery Statement. Accsys is committed to improving its practices to combatting and eliminating slavery and human trafficking.

As part of Accsys’ initiative to mitigate risk in its business and supply chain, the Company purchases goods and services from suppliers, and sells and licences its Accoya® and Tricoya® products, from and to third parties that it believes take the same stance as Accsys against slavery and human trafficking. Accsys also conducts regular supply chain verification and auditing.

The Company encourages anyone who has any suspicions or concerns regarding modern slavery or unethical conduct to raise concerns without delay. To the extent possible, the Company makes every effort to keep any information provided confidential.

Accsys’ current Modern Slavery Statement can be found on the Accsys’ website.

**Principle 4: Embed effected risk management, considering both opportunities and threats, throughout the organisation**

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings.

All Directors have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company’s expense.

*Internal Financial Control*

The Board is responsible for establishing and maintaining the Company’s system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

- The Company’s organisational structure has clear lines of responsibility;
• The Company prepares a comprehensive annual budget that is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors; and
• The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Audit Committee is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Audit Committee also discusses the scope of the audit and its findings and considers the appointment of the external auditors.

The Group’s systems of control and protection are designed to help manage and control risks to an appropriate level rather than to eliminate them and controls system remain subject to audit, for example, financial controls are audited by the Group’s external auditors, PricewaterhouseCoopers LLP.

Audit and Risk

The Risk Committee is chaired by the Finance Director and attended by all Senior Management Team members. The Risk Committee meets at least quarterly, or as and when required, to assess any risk which may impact the Group. The Risk Committee updates a risk register which outlines the nature of the risk and any mitigating factors required to protect against such risks. The Risk Committee reports on the risk register to the Audit Committee and thereafter the Audit Committee reports on the same to the Board.

Standards and Policies

The Board is committed to maintaining the highest standards for business activities and conduct as outlined in the Group policies, including:

• Employee Handbook
• Anti-Corruption, Bribery and Tax Evasion Policy
• Health and Safety Policy
• Modern Slavery Statement
• Confidential Information Guidelines
All Group policies are stored on a central drive and accessible to all employees.

Health and safety is a priority at all levels of the Group, in particular taking into account the chemical industry in which Accsys operates. Group companies have a responsibility to ensure that all reasonable precautions are taken to provide and maintain working conditions for employees and visitors alike, which are safe, healthy and in compliance with statutory requirements and appropriate codes of practice.

The avoidance of occupational accidents and illnesses is given the highest priority. Detailed policies and procedures are in place to minimise risks and ensure appropriate action is understood in the event of an incident. A dedicated health and safety officer is retained at the Group’s manufacturing facilities in Arnhem and Hull and compliance with Group health and safety policies is monitored.

Approval Process

Accsys have implemented a “Delegation of Authority” schedule which outlines the approvals and authorisations necessary for the entering into of agreements or relationships. Such authorisations provide clear accountability to individuals to protect the interests of the Company and the individuals and failure to adhere to the Schedule is a disciplinary matter.

All material contracts are also reviewed by the Legal Counsel and where appropriate, external legal advisors.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair

Composition of the Board

The Board comprises of the Non-Executive Chairman, four other Non-Executive Directors, one of whom acts as Senior Independent Director, and two Executive Directors. All Non-Executive Directors (including the Chairman) continue to be considered to be independent and are able to scrutinise matters and challenge the Executive Directors on an unencumbered basis.
Responsibility of the Board

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls and approvals. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary and professional advice if required.

Day to day operating decisions are made by the Senior Management Team of which the Chief Executive Officer, the Executive Director Corporate Development and Finance Director are members.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and the Board submit to re-election at intervals of three years. Sue Farr, Sean Christie and Trudy Schoolenberg were approved for re-election at the 2018 AGM.

The Board has adopted a share dealing code in relation to share dealings by Directors and applicable employees (as defined in the AIM Rules for Companies) to facilitate compliance with Rule 21 of the AIM Rules for Companies and the requirements of the Market Abuse Regulation. The Board is responsible for taking all proper and reasonable steps to ensure compliance with it by such persons.

Committees of the Board

The Board has constituted three standing committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, with ad hoc committees constituted as required. Further information on the Board’s Committees is provided below at Principle 9.

Attendance at Board and Committee Meetings

In addition to regular scheduled Board meetings, there is frequent contact between all the Directors in connection with the Company’s business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.
The attendance of individual Directors at meetings of the Board and its Committees in the financial year ended 31st March 2019 was as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Board meetings 1</th>
<th>Audit Committee 2</th>
<th>Nomination and Remuneration Committee 3</th>
<th>Nomination Committee 4</th>
<th>Remuneration Committee 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attended</td>
<td>Serv ing</td>
<td>Attended</td>
<td>Serv ing</td>
<td>Attended</td>
</tr>
<tr>
<td>Michael “Sean” Christie</td>
<td>8</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Paul Clegg</td>
<td>12</td>
<td>12</td>
<td>3</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Sue Farr</td>
<td>7</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Hans Pauli</td>
<td>5</td>
<td>9</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Patrick Shanley</td>
<td>9</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Montague John “Nick” Meyer</td>
<td>6</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>William Rudge</td>
<td>12</td>
<td>12</td>
<td>3</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Dr Geertui “Trudy” Schoenenberg</td>
<td>7</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Whilst all Directors are not members of the Board Committees they attend by invitation.

Further information on the attendance at Board Meetings can be found in Accsys’ 2019 Annual Report and Financial Statements.

Non-Executive Directors’ terms of appointment provide that they will spend as much time as necessary and/or reasonably requested by the Board for the fulfilment of their duties. This is anticipated to be in the order of 20 (or more) days per annum, although this is not definitive. All Executive Directors are engaged on a full time basis.
Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Composition of the Board

The Board of Directors consists of the following individuals:

Patrick Shanley - Chairman - Patrick has extensive board room experience in the chemicals sector, having previously been Chief Financial Officer of Courtaulds plc and Acordis bv, Chief Executive Officer of Corsadi bv, Chairman of Cordenka Investments bv. and Chairman of Finacor bv. With effect from 2nd December 2015, Patrick has been appointed Non-Executive Chairman of Gattaca plc (formerly Matchtech Group plc). Patrick began his career working for British Coal where he qualified as a Chartered Management Accountant. He has a strong operational, restructuring, merger and acquisition background within a manufacturing environment.

Paul Clegg - Chief Executive Officer - Paul assumed the role of Chief Executive Officer on 1 August 2009. Paul had been a Non-Executive Director of the Group since April 2009 and had been working with the Group as part of the Chairman’s Office since mid-2008. Prior to this, he was CEO of Cowen International, subsequent to its sale by Société Générale in 2006. Before this, he ran SG Cowen International, part of the Société Générale Group, from 2000 to 2006. Paul started in investment banking in 1981 at The First Boston Corporation. Since then he has held senior positions at various investment banks including James Capel and Schroders. Paul is also a Non-Executive Director at Peel Hunt LLP.

William Rudge - Finance Director - William has been the Financial Controller for Accsys since joining the Company in January 2010 before being appointed Financial Director on 1 October 2012. Prior to this he qualified as a chartered accountant with Deloitte in 2002 and subsequently gained a further six years’ experience in their audit and assurance department, focusing on technology companies including small growth companies and multinational groups. William spent a year working at Cadbury plc, including as financial controller at one of their business units, before joining Accsys in 2010.

Nick Meyer - Non-Executive Director - Nick has extensive board room experience in the timber industry, having previously been Chairman of Montague L Meyer Limited, Deputy Chairman and Chief Executive of Meyer International PLC. Nick is currently Executive Chairman of Consolidated Timber Holdings Group Limited, an innovative and substantial group of companies which imports, distributes and processes sustainable

www.accsysplc.com
timber and timber products. Nick is also a former president of the Timber Trade Association of the United Kingdom.

**Sue Farr - Non-Executive Director** - Sue is a highly experienced marketing and communications professional who joined the Accsys Board in November 2014. Sue became part of the executive management team at Chime Communications plc in 2003 and in 2017 was appointed as Special Advisor. Prior to that she was Europe MD of leading PR firm Golin Harris, the BBC’s first ever Director of Marketing and Communications, and Director of Corporate Affairs for Thames Television. She is currently a Non-Executive Director of British American Tobacco plc and Helical plc. She was a Non-Executive Director of Motivcom plc from 2008-2014, a Trustee of the Historic Royal Palaces from 2007-2013 and previously a Non-Executive Director of Dairy Crest Group plc and Millennium & Copthorne Hotels plc. She has been Chairman of both the Marketing Group of Great Britain and The Marketing Society. A previous Advertising Woman of the Year, she was awarded an Honorary Doctorate by the University of Bedfordshire in 2010.

**Sean Christie - Non-Executive Director** - Sean is currently a Non-Executive Director of Applied Graphene Materials Plc, Optibiotix Health plc and Turner & Townsend Ltd. He was Group Finance Director of Croda International plc from 2006 to 2015, a global manufacturer of speciality chemicals. Prior to joining Croda in 2006, Sean was Group Finance Director of Northern Foods plc. He also served as a Non-Executive Director of KCOM Group plc until 2007, of Eminate Limited, a wholly owned subsidiary of The University of Nottingham, of Cherry Valley Farms Limited until its sale in 2010 and of Produce Investments Plc. He is a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Sean has extensive knowledge of all aspects of finance and strategy in major businesses and is an experienced Audit Committee Chairman.

**Trudy Schoolenberg - Non-Executive Director** - Trudy has nearly 30 years’ experience working for blue-chip companies in the chemicals, engineering and high performance product sectors, including over 20 years with Royal Dutch Shell where she led business strategy and growth plans for Shell Chemicals, a business unit with a multi-billion dollar turnover. She joined the Accsys Board on the 1st April 2018. As well as strategy and growth experience, Dr Schoolenberg has strong operational knowledge, gained both during her time at Shell and thereafter at Akzo Nobel, where following supply chain and research and development roles on Akzo’s $4 billion decorative paints Board, she subsequently had responsibility for delivering a new manufacturing plant in Newcastle. Trudy is currently a Non-Executive Director of The Netherlands Petroleum
Stockpiling Agency (COVA), Spirax-Sarco Engineering PLC where she also acts as Senior Independent Director, and a Non-Executive Director of high performance material producer, Low & Bonar PLC, where she became Senior Independent Director in 2017.

Contracts for each of the Directors are available for inspection at the Company’s registered office and at the Annual General Meeting.

The Board is satisfied that it has the appropriate skills and balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities and where appropriate each Director keeps his/her skills up-to-date, for example by the completion of the Group’s online training programme, attendance at seminars, briefings and through literature.

At present, two members of the Board are female, and the Board is satisfied with the current gender balance.

internal advice

The Directors have direct access to the advice of the Legal Counsel (and members of the Legal Team) and Finance Director. The Legal Counsel also attends each Board Meeting.

Independent Advice

Expert advisors support the Group’s businesses. Each individual advisor brings relevant industry and commercial experience and contributes to developing and implementing the Group companies’ business strategies. These advisors are drawn from industry, finance, legal and other advisory groups.

Deloitte LLP (Deloitte) was appointed by the Nomination and Remuneration Committee as independent adviser to the Committee with effect from 9 January 2018. The Remuneration Committee is satisfied that Deloitte remains independent of the Company and that the advice provided is impartial and objective. Deloitte assisted the Board in the drafting of the new Remuneration Policy as approved at the 2018 AGM. In 2017 the Nomination and Remuneration Committee engaged Stuart Timperley Associates to carry out an independent review of the performance of the Board and its Directors, with a mandate to evaluate corporate governance and identify any issues of concern. Following the review, Trudy Schoonenberg was appointed to the Board as a Non-Executive Director to add operational expertise as noted above, and also to carry out the role of Senior Independent Director.
PwC continue to be appointed as external auditors (in the UK and the Netherlands) and attend all Audit Committee meetings and other appropriate meetings when required.

KPMG are currently engaged by the Company to provide tax advice.

Numis Securities Limited is retained as the Company’s Nominated Advisor and Broker and the Company also maintains a relationship with NIBC in respect of its listing on Euronext. Rothschild and Co are engaged to provide financial advice when needed.

On 30th April 2019, Investec Bank plc was appointed as the Company’s joint corporate broker to work alongside Numis Securities Limited.

MHP in the UK and Off The Grid in The Netherlands are currently engaged to provide investor relations advice to the Company.

In addition, procedures are in place to enable the Directors to obtain other independent professional advice (legal or otherwise) where necessary.

**Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board undertake an annual review process whereby each Director completes a ‘Board and Director Review and Evaluation Paper’, ensuring that the Board regularly undertakes a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors. The evaluation process is used constructively as a mechanism to improve Board effectiveness, maximise strengths and tackle weaknesses and considers in relation to each Director:

- How successfully have they brought their knowledge and experience to bear in the consideration of strategy and risk management?
- How effectively have they probed to test information and assumptions?
- Where necessary, how resolute are they in maintaining their own views and resisting pressure from others?
- How effectively and proactively have they followed up their areas of concern?
- How effective and successful are their relationships with fellow Board members, the Company Secretary and Senior Management?
- How actively and successfully do they refresh their knowledge and skills?
- How up to date are they with the latest developments in areas such as corporate governance framework and financial reporting?

www.accsysplc.com
• How up to date are they with the latest developments in the industry and market conditions?
• How well prepared and informed are they for Board Meetings?
• Is their meeting attendance satisfactory?

The results of Board evaluation are shared with the Board as a whole while the results of any individual assessments remain confidential between the Chairman and the Director concerned. The results of the most recent Board evaluation were discussed at the Board Meeting in March 2019 and no major concerns were identified.

In addition, and as referred to above, the performance of the Board, each Director and corporate governance generally was evaluated in 2017, by an independent corporate governance consultant. This review precipitated the enhancement of the Board’s operational expertise and the appointment of a Senior Independent Director, with the appointment of Trudy Schoedenberg as noted above. Such external review will take place every three years, with the next review in 2020.

The results of the evaluation (both internal and external) otherwise determined that each Director continues to be effective and continues to demonstrate commitment to their respective roles.

In relation to Management, agreed personal objectives and targets are set each year (including financial and non-financial metrics) and during the annual appraisal process, the performance of each Executive Director is evaluated and measured against such metrics.

Accsys are currently reviewing succession planning and shall look to further develop procedures during the coming year.

**Principle 8: Promote a corporate culture which is based on ethical values and behaviours**

Since Accsys is an eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, a focus on corporate and social responsibility lies at the very core of its business.

Accsys aims to reduce the use of environment unfriendly building materials and products by the utilisation of its propriety technology and the introduction of its products around the world. The planet continues to consume endangered materials like
tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate. Accsys’ acetylated wood products offer alternative, sustainable new materials that resolve many of the environmental limitations that commonly used building materials have, whilst not compromising on performance. At present, Accoya® is the only building product perfectly fitting in the bio-cycle of the circular economy while having the same performance as typical techno-cycle building products such as plastics and metals which cannot be renewed.

Accsys is also committed to continuing R&D concerning its products (applications and new wood species) and processes. This ongoing development is designed to increase the use and improve the environmental and efficiency benefits of Accsys’ products. This will ensure the Company continues to respond to the growing global ambition of consumers to live sustainably, reduce the growth of plastic pollution and tackle climate change and in turn will benefit many of Accsys’ stakeholders.

Accsys’ approach to ethical values within the Group is further set out in its CSR Policy and our 2019 Sustainability Report on pages 30-32 of Accsys’ Annual Report. In addition, Accsys seeks to ensure that its employees (and where appropriate supplier, distributor, licensees and other stakeholders) adhere to Group Policies, including in relation to Anti-Corruption, Bribery and Tax Evasion. As noted above and set out in Accsys’ Modern Slavery Statement, the Company is committed to eradicating modern slavery and human trafficking from all areas of its business and supply chain. Monitoring of, and training on, these important ethical areas is given Group wide by the Legal Team on a regular basis, and the Legal Counsel reports to the Board on the same at least annually.

Accsys actively engages with local community projects as far as possible on a pro-bono basis in order to support its ethical values. Examples of these efforts include the financial support of SPUD (Space, Placemaking & Urban Design) charity, an award winning UK-based organisation that brings people together, from all walks of life, to collaborate on educational, art and architectural projects. On Ascension Island, a dependency of Saint Helena and an overseas British Territory in the South Atlantic, Accsys donated Accoya® for the restoration of the Dew Pond boardwalk, steps and signage which started in 2017. The walk takes visitors to the highest point of the island at 2817 feet and the Company supported the project through the Blue Marine Foundation.

On an ongoing basis, the Company supports students looking for internships with a leading company in a field that is related to their studies (which in most cases is wood science or sustainability). In 2017 and 2018 the Company retained two interns from the HAN University of Applied Sciences (Netherlands) and the University of Chemical
Technologies (Prague) for one month and five months respectively to work on Accsys’ latest product development projects. All such internships are paid and include time spent working with the Accsys product development team in Arnhem and on local projects. Accsys also contributes either funds or product to projects with the University of British Columbia and the University of Calgary.

Accsys is also proud to have supported the RHS with their own flagship show garden ‘Greening Grey Britain’ at the RHS Chelsea Flower Show in 2017. Designer Professor Nigel Dunnett created a sustainable, communal urban garden, designed to be a haven for wildlife and residents alike and specified Accoya® for the cladding and the deck. The ‘Greening Grey Britain’ garden was used as a global platform to raise awareness of the RHS’s ongoing campaign to transform neglected spaces into beautiful places, highlight what can make the most difference to our environment and provide inspirational gardening.

Accreditations

The strategy and business model of the Company in relation to ethical values is readily promoted throughout and evident from the Company’s following accreditations:

FSC® (CO12330) - Of the various schemes for sustainability forestry available, the Forest Stewardship Council (FSC®) is regarded as the leading and most comprehensive certification program available. Accoya® wood and Medite® Tricoya® Extreme are FSC® certified. FSC® certification is focused on benign environmental performance but also safeguards social interests for all stakeholders involved.

Cradle to Cradle™ - Accoya® is one of the very few building products to have acquired Cradle to Cradle™ Certification on the elusive Gold Level. Cradle to Cradle (C2C) provides a means to tangibly and credibly measure achievement in environmentally-intelligent design including the use of environmentally safe healthy materials and instituting strategies for social responsibility. Accoya® also received Platinum status for Material Health meaning manufacturers are trusted with the way to communicate their work towards chemically optimised products.

BREEAM & LEED worldwide - BREEAM (mainly used in Europe) and LEED (mainly used in North America) are widely adopted and recognised. Both are based on various building related environmental indicators including sustainable energy, water and material use. For the latter category the application of Accoya® can contribute to several credits in both schemes (BREEAM: MAT 1, MAT 5, LEEDv4: MR1, MR2, MR3, MR4, 11).

www.accsysplc.com
**Dubokeur the Netherlands** - The awarding body of the prestigious Dubokeur® certification, Nederland’s Institute for Building Ecology (NIBE), issues certificates only to the most environmentally-friendly products within a particular application, taking into account a range of stringent factors based on LCA methodology. This certification is of particular significance to our Dutch customers, unequivocally positioning Accoya® as an outstanding environmental choice for window frames according to Dutch sustainable building regulations.

**Svanen Label Nordic Nations** - The outstanding green credentials of Accoya® have been officially recognised by Europe’s Nordic nations with the award of the Svanen Ecolabel. The label, renowned for its rigor and transparency, is the internationally recognised ecolabel for Norway, Sweden, Denmark, Iceland and Finland and was established in 1989 by the Nordic Council of Ministers.

**Singapore Green Label** - For the South East Asian market we have attained the highly regarded Green label of the Singapore Environment Council. The Singapore Environment Council (SEC) was set up to promote environmental awareness in South East Asia.

**Future Build UAE** - The Future Build is a green building materials portal that helps architects, engineers and contractors – particularly in the United Arab Emirates and wider region – confidently select and source environmentally sustainable, third party certified products to meet their projects’ environmental objectives. Only products that have been assessed and selected according to standards and criteria set by Masdar City, Abu Dhabi, are listed. Accoya® was rated as excellent or A.

**Declare** - The International Living Future Institute manages the highly acclaimed and most rigorous proven performance-based standard for green buildings, the Living Building Challenge. The Declare label shows that Accoya® consists of greater than 99.5% of FSC certified fast growing Radiata Pine provides no problems in the End of Life phase and is fully safe regarding ingredients proven through the ‘Red List Free’ statement.

---

**Principle 9: Maintain governance structure and processes that are fit for purpose and support good decision making by the board**

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing
papers are distributed to all Directors in advance of Board meetings by way of electronic board packs. All Directors have access to the advice and services of the Company Secretary. In addition, procedures are in place to enable the Directors to obtain other independent professional advice (legal or otherwise) in the furtherance of their duties, if necessary, at the Company’s expense.

During the year, the Board meetings are usually held in London with site visits now scheduled to take place annually in Hull and Arnhem to ensure the Board have a deep understanding of the Group’s operations. In addition to the scheduled meetings there is frequent contact between all the Directors in connection with the Company’s business including Audit, Nomination and Remuneration Committee meetings which are held as required, but as a minimum twice per annum.

The combined Nomination and Remuneration Committee was disaggregated into a separate Nomination Committee and Remuneration Committee with effect from 1 January 2019. Since that date, both the Nomination Committee and Remuneration Committee have reviewed and updated their respective Terms of Reference. The Nomination Committee has also been engaged in the recent Board and Director evaluation carried out early in 2019 together with consideration of the Chairman’s tenure as nine years of service approaches later this year.

Day to day operating decisions are made by the newly constituted Executive Committee of which the Chief Executive Officer and Finance Director are members.

Chairman

Patrick Shanley, as Chairman, is responsible for the leadership of the Board and creating the conditions to ensure it is effective in all aspects of its role. Specifically, the Chairman is responsible for the following:

- Promoting the highest standards of corporate governance and ethical leadership and setting clear expectations concerning the Company’s culture, values and behaviours; requiring that all Board members are exemplars in these areas.
- Ensuring that the Board and its Committees comprise members who have the appropriate balance of skills, experience, independence and knowledge; that Committees have appropriate terms of reference and that appropriate succession planning is in place.
- Developing effective working relationships with the Executive Directors and the Chief Executive in particular, providing regular support and advice while respecting executive responsibility.
• Promoting effective relationships between all Board members and encouraging all to engage constructively and openly in all meetings by drawing on their skills, experience, knowledge and, where appropriate, independence.
• Setting the agendas for Board meetings, in consultation with the Chief Executive and Company Secretary; ensuring that such agendas, over time, allocate sufficient time for focus on strategy, performance, value creation, accountability, risk and succession planning.
• Making certain that the Board monitors and determines the nature, and extent, of the significant risks the Company embraces in the implementation of its strategy.
• Ensuring that relevant issues are reserved for Board discussion and/or approval.
• Ensuring Board members receive timely, accurate and high quality information on which the Board can take sound decisions; chairing Board meetings ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues.
• Ensuring that his or her appropriate personal objectives and needs are addressed and developed, and likewise for the other Board Directors.
• Leading the annual evaluation of the effectiveness of the Board, it’s Committees an individual Directors and ensuring necessary action is taken on the results.
• Ensuring that all new Directors receive appropriate induction training tailored to their needs when joining the Board and that they have the opportunity to continually refresh their skills and knowledge and maintain a thorough understanding of the Company’s business issues.
• Ensuring that the Company maintains effective communication with shareholders and other stakeholders, discussing governance, executive remuneration and strategy with major shareholders, and ensuring that the Board as a whole is made aware of shareholder issues and concerns.

Chief Executive Officer (CEO)

Paul Clegg, as Chief Executive Officer, is the most senior Executive Director on the Board and is responsible for running all aspects of the business.

• Development of strategy and its implementation, following approval by the Board.
• Development of the annual budget and its implementation, following approval by the Board.
• Regular reporting to the Board of progress in respect of the strategy, the Company’s performance and business matters; and bringing to the Board’s
attention all matters that materially affect or are capable of materially affecting the achievement of strategy or the performance of the Company.

- Meeting with the Chairman on a regular basis to keep him informed of all important matters.
- Setting performance targets for Executive Directors and senior management which are both stretching and achievable, and establishing systems to monitor and review employee performance and remuneration and take action where appropriate.
- Monitoring and maintaining standards of corporate governance; developing, communicating and embedding effective business and financial controls and risk identification and management processes across the Company. Ensuring that across the Company, procedures are in place to ensure compliance with all relevant laws and regulations.
- Setting an example to all employees, in line with the Board’s expectations, of standards of conduct, the Company’s culture, values and behaviours. Leading the senior management team to act as exemplars in this area.
- Ensuring the Board is made aware of Executive Directors’ views on business issues prior to decisions being taken, and ensuring that any divergence in executive opinion is explained and considered in a balanced fashion.
- Ensuring the Board is made aware of employee and stakeholder views, as appropriate.
- Ensuring that the Company meets its obligations in respect of corporate responsibility as defined by the Board.
- Developing the senior management team and considering succession plans as appropriate; creating the appropriate organisational design and environment across the Company for the recruitment, engagement, retention and development of the people at all levels necessary to deliver the strategy.
- Representing the Company and furthering its best interest with the business community, investors and analysts, the media, customers, suppliers, the public and acting as the Company’s principal spokesperson.

Executive Directors

The Executive Directors are Paul Clegg and William Rudge. The Executive Directors are responsible for:

- Maintaining an intimate knowledge and responsibility for all aspects of the business and business risk and communicate views and raise any concerns to the CEO in the first instance.
• Ensure they are aware of and compliant with their duties as Directors and that they receive training as appropriate.
• Ensuring that the CEO and Board are aware of their views on business matters prior to decisions being taken.
• Communicate efficiently and effectively with the senior management team.
• Communicate employee and stakeholder views to the CEO as appropriate.
• The FD should take particular responsibility to deliver high quality information to the Board on the financial position of the Company.
• Support the CEO in instilling the culture, values, behaviours, strategy, standards and examples as set by the Board.
• Maintain good working relationships with all members.

**Non-Executive Directors**

The Non-Executive Directors are responsible for:

• Maintaining an intimate knowledge and responsibility for all aspects of the business and business risk and communicate views and raise any concerns to the Chairman in the first instance. Ensure they are aware of and compliant with their duties as Directors and that they receive training as appropriate.
• Ensuring that the Board is aware of their views on business matters prior to decisions being taken.
• Devoting sufficient time to developing their knowledge and skills, to ensure they continue to make a positive contribution to the Board.
• Maintaining good working relationships with all members of the Board.
• Communicate with Executive Directors outside of Board meetings and visit and talk to members of the senior management team to promote understanding in both directions.
• Supporting the Chairman and Executive Directors as appropriate in instilling the appropriate culture, values, behaviours, strategy, standards and examples as set by the Board.
• Ensure receipt, review and understanding of high quality information in advance of discussion and decision making. Challenge Executive Directors where appropriate.
• Taking into account and communicate stakeholder views to the Board as appropriate.
Audit Committee

The Audit Committee consists of Sean Christie (Chairman), Patrick Shanley, Nick Meyer, Sue Farr and Trudy Schoolenberg. The Audit Committee meets at least twice a year and is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Committee also discusses the scope of the audit and its findings and considers the appointment and fees of the external auditors. The Audit Committee continues to believe that it is not currently appropriate for the Company to maintain a dedicated internal audit function due to its size.

The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The non-audit fees are considered by the Board not to affect the independence or objectivity of the auditors. The Audit Committee monitors such costs in the context of the audit fee for the period, ensuring that the value of non-audit service does not increase to a level where it could affect the auditors’ objectivity and independence. The Board also receives an annual confirmation of independence from the auditors.

The terms of reference of the Audit Committee are available here.

Nomination Committee

The Nomination Committee consists of Patrick Shanley (Chairperson), Sue Far, Sean Christie, Nick Meyer and Trudy Schoolenberg. Deloitte, as independent remuneration advisors to the Committee, and other Directors or members of the Senior Management Team may be invited to attend the meeting as appropriate. The Committee regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, consults and advises on the same in relation to the Executive Directors, and makes recommendations with regard to any changes to the Board and consults and advises regarding material changes to the Executive Directors.

The Committee meet, as a minimum, twice per year.

The terms of reference of the Nominations Committee are available here.

Remuneration Committee

The Remuneration Committee consists of Sue Farr (Chairperson), Patrick Shanley, Sean Christie, Nick Meyer and Trudy Schoolenberg. Deloitte, as independent remuneration advisors to the Committee, and other Directors or members of the Senior Management
Team may be invited to attend the meeting as appropriate. The Committee’s have primary responsibility for the determination of the framework or broad policy for the remuneration of the Chair, Executive Directors, including pension rights and compensation payments. It also consults and advises on the same in relation to the Executive Directors.

The Remuneration Committee approves the granting of share options and other equity incentives to the Executive Directors pursuant to any share option scheme or equity incentive scheme in operation from time to time, as well as the overall amount of any share awards to the Executive Directors.

The Committee meet, as a minimum, twice per year.

The terms of reference of the Remuneration Committee are available here.

Matters reserved for the Board

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters which are reserved for the Board, including matters relating to strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communications, board memberships, remuneration, delegation of authority, corporate governance and Group policies.

Governance Review

The Board of Directors previously acknowledged the importance of the Principles set out in The UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in 2016. The FRC’s UK Corporate Governance Code is not currently compulsory for AIM listed or Euronext listed companies however, during the past year, the Board has applied its principles as far as practicable and appropriate for a relatively small public company.

With the advent of the new 2018 FRC UK Corporate Governance Code and the application of new AIM Rule 26, during 2018 the Board has (in liaison with its Auditors and Nomad) undertaken a review of its corporate governance and sought to determine the most appropriate recognised governance code for it to report against going forward.

Following that review the Company has, in line with the majority of AIM companies, adopted the QCA Code and shall follow and report against the QCA Code on a comply-
or-explain basis. The governance framework of the Company will be subject to ongoing review.

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

The Company regularly communicates with shareholders including presentations after the Company’s preliminary announcement of the year-end results and six monthly results and bi-annual webcasts. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation.

In 2018 the Company also engaged an in-house investor relations manager to work alongside its external investor relations advisors MHP in the UK and Off The Grid in The Netherlands, with a view to enhancing shareholder and stakeholder communications.

The Company issues regular news to its stakeholders via RNS, all of which are displayed on the Company website [here](#). Other constitutional and governance information, including relating to shareholder meetings and the outcome of shareholder votes, can also be found [here](#). Additional detailed information on the Group’s Corporate Governance is communicated within pages 46-53 of its [Annual Report and Financial Statements for the Year Ended 31 March 2019](#).

Approved by the Board of Directors on 17 June 2019