

Corporate Governance

THE QUOTED COMPANIES ALLIANCE (QCA) CODE

In March 2018 new AIM Rules were published in respect of AIM Rule 26 (as set out in AIM Notice 50) requiring AIM companies to state on their website which recognised corporate governance code they apply and how they have applied that code. From 28 September 2018 the Company is required to explain how it has complied with its adopted corporate governance code and, where it departs from this, to provide an explanation for its reasons for doing so.

The Directors of Airea plc are committed to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development and therefore has elected to adopt the QCA Corporate Governance Code which was published on 25 April 2018 ("QCA Code").

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing 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". The Code states what is considered to be appropriate arrangements for growing companies, and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

To understand how the Company addresses the key governance principles defined in the QCA Code please refer to the attached document. Further information on compliance with the QCA Code will be provided in our next annual report.

Martin Toogood, Chairman

This disclosure was last reviewed and updated on 30th March 2021 and will be reviewed at the same time as the publication of the audited accounts of the company for each financial year.

The Principles of the Quoted Company Alliance (QCA) Code

Deliver Growth

<u>QCA Code Principle</u>	<u>Application (as set out by the QCA)</u>	<u>What we do, why, departures and reasons</u>
<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>Airea plc's strategy is explained on both the company website and in the Strategic Report within the accounts for the period ended 31 December 2021 on page 1.</p> <p>Our strategy is to develop products that sell, exploit the strength of our combined manufacturing and distribution operation and deliver robust cash flows to invest in the future development of the business.</p> <p>The Directors meet on a regular basis to discuss the strategic direction of the company and progress in achieving its goals</p> <p>The Directors update the shareholders on any changes in the strategy during the half year and full year announcements.</p> <p>Key challenges which the company face in relation to the execution of the strategy are set out in the Principal risks and uncertainties section of the 2021 Annual Report on page 3.</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.</p> <p>The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>The Board recognises the AGM as an important opportunity to meet and engage with all shareholders.</p> <p>The Board welcomes two-way communication with its investors and endeavours to respond to shareholder queries in an efficient and appropriate manner.</p> <p>Investor enquiries are directed to the Company Secretary with contact details available on the company website and an investors email address available to contact the company.</p>

		<p>The Company provides updates to the market via the Regulatory News Service.</p> <p>The Company website has been designed to provide investors with information and is regularly reviewed to ensure the information is up to date and relevant.</p> <p>The Board is committed to maintaining a sustainable and appropriate level of dividend cover to distribute to shareholders.</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.</p> <p>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.</p> <p>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>The Board has identified the key relationships upon which the business relies to be its customers, workforce, suppliers and local community.</p> <p>Our success in managing these relationships is driven by our core values and philosophy of honesty, innovation and simplicity which run throughout our business.</p> <p>Employees are encouraged to raise any concerns they may have with relevant management so that they can be understood and addressed.</p> <p>Feedback from customers is informal and often comes directly through the sales team or a nominated representative during or following the completion of a project which is then relayed to senior management where necessary and appropriate actions taken.</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.</p> <p>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>Airea plc's risk management is explained in the Strategic Report section within the accounts for the period ended 31 December 2021 on page 3.</p> <p>The Board considers risks to the business at every board meeting (at least quarterly) and determines the most appropriate course of action to mitigate wherever possible.</p> <p>The Senior Management team are responsible for reviewing and evaluating risk during the day to day running of the business and meet at least monthly to review ongoing trading performance, forecasts and potential new risks within the ongoing business.</p>

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Maintain a Dynamic Management Framework

<u>QCA Code Principle</u>	<u>Application (as set out by the QCA)</u>	<u>What we do, why, departures and reasons</u>
<p>5. Maintain the board as a well- functioning, balanced team led by the chair</p>	<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>Airea plc is controlled by the Board of Directors comprising of Martin Toogood (Independent Non-Executive Chairman) who is responsible for the running of the board,) and Ryan Thomas (Group Finance Director and Company Secretary) who is leading the Group's business and implementing strategy with responsibility for financial management and control and providing information to the Board and all company administration matters.</p> <p>Ryan Thomas works full time in the business. The Non-Executive Chairman is expected to attend all relevant meetings, annual general meetings and any other shareholder meetings.</p> <p>All Directors receive regular and timely information of the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.</p> <p>The Board acknowledges that there is only one non-executive director; however, given the size and stage of development of the company believe that the size of the board currently enables the company to be nimble and efficient in its decision making process and is in the best interest of the shareholders.</p> <p>Following the passing of the CEO the Board is in the process of appointing further board members.</p> <p>The Board reviews the independence of the non-executive chairman at least annually and seeks external guidance where appropriate.</p>

		<p>The Board is supported by the Remuneration Committee and the Audit Committee.</p> <p>Due to the size of the business it is considered unnecessary to have a nomination committee given the Board of Directors is small and meets regularly.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<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 is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience and has been assembled to ensure the business operates efficiently and is able to react quickly to any issues that may arise.</p> <p>The Board was refreshed during 2021 with the appointment of Ryan Thomas bringing new ideas and additional experience.</p> <p>The Directors are required to retire by rotation in accordance with article 113 of the company's articles of association and stand for re-election at the AGM.</p> <p>The Non-Executive chairman retires annually for re-election given length of service at the AGM.</p> <p>Full details of the board members and their experience are available on the website and in the Directors Report within the accounts for the period ended 31 December 2021 on page 6.</p>
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<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 Board review board performance through clear goals and performance measures that are shared on a regular basis.</p> <p>Each board member keeps their skills up-to-date through a combination of courses, continuing professional development through professional bodies, reading and on the job experience.</p> <p>Airea plc has yet to carry out a formal assessment of board effectiveness and the board will keep this under consideration and put in procedures when it is felt appropriate.</p>

<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and 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>The core values of Airea plc are highlighted on the company website within the “About Us” section and run throughout the business.</p> <p>These values drive the business and are fundamental to our success.</p> <p>Our employee handbook and Code of Conduct provides guidance on key areas such as business integrity (including anti-bribery, gifts and hospitality) Health and Safety, IT security and Environmental policy and is given and discussed with every employee during their induction.</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 is responsible for the long-term success of the Company and there is a formal schedule of matters reserved for the Board. It is responsible for overall Group strategy; approval of major investments (whether Capital or Operational expenditure); approval of the annual and interim results; annual budgets; dividend policy and monitors the exposure to key business risks and reviews the strategic direction of the business</p> <p>Our Corporate Governance Statement in the Directors Report on page 7 of the accounts for the period ended 31 December 2021 details the company’s governance structure and why they are suitable for the company at this time.</p>

Build Trust

<u>QCA Code Principle</u>	<u>Application (as set out by the QCA)</u>	<u>What we do, why, departures and reasons</u>
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	<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 structure 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>The Board recognises the AGM as an important opportunity to meet and engage with all shareholders.</p> <p>The Board welcomes two-way communication with its investors and endeavours to respond to shareholder queries in an efficient and appropriate manner.</p> <p>Annual reports, announcements and other governance related material can be found on the company website. These include details of all proxy votes received and the number of shares voted for and against all resolutions put to shareholders at Annual General Meetings and General Meetings held throughout the year.</p>