

Midwich Group plc.

Statement of compliance with the QCA Corporate Governance Code

Chair's corporate governance statement

The Board firmly believes that sound governance is an essential element of a well-run business. We have adopted the code published by the Quoted Companies Alliance (QCA) as our benchmark for governance matters since IPO, and we continue to refine our approach as the business grows and our governance needs develop.

My role as Chair of the Board remains separate to, and independent of, that of the Chief Executive (Group Managing Director) and we both have clearly defined responsibilities. Details of the responsibilities of all directors along with matters reserved for the Board and terms of reference for all the committees of the Board can be found on the Midwich Group plc website (www.midwichgroupplc.com).

The Board recently appointed a fourth independent non-executive director meaning that the Board now comprises four independent non-executive directors (including the Chair who was independent upon appointment) and two executive directors. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively.

The post of Company Secretary is presently held by the Group Finance Director. Whilst the Board considers that the size and nature of the Company means that the two roles can be carried out effectively by an executive director, a Deputy Company Secretary has been appointed to support both the Company Secretary and the Board. This is the first step towards separating the role of Company Secretary, which is expected to take place in the next two years.

The Board maintains a regular dialogue with Investec, the Company's nominated advisor, and obtains other legal and financial advice as necessary to ensure compliance with the AIM Rules and other governance requirements.

We continue to review our approach to governance and how the views of stakeholders are represented in our oversight of the business. To that end, I continue to meet with shareholders as necessary. Feedback on both operational and governance matters from those meetings continues to form part of the Board's agenda.

The role of corporate governance evolves as measures are introduced by both government and regulatory bodies which involved mostly recently the Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs, which lead to additional disclosure with respect to the Group's climate strategy in its 2023 Annual Report.

Information on the policies and, where appropriate, the performance of the Group is available on the Company's website.

Andrew Herbert, Chair

Adoption of the updated QCA Corporate Governance Code

The Board of Midwich Group plc (“Midwich” or the “Group” or the “Company”) has resolved to establish a strong governance culture using the Quoted Companies Alliance (QCA) code as the basis for its governance framework. The Board has reviewed this decision in 2024 and continues to believe that the QCA code provides the most appropriate benchmark for its governance matters.

This report sets out an overview of how Midwich currently complies with each of the ten principles of the code which were updated in November 2023. Midwich will continue to monitor and report on our compliance with the code annually.

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

The Group’s purpose is to create long-term shareholder value by helping its customers win and deliver successful projects and its manufacturer partners to reach a broad market. Aligned to this, Midwich has set out a clearly articulated strategy and business plan as a value-added distributor of Audio Visual and related products. The business has a strong service-oriented culture supported by a set of values that underpin both its strategy and protect the business from unnecessary risk.

The business model is predicated on strong long-term relationships with high-end brand manufacturers, offering value-added service to trade-only customers. The Group’s growth strategy incorporates strong organic growth, including market share gains, along with expansion through acquisition in new geographies and in new market areas.

Full disclosure of our strategy and business model can be found in the Annual Report which is available on the Company’s website.

Principle 2: Promote a corporate culture that is based on ethical values and behaviours

The Board is committed to promoting and embedding a strong ethical and values driven culture throughout the organisation. We believe this to be an essential element of a well-run business and summarise our values as follows:

- Honesty
- Trust
- Hard work
- Humility
- Creativity

The nature of our business, as a value-adding distributor, means expertise and people skills are at the core of what we do and how we maintain competitive advantage. Having a people-oriented ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We pride ourselves on our home-grown talent, with a significant number of our senior managers having built their careers within the Group.

We understand that people need to enjoy what they do, we recognise those who demonstrate our values both informally and through recognition schemes. Where concerns are identified, we have formal processes in place to investigate and address any areas where we consider individuals have not acted in accordance with our values.

Cultural alignment is at the core of our decision making, from the Board to our wider teams. It forms an essential part of our training, development, recruitment and acquisition processes.

Midwich has been recognised by the AV industry for its values based approach. For example, in 2023, we were named “Audio Visual Distributor of the Year” at the Technology Reseller Awards, while our flagship event, Technology Exposed, won “Best Partner Event (Distributor)” in the CRN Sales and Marketing Awards. So far in 2024, our Credit Team were awarded “Supporting the Community” at the CICM British Credit Awards, and we were highly commended for the “Best Company to Work For” at the CRN Sales and Marketing Awards. To promote our ethical values, we actively encourage and support community involvement through our sustainability initiatives, whether that's through our chosen charities, staff volunteering programmes, conservation projects and employee engagement events.

Principle 3: Seek to understand and meet shareholder needs and expectations

The Company operates a structured investor relations programme through which it engages with its shareholders. This programme includes formal results meetings, targeted events, informal communications, stock exchange announcements and wider communications.

Management (typically the Group Managing Director and Group Finance Director) meet formally with institutional shareholders, usually after the interim and full year results announcements. Topics discussed typically include Company results, capital allocation strategy, the wider AV market, updates to and progress with respect to the Group's strategy, recent acquisitions, the Group's culture, sustainability and leadership team developments. These materials are available in the Results Centre of the Company's website.

In addition, the Company regularly engages with both existing and potential shareholders to share its purpose, business model and strategy. This includes attendance at investor conferences, face to face meetings, video calls and hosting stakeholder tours of its showrooms and industry events to demonstrate its solutions.

Separately, the Chair, and Committee Chairs, offer to meet separately with institutional shareholders to discuss matters they wish to raise pertaining to business performance and governance and receive shareholder feedback on any issues or concerns.

Trading and other statements are made via the stock exchange during the year and the Company holds its Annual General Meeting (AGM), at which, all shareholders can attend and speak with management.

Company contact details are included in all announcements and are available on the Company website.

Principle 4: Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success

The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. As a specialist distributor, we add value by developing and maintaining in-depth understanding of our vendors' and customers' needs.

Vendor relationships are managed across all levels of the organisation with regular communication on both strategic matters and day-to-day engagement. Midwich prides itself on the longevity of many of these relationships and the key position it holds in the commercial operation of its vendors. The Board maintains an overview of vendor relationships through regular reporting and presentations from management.

Midwich operates a strictly business-to-business model, so our customers are also a value-adding part of the supply chain. We have a dedicated sales and support organisation with responsibility for both day-to-day and more strategic communication. We receive regular feedback through these channels, together with the results of formal customer surveys, on customer needs, our performance, product performance and satisfaction of the ultimate end-user.

Customer feedback informs our decisions on the product portfolio and helps us to engage effectively with vendors, suggesting product enhancements and reporting on performance issues. Customer feedback also informs our decisions on support and how we organise resources to provide an effective and efficient service. Matters pertaining to customers and the internal support organisation are reported to the Board regularly. We have been recognised by both our vendors and reseller customers at the most prestigious award ceremonies within our industry.

Members of our Board are invited to attend our annual flagship UK event, Technology Exposed. The event allows them to view new products and technologies from our vendors and provides an opportunity to meet our customers. Technology Exposed, together with our industry leading experience centres, provide us with opportunities for other stakeholders, including employees, investors, analysts and the media, to see AV technology in action and hear about Midwich from our vendors and customers.

Our employees are integral to the success of our value-add strategy. Knowledge, skills and experience are vital to ensure both vendor and customer satisfaction and, therefore, staff recruitment, retention and reward are critical. We hold regular open communication sessions with staff at all levels via management briefings and 'town hall' meetings in all locations. Staff surveys are conducted periodically, and staff members have individual annual appraisals. The Board receives regular reports on people matters, including the results and action plans from our staff surveys.

We have a strong commitment to Environmental and Social Governance (Sustainability) matters across the Group and have continued to focus on this in recent years. Recognising stakeholders increasing expectations with respect to sustainability, we have developed the Midwich Sustainability Strategy framework, and the 2023 Annual Report includes quantitative and qualitative reporting impacting the Group such as the Climate-related Financial Disclosures (TCFD) and Streamlined Energy and Carbon Reporting (SECR).

The Midwich Sustainability Strategy is focused on four key segments: Our people and giving back; Our environmental performance; Our solutions and Influencing our channel. These focus areas continue to be relevant and are at the heart of what matters to our business and our teams. Each country adopts these in their own unique way to ensure that they matter to their teams and build strong local engagement with the programme.

Our approach to sustainability continues to evolve and including the recent formation of the Group Sustainability Committee, the terms of reference for which can be found on our website. Comprehensive details of our sustainability activities are set out in our recent Annual Report. The Group's sustainability programme is informed by emerging legislation, our people's views, shareholder, customer and end user expectations and regular discussions with our vendor partners and the wider AV industry.

For more information about the Midwich Sustainability Strategy, please visit www.midwichgroupplc.com/about-us/environmental-social-and-governance .

Principle 5: Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The Group operates a risk assessment and monitoring process with regular updates provided to and reviewed by the Board and the Audit Committee. The Group's risk assessment process informs the Board's decisions including with respect to strategy, investments and acquisitions.

In recent years the Group's risk assessment has been expanded to include assessment of environmental risks. The results of this assessment have been used to inform part of the Midwich Sustainability Strategy.

Accounting and financial control risk

The Group operates consistent accounting policies and control procedures across its subsidiary operations, including newly acquired entities, and relies upon local management to ensure those policies and procedures are followed. This is managed and reviewed by the central finance team.

Development and growth of the Group has been supported by additional resources, both in-country and in central finance teams to strengthen our integration capabilities and add specialist knowledge in areas such as taxation, treasury and due diligence. The Group also relies on third party reviews and audits to ensure compliance with local financial regulations.

The Group uses a structured performance management process, which includes strategic planning, annual budgets, monthly performance reviews, daily KPI reporting and regular forecast updates. Areas covered by this process include revenue, profit, working capital, cash flow and capital investment. The Board approves the strategy and the budget on an annual basis and receives regular performance updates throughout the year.

The Group also has opportunities to grow through adopting new brands or products or through acquisition. The Board maintains an overview of opportunities identified and management provides regular updates monitoring progress in their delivery. We have built, and continue to develop, a number of processes to assess and integrate acquisitions. These processes range from standard legal and due diligence templates to structure on-boarding and integration post acquisition. All acquisitions are approved by the Board.

Operational controls

The principal elements of the Group's internal controls include:

- Management structure
- Financial monitoring
- Risk registers
- Approval limits and authority matrices
- Internal policies, codes of conduct and training
- Health and safety
- IT controls
- Operational compliance reviews
- Carbon reporting and review of progress with respect to our climate strategy

The Audit Committee receives assurance on the effectiveness of internal controls from executive management and correlates that with separate reports from the external audit process. The Board seeks expert assurance from third parties when appropriate, such as in relation to acquisition risks or environmental risks.

In recent years, the Group has made a substantial investment in a new Enterprise Report Planning system (ERP), based on specialist third-party software. Following its pilot deployment in one territory in 2024, this is expected to be rolled out across the wider Group in the coming years. In addition to commercial benefits, this new system is expected to further enhance the Group's control environment.

The Company seeks to ensure that its auditor is sufficiently independent of management. This includes policies to prevent its auditor from undertaking non-audit work and structured audit review/tender process. Following a tender and shortlisting review by the Audit Committee in 2024, it was determined that a new Group auditor be appointed for the 2024 financial year.

Principle 6: Establish and maintain the board as a well-functioning, balanced team led by the Chair

The Board is comprised of four independent non-executive directors (including the Chair who was independent upon appointment) and two executive directors. The non-executive directors have service agreements with three months' notice either side and are required to be available to attend board meetings (typically eight to ten formal board meetings per annum) and to deal with both regular and ad hoc matters. An indicative time commitment is twenty days per annum, but letters of appointment indicate that this is an estimate and that directors are expected to commit sufficient time to fully discharge their responsibilities. All non-executive directors have confirmed and demonstrated that they have adequate time available to meet the requirements of the role and they have no conflicts. The number of committee meetings and attendance records are set out in the Annual Report.

Executive directors work full time in the business and have no other significant outside business commitments. Executive directors hold service contracts with a nine-month notice period.

All directors retire and submit themselves for re-election each year at the Company's Annual General Meeting.

Both the Audit and Remuneration Committees are fully independent and non-executive directors do not participate in performance related remuneration schemes.

The Nomination Committee reviews Board composition, independence, and diversity each year. The Board is satisfied that it has a suitable balance between independence, diversity and knowledge of the business to allow it to discharge its duties and responsibilities effectively.

Principle 7: Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities

The Board considers the governance structures and processes for the Group to be in line with its desired corporate culture, and appropriate for its size, complexity and risk profile. Reflecting Midwich's strong growth track record, these have evolved over time, through the addition of further independent non-executive directors and enhanced processes and reporting. The Board monitors the suitability of the governance structure and will make further changes as the business develops in the future.

The Board meets at least eight times per annum. There were ten scheduled meetings in 2023, each one attended (either in person or by video conference) by all Board directors appointed at the time. Further ad hoc meetings are held as necessary.

A formal Board programme is agreed before the start of each financial year. This is structured, as far as possible, to align with the Group's annual financial programme. A full pack of papers is made available to all Board members in advance of scheduled meetings, covering both operational and strategic matters. In addition, the Board receives presentations from operational management.

During the year, the Chair also arranges calls and, where conditions allow, face to face meetings of the non-executive directors. These provide an informal opportunity to align views and determine areas of focus at future Board meetings.

The Board is responsible for the long-term performance of the Group. Specific matters are reserved for the Board. These are set out on the Company's website and include: Group strategy, corporate and capital structures, approval of key financial matters (annual and interim results, budgets, dividend policy), material contracts and Board membership and remuneration.

The Board is supported by the Audit, Nomination and Remuneration committees and, from 2024, the Sustainability Committee. The membership and main roles of each committee are included in the Annual Report and the Company's website. Each committee has access to the resources, information and advice that it deems necessary, at the cost of the Group, to enable the committee to discharge its duties.

The Board is committed to a process of continuous improvement in its governance approach and aims to enhance and develop compliance with best practice. In line with stakeholder expectations, there is currently an increased focus on sustainability matters with further climate related governance improvements implemented in 2022 and 2023 and the creation of the Sustainability Committee in 2024.

An executive director undertakes the role of Company Secretary. Whilst the Board believes that, at this present time, the two can be combined effectively, this role is now supported by a Deputy Company Secretary. The Board expects the Company Secretary role will transition away from an executive director at an appropriate time.

The Board is satisfied that, between the directors, it has an effective balance of skills and experience. For example, specialist AV industry knowledge and broad experience in sales, operations, international expansion, finance, human resources, information technology and capital markets.

Each Board member brings a different mix of knowledge and experience, which blend well into a successful and effective team. Board composition is kept under review and the Board is committed to ensuring diversity of skill, experience and gender balance.

The appointment of Alison Seekings brings further information technology, finance and audit experience to the Board. Her appointment to Audit Committee chair reduces the number of sub-committees led by the Board Chair to only the Nominations Committee.

Biographies for each Board member are published both on the Company's website and in the Annual Report. Board members maintain their skillsets through practice in day-to-day roles, enhanced with attending specific training where required. This is a combination of in-house and external briefings and courses.

The Board uses external advisors where necessary to enhance knowledge, make recommendations or to gain access to particular skills or capabilities. For example, accountants and lawyers are used for diligence work on certain acquisitions; both nomination and remuneration committees use recruitment and employment consultants, and specialist advisors have been used by the Board to ensure compliance in specific areas, such as environmental strategy or entering new markets. The Company Secretary also facilitates Board briefings from internal specialists as appropriate. For example, regular updates from the Group's IT team on system deployment and information security.

Principle 8: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board conducts a formal evaluation and appraisal process annually. A survey has been developed in-house and completed annually by directors. It seeks their individual views on the performance of the Chair and sub-committees, Board composition, operational effectiveness, business leadership, development needs, QCA code compliance and other matters. A senior independent member of staff compiles the results ahead of a Board discussion during which matters arising are reviewed and actions agreed.

In the 2024 survey there were no major issues or concerns raised about the effectiveness of the Board or its individual members, minor actions noted in the prior years have been addressed. The Board will continue to monitor its approach to the evaluation of effectiveness.

including the use from time to time of external facilitation. In the future, we may engage an external party to facilitate the review.

The Nomination Committee reviews Board and senior management succession annually. In the past year there have been a number of senior management promotions to reflect the increased scale and complexity of the Group. These position the Group to achieve its strategic growth ambitions. This committee also reviews the length of service and independence of non-executive directors annually and, as a result, a further independent non-executive director was added in 2024.

Principle 9: Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The Board is responsible for establishing, maintaining and monitoring an effective remuneration policy which is aligned to the Company's purpose, strategy and culture. This activity is managed by the fully independent Remuneration Committee.

The Group has established and maintains an effective remuneration policy which is aligned to the strategy, culture and long-term goals of the Group. This remuneration policy is considered to motivate and promote the right behaviours and decisions of senior management together whilst aligned to long-term growth in value for shareholders.

Pay structures for senior management are clear and easy to understand and are set out in the annual report. The Remuneration Report in the Annual Report is put to an advisory vote annually and shareholder feedback is addressed as appropriate. In the event of a significant change to remuneration policy a further advisory shareholder vote is also expected, although it should be noted that there have been no such changes since the Company's IPO in 2016.

Where required the Remuneration committee will consult with other Board Committees to set appropriate incentive targets and to appraise performance. For instance, going forward sustainability is anticipated to form part of senior management goals and feedback from the Sustainability Committee will be sought. The Remuneration Committee is also supported by third party advisors which are funded by the Group.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders

The Group communicates with shareholders and other stakeholders through the Annual Report and Accounts, half yearly trading updates, the AGM, capital markets days and one-to-one meetings with certain existing or potential new shareholders. Individual Board members and committee chairs also make themselves available for one to one ad hoc dialogue with wider stakeholders.

Reports from the Audit, Nomination and Remuneration Committees are set out within the Annual Report. A report from the Sustainability Committee will be included in the 2024 Annual Report, although it should be noted a detailed sustainability report is set out in the 2023 annual report.

The Company's website includes the outcomes of shareholder votes cast at the AGM and historic annual accounts and AGM notices (since the Group's admission to AIM). In the event of a significant proportion of independent votes being cast against any AGM resolution, the Board is committed to seeking and evaluating stakeholder feedback.

In formally adopting the QCA code (as revised November 2023) as its governance framework, the Board is committed to monitoring all aspects of compliance and ensuring appropriate disclosures on its website.

As a result of reviewing the disclosure requirements of AR 26 (as revised), the Board has confirmed that it continues to meet and comply with all the requirements of the QCA code as disclosed herein.

30 August 2024