

CHAIRMAN'S GOVERNANCE REPORT

For the year ended 30 November 2023

As Chairman of the Aferian plc ("the Company") Board, it is my responsibility to ensure that the Board is performing its role effectively and has the capacity, ability, structure and support to enable it to continue to do so. We believe that a sound and well understood governance structure is essential to maintain the integrity of Aferian plc and its subsidiaries (together "the Group") in all its actions, to enhance performance and to impact positively on our shareholders, staff, customers, suppliers and other stakeholders.

The Group has adopted the QCA Corporate Governance Code ("the Code") as the benchmark for measuring our adherence to good governance principles. These principles provide us with a clear framework for assessing our performance as a Board and as a company, and the report below shows how we apply the Code's ten guiding principles in practice.

Aferian's strategy and business model

The strategy and business operations of the Group are set out in the Strategic Report on page 5.

The Group's vision is "To define iconic video streaming experiences with the most versatile technologies for what's next in media delivery, sustainably".

As the market continues to grow and develop, Aferian's challenge is to ensure that new customers continue to recognise the real enduring advantages that employing its technology offers. The Board and Executive team meet twice a year to discuss strategy and future developments. Due to valuable input from our non-executive directors and the breadth of the experience of the Executive team, the Board does not consider that an external strategy review is necessary at this time.

Understanding shareholder needs and expectations

The Group's executive directors meet at least twice a year with institutional shareholders, fund managers and analysts as part of an active investor relations programme to discuss long-term issues and obtain feedback. Private investors are encouraged to participate in the Annual General Meeting in addition to receiving the annual report and accounts.

Investec, in their role as corporate broker, also hold meetings with investors. Investec prepares regular independent analysis of the Group's results and prospects.

Environmental, Social and Governance policy commitment

Aferian works with its employees, customers and suppliers to conduct its business in an ethical way. The Group is of a relatively small size but is committed to its Environment, Social and Governance policies set out on page 6.

Employees

The Group recognises that an essential part of its continued success is the support and involvement of its employees.

Effective communication is essential to ensure its employees are fully engaged with the business which include:

- Monthly 'all-hands' presentations updating employees on Group performance against objectives;
- A monthly newsletter to staff;
- Half-yearly employee appraisals to set objectives, identify strengths and areas for development;
- The provision of training where appropriate to enhance job performance and aid development; and
- A regular review of the benefits offered to employees.

The Group's revenue is dependent on delivering complex, viable technologies to specific markets and therefore ensures that cross-functional teams of senior employees work together and with customers to ensure the successful integration of its technologies.

Customers

The sales and product management team obtain feedback from customers regarding current products, new product ideas and customer service through regular interactions with customers mainly comprising face to face meetings.

The customer support ticket system includes a satisfaction indicator and optional comments on closure of each ticket. These results are monitored throughout the year and reviewed in more detail as part of the half yearly team meetings.

Suppliers

The Group sources its hardware products principally from manufacturers in the US, Taiwan, China, Malaysia and Thailand. By establishing long-term relationships with suppliers, the Group seeks to mitigate the risk of fluctuating input prices, lengthening lead times and constraints in the supply of components.

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Partners

A particular strength of the Group is the ability to partner with and rapidly integrate most suppliers of the different elements of the value chain within the online video ecosystem to deliver value to customers.

Risk management

The directors recognise their responsibility for the Group's system of internal control and have established systems to ensure that an appropriate and reasonable level of oversight and control is provided. The Group's systems of internal control are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Executive team meets bi-annually to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an ongoing basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified, and appropriate action taken at an early stage. From this review the Group maintains its internal risk register which forms the foundation of the Audit Committee and Board review processes.

The Group maintains a comprehensive risk register which includes commercial, operational and financial internal and external risks that are assessed according to nature and magnitude and given a score based on the seriousness of the risk and the likelihood of the risk occurring. Those ranked in the highest category which are considered both serious and more likely to occur are managed by the executive directors and reviewed by the Board including monitoring actions to mitigate the risks. The senior management team manages the remainder of the risks and reviews them as part of the management meeting cycle. On a bi-annual basis, the whole register is reviewed and updated by the senior management team and presented for review by the Audit Committee and the Board. New potentially material risks which arise in the meantime are added to the risk register and discussed at Board level as they arise.

The annual budget is reviewed and approved by the Board. Financial results, with comparisons to budget, latest forecasts and prior year are reported on a monthly basis to the Board together with a report on operational achievements, objectives and issues encountered. A quarterly reforecast to the end of the financial year is prepared and stress tested to highlight the potential impact of different scenarios such as a reduction in revenue or increase in costs. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Measures continue to be taken to review and embed internal controls and risk management procedures into the business processes of the organisation and to deal with areas of improvement which come to the managements and the Board's attention. Metrics and quality objectives continue to be actively implemented and monitored as part of a continual improvement programme.

The Group's auditor is encouraged to raise comments on internal control in their management letter following their audit, and the points raised and actions arising are monitored through to completion by the Audit Committee.

The principal risks and uncertainties impacting the Group and how these are mitigated are detailed in the Strategic Report on pages 14 to 16.

Board governance and management

There is clear division of responsibility between the running of the Board and executive responsibility for running the Group's business. The Chairman, Mark Wells, is responsible for the leadership of the Board and setting the Board's agenda. The Chief Executive, Donald McGarva, is responsible for running the Group's business. There are two other executive directors: Chief Financial Officer and Chief Operating Officer, Mark Carlisle and Steve Oetegenn, as President of the Americas.

The Company currently has three independent non-executive directors: Mark Wells, Bruce Powell and Allen Broome (appointed on 31 August 2023). Stephen Vaughan, non-executive director of Aferian since March 2019 and chair of the Remuneration Committee during the year, resigned from the Board on 27 April 2023. The non-executive directors normally do not have any day-to-day involvement in the running of the business but are responsible for scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. The Company has one non-executive director who is not considered to be independent: Max Royde joined the Aferian board on 4th April 2023, and took up the position of Chair of the Board's Remuneration Committee on 27 April 2023. He is a managing partner of Kestrel Partners which holds a beneficial interest in Aferian. All directors are able to allocate sufficient time to the Company to discharge their responsibilities as directors. All directors have access to the advice and services of the Company Secretary, are covered by directors and officer's insurance and may take independent professional advice at the Group's expense.

The background of all directors including details of their relevant experience, skills and capabilities is set out on pages 18-19.

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There were four non-executive directors:

- Non-executive Chairman Mark Wells was appointed as a director and Chairman of Aferian on 1 January 2022 and is considered to be independent.
- Non-executive Bruce Powell was appointed as a director and Chairman of the Audit Committee on 3 August 2022 and is considered to be independent.
- Non-executive Max Royde was appointed as a director on 4 April 2023 and took up the position of Chair of the Board's Remuneration Committee on 27 April 2023 and is not considered to be independent.
- Non-executive Allen Broome was appointed as a director on the 31 August 2023 and is considered to be independent.

In addition, during the year ended 30 November 2023:

- Non-executive Stephen Vaughan was a director of Aferian from March 2019 until his resignation on 27 April 2023 and was considered to be independent. Stephen was also chairman of the Remuneration Committee and the Senior Non-Executive Director until his resignation.

Board performance evaluation

On 22nd April 2024 the board announced that, following fourteen years of service, Donald McGarva will step down from his role as CEO and leave the Company in October 2024. A review of the composition of the Board is underway and the Company will make a further announcement once this has been completed.

The Board acknowledges the significance of succession planning and diversity in maintaining the Board's effectiveness and consistently evaluates its composition. The latest assessment of the Board's makeup led to the appointment of Max Royde and Allen Broome. Max Royde was appointed to the Board as a non-executive director on the 4th April 2023. As a managing partner of Kestrel Partners, Max has a deep understanding of the technology sector, its growth and its profit drivers and strong experience of board-level positions in the sector. Allen Broome was appointed to the Board as a non-executive director on the 31st August 2023. Allen is a technical leader with a proven track record of delivering innovative, reliable, scalable products and services. Following these changes, the Board comprises 3 independent and 4 non-independent directors. The Group remains focussed on improving the diversity of its Board and carefully considers a broad range of candidates ahead of any appointment.

Ethical values and behaviours

The Group has policies in place to address the issues covered by the Modern Slavery Act and the Bribery Act - <https://aferian.com/investors/anti-modern-slavery-statement/> - that are issued to all staff and include a whistleblowing policy. The Board reviews these policies annually.

We trust each other

We have the courage to pursue and share new ideas with colleagues. We experience teamwork through personal accountability and a shared vision of success.

We are driven by innovate thinking

With a continuous improvement mindset, we develop impactful solutions because we understand how to create value and take calculated risks.

We are invested in the success of our customers and partners

Based on establishing strong relationships, we address their unique needs to help ensure growth and market leadership.

We value personal fulfilment

By building a diverse and inclusive community, we create an environment that celebrates individuality, purpose and creativity.

We strive to be financially and environmentally responsible

In everything we do, we focus on delivering value, while reducing our impact on the planet.

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Governance structures and processes

The Board is responsible for the overall strategy and leadership of the Group. The Board is also responsible for ensuring that the business has the necessary resources in place to meet its objectives. The Board provides leadership and a control framework which includes a continual risk assessment and management of the principal risks and uncertainties which are disclosed on pages 14 to 16.

The Board is supplied with monthly financial and non-financial information in a timely manner to enable it to discharge its duties. The Board has a formal schedule of matters specifically reserved for decision by the Board and meets for scheduled Board meetings at least 11 times per year, plus ad hoc meetings as required. The Board also meets with management at two strategy days per year. In addition, the Board reviews and approves all trading updates and results announcements. The Group has established whistleblowing procedures under which employees can raise concerns in confidence about possible improprieties in matters of financial reporting or other areas. The Board reviews the going concern assumptions made in the preparation of the Group quarterly forecasts and the sensitivities applied thereon to ensure the Group has adequate resources to continue in operational existence for the foreseeable future.

Board committees

The Group has an Audit Committee, a Nominations Committee, and a Remuneration Committee. Each committee has written terms of reference which are reviewed on an annual basis and updated as required. These will be available for review at the Annual General Meeting for 2024 and are available for review in the Investor Relations section of the Group's website. The Board and its committees are considered to have the appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively.

Remuneration Committee

The Remuneration Committee was comprised of Stephen Vaughan (Chair of the committee), Mark Wells and Bruce Powell. Stephen Vaughan resigned from the Board and the committee on 27 April 2023. Following his recent appointment to the Board as a Non-Executive Director on 4 April 2023, Max Royde took the position of Chair of the Committee on 27 April 2023. The committee determines the Group's policy for executive remuneration and the individual remuneration packages for executive directors. The committee also considers grants of options under the Company's share option schemes. The policy of the committee is to grant share options to employees as part of a remuneration package to motivate them to contribute to the growth of the Group over the medium to long-term. The Chief Executive Officer may, at the committee's invitation, attend meetings, except where his own remuneration is discussed.

Audit Committee

The Audit Committee was comprised of Bruce Powell (Chair of the committee), Mark Wells and Stephen Vaughan. Stephen Vaughan, resigned from the Board and the committee on 27 April 2023. The composition of the committee is deemed appropriate given the extensive number of years held by the committee members as either Executive or Non-Executive board members of other publicly listed, multinational organisations. Furthermore, Bruce Powell has extensive financial experience through his previous post as CFO for both DiscoverIE Group plc, and semiconductor and software design company Imagination Technologies plc. The committee aims to meet at least twice a year and at other times as agreed between the members of the committee. Executive directors and the Group's auditor may be invited to attend all or part of any meetings. The committee also meets with the Group's external auditor without the presence of the executive directors.

Nominations Committee

The Nominations Committee was comprised of Mark Wells (Chair of the committee), Stephen Vaughan (resigned from the committee and the Board on 27 April 2023) and Bruce Powell. The committee meets when appropriate and considers the composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the board.

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The objective of the committee is to review the composition of the Board and to plan for its progressive refreshing, regarding balance and structure. The committee is responsible for reviewing the structure of the Board as well as evaluating the balance of skills, knowledge, experience and diversity of the Board.

The Board will continue to review the Company's governance framework to ensure that it remains appropriate for its size and complexity, considering plans for growth.

The number of formal meetings of the Board, Audit Committee ("Auditco"), Remuneration Committee ("Remco") and Nominations Committee ("Nomco") during the year ended 30 November 2023 and the attendance records of each Director are set out below:

Director	Number of meetings held during year/appointment				Number of meetings attended			
	Board	Auditco	Remco	Nomco	Board	Auditco	Remco	Nomco
Mark Wells	13	4	-	2	13	4	-	2
Donald McGarva	13	4	-	-	13	4	-	-
Mark Carlisle	13	4	-	-	13	4	-	-
Stephen Vaughan	6	1	-	1	6	1	-	1
Steve Oetegenn	13	4	-	-	12	2	-	-
Bruce Powell	13	4	-	2	13	4	-	2
Max Royde	9	3	-	-	9	1	-	-
Allen Broome	3	1	-	-	2	-	-	-

Internal financial control

The Group has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group.

The key procedures that have been established in respect of internal financial control are:

- internal control: the directors review the effectiveness of the Group's system of internal controls on a regular basis;
- financial reporting: there is in place a comprehensive system of financial reporting based on the annual budget approved by the board. The results for the Group are reported monthly along with an analysis of key variances, and year-end forecasts are updated on a regular basis; and
- investment appraisal: applications for significant expenditure of either a revenue or capital nature are made in a format which places emphasis on the commercial and strategic justification as well as the financial returns. All significant projects require specific Board approval.

No system can provide absolute assurance against material misstatement or loss, but the Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

Mark Wells
Chairman
30 May 2024