

Corporate Governance Report

As Chairman of Big Sofa Technologies Group plc I have overall responsibility for corporate governance and promoting high standards throughout the Company. As well as leading and chairing the Board my responsibilities are to ensure that:

- committees are properly structured and operate with appropriate terms of reference
- the performance of individual directors, the Board and its committees are reviewed on a regular basis
- the Company has a coherent strategy and sets objectives against this; and
- there is effective communication between the Company and its shareholders

The directors of Big Sofa Technologies Group plc believe strongly in the importance of good corporate governance for the creation of shareholder value and engendering trust and support amongst the Company's wider stakeholders.

In March 2018, changes to the AIM Rules required the formal adoption by all AIM companies of a recognised corporate governance code by 28 September 2018. The Directors undertook to take account of the requirements of the QCA guidelines to the extent they consider it appropriate having regard to the Company's size, board structure, stage of development and resources.

In light of the new requirements, the Board decided to formally adopt and adhere to the QCA code (revised in April 2018).

The QCA code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers 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. The directors have considered how they apply each principle to the extent the Board judges these to be appropriate in the circumstances and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA code. There were no key governance related matters that occurred during the year.



Nicholas Mustoe

Non-Executive Chairman

Principle Application

Establish a strategy and business model, which promotes long-term value for shareholders

What Big Sofa Technologies does

Big Sofa Technologies is a business to business technology company that provides video analytics. Big Sofa Technologies' scalable proprietary, cloud-based platform enables users to ingest, manage, search and perform detailed analysis of video, images and audio content. The platform then transcodes and, where appropriate, transcribes the data into a structured, downloadable archive of content.

By enabling users to isolate and interrogate specific moments of video based on what is being said or done at that point, the platform turns video into a source of mineable data that can be manipulated and used for understanding and insight.

The Company's proprietary technology has a number of applications within the consumer insight and wider data analytics markets as a route to initial value creation. The Company's programme of technological research and development is intended to build long-term shareholder value through creating additional functionality on the platform to be able to deliver additional value and insight to customers, for which the Company charges a combination of project fees, consultancy fees and license fees. The platform has been developed in a way to allow it to do so at ever increasing scale.

Where Big Sofa Technologies focuses its efforts

The Group invests its efforts and financial resources in technical development and consultancy, and business development. These include:

- investment in direct technical development enables the Group to advance its platform's capabilities;
- investment in new technical approaches using key technologies (e.g. transcription, translation) that enable more efficient workflow and better value for customers;
- consultancy services associated with the technology revenue and customer experience of the platform; and
- business development and support resources that help maximise the opportunities presenting themselves across global organisations, which are the company's main client focus. These businesses tend to have a complex combination of centralised and distributed buying points, as well as user support needs. Big Sofa Technologies aims to embed its technology in these clients, starting with adoption through initial project work. The company targets large multi-nationals because of their global scale, their sizable budgets and their systematic adoption of technologies they have trialled and approved.

How the Company has been funded and its route to profitability to deliver shareholder value

The Company has utilised its public listing as a means to source capital to support its growth; having invested heavily in the development of the technology platform and engaged a blue-chip customer base, the company has now been able to reduce its cost base. From this lower cost base, the Company aims to grow revenue and gross profit on its path to being profitable and cash generative, thus delivering organic shareholder value.

Seek to understand and meet shareholder needs and expectations

The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. Between the Chairman and the Executive Directors an open and regular dialogue is maintained with the Company's major shareholders.

At present, the following shareholders own 3% or more of the Company's issued shares:

Shareholder Holdings (3% or above as at 5 April 2019)

Ipsos MORI UK Ltd	16.83%
Nicholas Mustoe (Director)	6.34%
Simon Lidington (former Director)	6.28%
Steven Metcalfe (Director)	5.51%
WMG Advisors LLP	4.45%
Adam Reynolds (former Director)	3.47%

More generally the Board communicates with shareholders through the Annual Report and the Interim Statement, trading updates and other announcements made on RNS, in addition to the Annual General Meeting where the Board encourages investors to participate. The Company also maintains a website, www.bigsofatech.com, which contains information on the Company's business and corporate information.

Existing and prospective shareholders are able to separately contact the Company via email as detailed on the Company's website. Periodic meetings are held with existing and prospective institutional and other investors.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Big Sofa Technologies is a small company which uses the application of cutting-edge computer science and technology to aid data analytics. The Company has a number of key internal and external stakeholders, including its employees, customers, suppliers, shareholders and regulators.

The Company continues to develop a versatile, scalable technology platform used by customers with a variety of end-use requirements. It is currently focused on blue-chip multinationals primarily in the consumer insight industries – either brand clients or market research agencies – and they are likely to use it to capture and analyse the behaviours of individuals. Ensuring the appropriate technological development which addresses clients' needs and meets strict data security requirements is key to the long-term success of the Company. Throughout the various stages from initial technology identification to eventual product sales the Company is engaged in a continual process of feedback, improvement and product design with its stakeholders.

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Ultimate responsibility for the process by which risk in the business is managed rests with the Board. The Company's internal risk identification and management process is as follows:

- the executive team prepares and reviews on a periodic basis the risk register for the Company. The framework for this review is the ISO/IEC27001 information security standard under which the Company is assessed annually. The risk register (which also encompasses the Health and Safety risk register) details specific risks to the Company, the quantification of those risks in terms of probability and impact, mitigating actions required to manage these risks and the control mechanisms that are in place to monitor the risks;
- the risk register assigns responsibility for each risk and the mitigation plan to one or more members of the management team; and
- the risk register is circulated to the Company's audit committee at least annually. Any urgent or important items are raised with the Board to be discussed at Board meetings or otherwise as appropriate.

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

The Board's primary role is to enhance shareholders' long-term interests by:

- determining the Company's overall strategy and direction;
- establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently;
- ensuring effective corporate governance;
- approving budgets and reviewing performance relative to those budgets;
- approving financial statements;
- approving material agreements and non-recurring projects; and
- approving senior and board appointments.

Nicholas Mustoe and Steven Metcalfe, both Non-Executive directors, are considered to be independent of the management and are free to exercise independence of judgement. John Haworth, by virtue of his position as Chief Financial Officer of Ipsos MORI UK, a UK subsidiary of Ipsos Group and the Company's largest shareholder is not considered to be an independent director.

The Non-Executive directors are required to commit sufficient time as is necessary, approximately two days per month, to fulfil their obligations. Routine commitments include preparation for and attendance at board and committee meetings. In addition, the Non-Executive directors engage in ad-hoc dialogues with members of the executive team, shareholders and other stakeholders as required.

All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation.

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

As at 5 April 2019, the Board comprises seven directors in total: an Independent Non-Executive Chairman, three Executive Directors and two Non-Executive Directors (Steven Metcalfe being independent), reflecting a blend of different experiences and backgrounds. The skills and experience of the Board are set out in their biographical details below. The experience and knowledge of each of the directors give them the ability to challenge strategy constructively and to scrutinise performance. All directors receive regular updates and relevant training to the business and these rules. This is provided in-house and by external providers as appropriate.

Nicholas Mustoe, Independent Non-Executive Chairman

Appointed as Director and Chairman in December 2016; Chair of the Audit Committee and the Remuneration Committee.

Nicholas is an experienced chairman of small, quoted companies. He has been involved in supporting many start-up companies starting with funding Hall and Partners (research) in 1992, Caravell (industrial refrigeration), ABC Connection (on-line publishing and software), and; Sosandar (fashion label) amongst others.

He started his career in 1981 working for London advertising agencies Foote Cone and Belding before starting his own agency Mustoe Merriman Levy (Mustoes) in 1993. During his career he has managed a number of blue-chip client accounts including Unilever, Coca Cola and Bauer Publishing.

Currently, Nicholas is the executive chairman and principal shareholder of advertising and PR agency, Kindred. He also has a number of non-executive roles, including acting as Chairman of Starlight Children's Foundation and as a director of AIM-quoted companies Sosander plc and Yourgene Health plc

Time commitment: at least two days per month.

Kirsty Fuller, Chief Executive Officer (CEO)

Appointed as Director in October 2018 and CEO in November 2018.

Kirsty is a leader in the global consumer insight and strategy industry having co-founded the Flamingo Group. Flamingo, which was acquired by Omnicom in 2006, grew under her leadership as co-CEO and latterly CEO to become one of the largest specialist qualitative research agencies in the world, with a network of eight offices on four continents, employing 340 staff.

Kirsty's focus throughout her career has been on raising the contribution of context-informed consumer insight to business and brand success. She has been instrumental in integrating innovative methods as the insight industry has evolved. Kirsty has worked around the world with leading blue-chip companies including Unilever, PepsiCo, Diageo, Sony and Visa.

Time commitment: full-time.

Joe MacCarthy, Chief Financial Officer (CFO)

Appointed as Director, CFO and Company Secretary in December 2016.

Joe is an experienced accountant, having started his career with PricewaterhouseCoopers. For more than a decade he worked in investment management, with a particular focus on start-ups and smaller company investing. He has been responsible for managing more than £100 million of investments across a variety of sectors including media and infrastructure.

Joe holds a degree in Economics from Durham University, is a Chartered Accountant and also holds a Diploma in Corporate Finance from the Institute of Chartered Accountants in England and Wales.

Time commitment: full-time.

Matt Lynch, Chief Strategy Officer

Appointed as Director and CSO in December 2016.

Matt began his career in marketing and category management after graduating from Oxford University. He went on to develop his advisory experience across a range of research and consulting roles, before completing a Masters in Organisational Behaviour.

Matt is experienced in leading engagements for blue chip organisations (Procter and Gamble, Coca Cola, Unilever, BP, Barclays); in working alongside global agencies; and in collaborating with tech partners of all sizes. His role at Big Sofa Technologies is to lead the Company's strategic direction and to ensure that the business constantly innovates to deliver maximum client value.

Time commitment: full-time.

Steven Metcalfe, Independent Non-Executive Director

Appointed as Director in December 2016; Chair of the Insider Committee.

Steven is a former stockbroker with more than 28 years' experience in the financial industry. In 2005, as Head of UK Equities at Hichens Harrison, he was involved in the management buyout and then subsequent sale to Religare Capital Markets. For the last seven years, he has been involved with institutions, hedge funds and high net worth individuals within the regulated arena. Since leaving investment banking in mid-2016, he is now using his substantial background and history within the financial and corporate world and has set up a consultancy business that advises small and medium sized enterprises on finance, strategy and growth within their chosen area.

Time commitment: at least two days per month.

John Haworth, Non-Executive Director

Appointed as Director in September 2018.

John is Chief Financial Officer of Ipsos MORI UK, a UK subsidiary of Ipsos Group, one of the world's largest market research organisations and a 20% shareholder in the Company. Prior to joining Ipsos MORI UK, John held various global and European chief financial officer positions within the Kantar Group, one of the world's largest insight, information and consultancy groups. He has a successful track record of over 20 years of helping businesses to grow, ranging from divisions of FTSE 100 groups to small and medium-sized enterprises.

Time commitment: at least two days per month.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The core of the current board was established as part of the Company's preparation for admission to AIM in December 2016, with John Haworth joining as Ipsos' nominated director in September 2018 replacing Laurence Stoclet who previously joined the Board after Ipsos' investment in the business in March 2018. It brings together the requisite skills and experience to target the Company's objectives, with a focus on this initial growth stage. Whilst board effectiveness has been subject to informal discussions amongst the directors the Board has yet to formally review its performance but will do so through the course of the current financial year with evaluation criteria to be set as part of this review. This will be an internal review managed by the Chairman. The review is expected to be repeated on an annual basis.

The Board's approach to succession planning is based upon identifying the medium to long term objectives of the Company and matching these with the competence of directors and senior managers. The Board will seek to identify potential gaps and recruit to fill these allowing a sufficient lead time.

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

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximising shareholder value. The Board considers this particularly relevant to the Company in light of the intended use of its technology (which includes the processing and analysis of personal data).

The executive team engenders open and positive interactions with a key focus on innovation, creative solutions and collective responsibility. These cultures are fostered throughout the business.

The Company's policies set out its zero-tolerance approach towards any form of modern slavery, discrimination or unethical behaviour relating to bribery, corruption or business conduct.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Alongside setting the vision and strategy for the Company the Board is responsible for ensuring that the business is managed for the long-term benefit of all shareholders whilst having regard for internal and external stakeholders, including employees, customers and suppliers.

The Board is responsible to the shareholders for the proper management of the Group and meets typically bi-monthly to set the overall direction and strategy for the Group and to review operational and financial performance. The Board has also convened, when necessary, by telephone conference during the year to review the strategy and activities of the business. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

There is a clear separation of the roles of Chief Executive Officer (CEO) and Non-Executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision making and ensuring the non-executive directors are properly briefed on matters.

The CEO provides coherent leadership and management of the Company, leads the development of objectives, strategies and performance standards as agreed by the Board, ensures that the assets of the Company are maintained and safeguarded; and leads on investor relations activities to ensure communications and the Company's standing with shareholders and financial institutions is maintained.

The Non-Executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Executive Directors and ensure that the Company is operating within the governance and risk framework approved by the Board.

The Company Secretary is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk. This role is currently filled by the Company's CFO. The Board acknowledges the QCA guidelines on this matter and considers the joint roles appropriate for the Company's size. The Company Secretary has direct access to the Chairman on matters of corporate governance.

The Board defines a series of matters reserved for its decision and has approved terms of reference for its audit, remuneration and insider committees to which certain responsibilities are delegated. The chair of each committee reports to the Board on the activities of that committee.

Matters reserved for the Board are:

- determining the Company's overall strategy and direction;
- establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently;
- ensuring effective corporate governance;
- approving budgets and reviewing performance relative to those budgets;
- approving financial statements;
- approving material agreements and non-recurring projects; and
- approving senior and Board appointments.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board, the Chairman's responsibilities are to ensure:

- committees are properly structured and operate with appropriate terms of reference;
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Audit Committee

The Audit Committee is responsible for:

- reviewing the annual financial statements and interim reports prior to approval by the Board;
- reviewing and considering reports on internal financial controls, including reports from the auditors;
- considering the appointment of the auditors and reviewing the relationship with the auditors, including reviewing and monitoring independence and objectivity;
- reviewing the consistency of accounting policies; and
- considering any proposed related party transaction.

The Audit Committee can call for information from the executive team and consults with the external auditors directly when appropriate or when they are required to do so.

The Remuneration Committee

The Remuneration Committee reviews and determines on behalf of the Board the pay, benefits and other terms of service of the Executive Directors of the Company. In addition, the committee oversees the creation and implementation of all employee share plans.

The Insider Committee

The Insider Committee is responsible for:

- monitoring and ensuring compliance with the Company's Market Abuse Regulation dealing policy;
- reviewing the classification of employees, directors and key consultants as regards clearance requirements; and
- reviewing and approving or rejecting as appropriate all requests for dealings in shares in the Company.

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

In addition to the investor relations activities described above, the following committee reports are provided:

The Audit Committee met once during the course of 2018. It comprised of Nicholas Mustoe (Chair) and Steven Metcalfe (and Adam Reynolds at the time of the meeting). The Committee met with the external auditors prior to the approval of the annual accounts. Consideration was given to the auditors' pre and post audit reports and these provided opportunities to review the accounting policies, internal controls and the financial information contained within both the annual and interim reports. The Committee engaged the external auditors for a review of the interim statement prior to its release.

The Remuneration Committee met once during the course of 2018. It is comprised of Nicholas Mustoe, Adam Reynolds (who has been replaced by Steven Metcalfe), and Paul Clark. Remuneration packages for the executive directors comprise a basic salary and performance related bonus. There is a compulsory government pension contribution scheme in place for all directors and employees. In addition, directors and employees participate in a share option long-term incentive plan.

The structure of the remuneration packages was established ahead of the Company's IPO in December 2016 and agreed as remaining appropriate. In setting remuneration, the committee took into consideration the compensation packages of comparable AIM listed companies. Since the Company's IPO no bonuses have been paid. New share option awards were made in 2016, 2017 2018 and 2019.

The Insider Committee, comprised Steven Metcalfe (Chair) and Nicholas Mustoe, met three times during the course of the year to review the Company's insider lists and review and approve requests for dealing in shares in the Company.

For information regarding the voting of shareholders at general meetings of the Company please see the Investors section of the website