

COMPOSITION AND INDEPENDENCE OF THE BOARD

The composition of the Board has been structured to ensure that no one individual can dominate its decision-making processes. The Board consists of six Directors: the Non-Executive Chairman, two Executive Directors, and three Non-Executive Directors. All of the Non-Executive Directors are considered by the Board, and regularly demonstrate, that they are independent. Notwithstanding that Peter Kiernan holds LTIP Securities, the Board considers him to be independent in character and judgement he is accordingly the Senior Independent Director.

Details of each Director's experience and background are given in their biographies on pages 32 and 33. The skill-set and experience of Board members is relevant for the current position of the Company and covers areas including finance, capital raising, financial services, banking, pension industry, marketing, network platforms and general management.

Appointments to the Board and re-election

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Nomination and Remuneration Committee. Further details on the role of the Nomination and Remuneration Committee may be found on page 42.

With regard to re-election of Directors, the Company is governed by its Articles of Association (Articles). Under the Articles, the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting. At each Annual General Meeting, one third (or the number nearest to one third) of the Directors must retire from office and, if willing, may offer themselves for re-election.

Richard Hurwitz and Peter Kiernan will retire and stand for re-election at the next AGM. The Board considers that both Directors offering themselves for re-election continue to make a valuable contribution to the deliberations and continue to demonstrate commitment.

Division of responsibilities

Chairman and Chief Executive

The division of responsibilities between the Chairman and Chief Executive have been agreed and approved by the Board.

A summary of the main responsibilities of each role is given below:

Role of the Chairman

- Upholding the highest levels of integrity, probity and corporate governance throughout the Company, particularly at Board level
- Chairing the Board meetings, setting the Board agenda and ensuring the Directors receive accurate, timely, and clear information to enable the Board to make sound decisions, monitor effectively and promote the success of the Company
- Facilitating the effective contribution of and active engagement of all the Directors and ensuring constructive relationships between the Non-Executive Directors and the Executive Directors
- Considering succession planning and ensuring the composition of the Board meets the needs of the business
- Ensuring the appropriate balance is maintained between the interests of shareholders and other stakeholders
- Ensuring the developmental needs of the Directors are identified and that these needs are met to enable Directors to update their skills and knowledge of the Group in order to carry out their duties as Directors
- Ensuring the performance of the Board, Audit Committee and individual Directors are evaluated once a year and acting on the results of the evaluation
- Ensure effective communication with shareholders and other stakeholders and ensure the Board is aware of the views of the shareholders
- Chairing the AGM and other general meetings of the Company

Role of the Chief Executive

- Running of the business of the Group within the authorities delegated to him by the Board
- Ensuring implementation across the Group of the policies and strategy agreed by the Board
- Leading the development of the Group's future strategy, including identifying and assessing opportunities for the growth of its business, and putting in place the long-term capital to support such development
- Reviewing the performance of the businesses, managing and holding to account the Executive and senior management teams
- Ensuring the Chairman is kept appraised in a timely manner of the issues facing the Group and of any events and developments
- Ensuring the market and regulators are kept appraised in a timely manner of any material events and developments
- Ensuring that all major transactions are conducted with the commercial interests of the Group at the forefront of negotiations, commensurate with the need to always treat customers fairly

Senior Independent Director

Peter Kiernan is the Senior Independent Director (SID). The SID's role is to act as a sounding board for the Chairman and serve as an intermediary for the other Directors when necessary. The SID will meet other Non-Executive Directors without the Chairman present at least once a year to appraise the Chairman's performance, taking into account the views of Executive Directors.

The SID is also available to shareholders should they wish to discuss concerns they have failed to resolve through the normal channels of Chairman, Chief Executive Officer or Executive Directors or for which such contact is inappropriate.

Non-Executive Directors

Each of the Non-Executive Directors has entered into a letter of appointment with the Company. The appointment of each of the Non-Executive Directors is stated to be for a fixed term, expiring after 12 months of the date of renewal or appointment. The Non-Executive Directors' letters of appointment set out the duties of the Director and commitment expected. They are expected to commit around 24 days per annum to their role. Key elements of the Non-Executive Director's role are to constructively challenge and help provide the Board with effective leadership in relation to the Company's strategy, performance, risk and people management, and ensuring high standards of financial probity and corporate governance.

Development, information and support

The Directors are encouraged to attend training and continuing professional development courses as required. Updates are given to the Board on developments in governance and regulations at each Board meeting. An induction programme is provided for any Directors joining during the year. Patrick Clark is the Company Secretary and supports the Chairman in ensuring that the Board receives the information and support it needs to carry out its roles. Directors' induction.

When Directors join the Board they receive an induction covering topics such as the operation of the Board, Directors' responsibilities, insider dealing, AIM Rules and governance documents. Each Director also receives an induction pack including all of the key Company documents.

Conflicts of interest

Under the Articles, the Directors may authorise any actual or potential conflict of interest a Director may have and may impose any conditions on the Director that are felt to be appropriate. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and they are not counted in the quorum.

A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any new conflicts before the start of each Board meeting.

Performance evaluation

The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. A formal external Effectiveness Review of the Board and its Committees was undertaken during the year. Independent Audit were engaged to carry out the Board review. The process took the format of a number of interviews by Independent Audit with each of the Directors individually and members of the senior management. Independent Audit also attended and observed a Board meeting and the meetings of the Board Committees. Independent Audit then presented their findings to the Board and facilitated a discussion around their findings. Overall it was found that the Board had many strengths and were well placed to contribute to the Company's continued development. A number of practical enablers were suggested to improve the efficiency of the meetings and to achieve a more consistently value-adding role. Further suggestions and actions included the need for diversity and succession planning as well as developing the senior management team further.

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How the Board operates

The Board meets at regular intervals and met six times during the year under review. Directors also have contact on a variety of issues between formal meetings. There is also regular contact with the senior management.

The Board has regular formal Board meetings, with a standing agenda focussing on key business and governance issues. During the year Board meetings have included presentations from senior management responsible for the various parts of the Tungsten Network business, giving the Board greater visibility and understanding over the Company's business and the steps being taken to execute its strategy.

An agenda and accompanying detailed papers; including reports from the Executive Directors and other members of senior management, are circulated to the Board in advance of each Board meeting. All Directors have direct access to senior management should they require additional information on any of the items to be discussed. A calendar of matters to be discussed at each meeting is prepared to ensure that all key issues are captured.

All Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Directors are unable to attend a meeting, they are encouraged to submit any comments on paper to be considered at the meeting to the Chairman in advance to ensure that their views are recorded and taken into account during the meeting.

Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate. The Board is supported in its work by Board Committees, which are responsible for a variety of tasks delegated by the Board. There is also an Executive Committee composed of the CEO and CFO and representatives from senior management whose responsibilities are to implement the decisions of the Board and review the key business objectives and status of projects.

Attendance at Board and Committee meetings by the Directors is shown below. In addition, there was one ad hoc Board meeting to approve a transactional issue called at short notice and four Board Committee meetings to approve full and interim accounts and share option awards.

The main activities of the Board during the year

There are a number of standing and routine items included for review on each Board agenda. These include the CEO's report and operations reports, financial reports, consideration of reports from the Board Committees, Governance, Risk and compliance and investor relations updates. In addition key areas put to the Board for consideration and review included:

- Strategy presentations
- Presentations from various parts of the business
- Consideration of financing structures
- Approval of annual report and financial statements
- Review of Budget and Business Plan
- Going concern and cash flow
- Briefings and review of conflicts of interest
- Review of AGM business
- Outcomes from the External Board Evaluation
- Disclosure policy

Board meetings

	Board meetings	Audit Committee	Nomination and Remuneration Committee
Nick Parker	6/7	3/3	3/3
Richard Hurwitz	7/7	-	-
David Benello	7/7	3/3	-
Peter Kiernan	7/7	3/3	3/3
Danny Truell ¹	0/1	-	-
Ian Wheeler	6/7	-	2/3
David Williams	7/7	-	-

¹ Resigned from the Board on 24 May 2017.

The Board Committees

There are two Board Committees, the Audit Committee and the Nomination and Remuneration Committee. These are composed of the Chairman and two Non-Executive Directors.

Each Board Committee has approved Terms of Reference setting out their responsibilities. The Terms of Reference were approved and reviewed by the Board during the year and are available on the Company's website www.tungsten-network.com. Details of the operation of the Board Committees are set out in their respective reports below. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

External advisers

The Board seeks advice on various matters from its Nomad, Panmure Gordon & Co, its brokers and corporate finance advisers, Canaccord Genuity, and its lawyers, Ashurst LLP, and Shepherd and Wedderburn LLP. As noted above, during the year it engaged Independent Audit to carry out an effectiveness review. The Board also uses the services of an external company secretarial provider, Prism Cossec.

Accountability

The Company has in place a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. These procedures include the preparation of management accounts, forecast variance analysis and other ad-hoc reports. There are clearly defined authority limits throughout the Group, including those matters that are reserved specifically for the Board.

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic report on pages 24 to 29. Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

Financial and business reporting

The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects in all half-year, final and any other ad-hoc reports and other information as may be required from time to time. The Board receives a number of reports, including those from the Audit Committee, to enable it to monitor and clearly understand the Group's financial position.

A Disclosure Policy is in place to ensure that price-sensitive information is identified effectively and all communications with the market are released in accordance with expected time scales. The Board considers that this annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Anti-fraud, bribery and corruption

The Group's anti-corruption procedures state that the Company and its subsidiaries intend to conduct business in an honest and ethical manner. A zero-tolerance approach is taken to bribery and corruption and the Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates and to implementing and enforcing effective systems to counter bribery and corruption.

Whistleblowing

The Company has a whistleblowing procedure under which staff may report any suspicion of fraud, financial irregularity or other malpractice to any Executive Director. An amended policy, recommended by the Audit Committee was adopted by the Board during the year.

Shareholders

The Board is committed to maintaining regular and clear communication with its shareholders. The Board receives regular reports on investor relations matters. The Directors are keen to build a mutual understanding of objectives with its institutional shareholders and a regular dialogue with institutional investors has been maintained throughout the year. The Directors also encourage communications with private shareholders and encourage their participation in the Company's Annual General Meeting. The Company uses its corporate website (www.tungsten-network.com) to communicate with institutional shareholders and private investors. It contains the latest announcements, press releases, published financial information, current projects and other information about the Company.

The annual report and financial statements is a key communication document and is also available on the Company's website. This year's Annual General Meeting of the Company will be held on 21 September 2018. The Notice of Annual General Meeting will be available on the Company's website at www.tungsten-network.com. The Notice of Annual General Meeting will be sent out at least 21 days before the meeting. Separate resolutions are provided on each issue so that they can be given proper consideration.