



Statement of Compliance with the QCA Corporate Governance Code

Corporate Governance Report

CHAIRMAN'S INTRODUCTION

The Directors acknowledge the importance of high standards of corporate governance and have adopted the principles set out in the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code') 2018, given the Group's size and the constitution of the Board. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

The Chairman and the Board accept the importance and responsibility of setting good corporate culture, values and behaviours. The Board also acknowledges its responsibility in delivering the long-term success of the Company for the benefit of shareholders and other stakeholders.

This Corporate Governance Report describes how the Company has applied the principles and standards set out in the Code during the year and, to the extent it has not done so, any deviations from them. It is the Board's view that the Company has complied with all of the provisions of the Code during the year ended 31 December 2021.

PRINCIPLE 1: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS

Crossword's vision is to partner with organisations to keep them secure in the digital world. The Group reduces cyber risks for their clients by providing a portfolio of innovative products and services, powered by university and other research-driven insights.

Crossword Cybersecurity plc focuses on the development and commercialisation of cyber security and risk management-related software and cyber security consulting and threat intelligence services. The Group's specialist cyber security product development and software engineering teams develop the concept into a fully-fledged commercial product that it will then take to market. The Group's aim is to build up a portfolio of revenue generating, intellectual property-based, cyber security products. Rizikon Assurance, Crossword's leading product, is a SaaS platform that enables

medium to large companies to assess and manage all risks from their suppliers. Nixer CyberML is a new tool for businesses that want to solve advanced security and cybercrime problems, such as detecting and dealing with compromised accounts, fraud, and in-application denial of service attacks. Identiproof, Crossword's third product, is the World Wide Web Consortium (W3C) verifiable credentials compatible middleware and wallet technology. Trillion™ and Arc are the latest additions to Crossword's product suite, offering some of the strongest and most advanced credential leak monitoring services in the market. Crossword's team of expert cyber security consultants leverages years of experience in national security, defence and commercial cyber intelligence and operations to provide bespoke cyber security consulting advice tailored to its clients' business needs, including threat monitoring using Nightingale, our world class platform.

Where appropriate, Crossword will transfer the IP to separate companies in which it will retain a commercial interest. So far, Crossword has been instrumental in the development of two such companies, ByzGen Limited and CyberOwl Limited.

PRINCIPLE 2: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

Crossword is committed to engaging with its shareholders to ensure that its strategy, business model and performance is clearly understood. The Company communicates with shareholders and potential investors through a variety of channels, including webinars, regular financial reporting, direct contact with its major shareholders and release of regulatory announcements, which are available on its website.

Regulatory announcements include details of the Company's website and the relevant contact at the Company, as well as its professional advisors.

The Annual General Meeting (AGM) provides another opportunity for dialogue between shareholders and the Board. The Chair of the Board and of the Committees, together with other Directors, routinely attend the AGM and are available to answer questions raised by the shareholders. At the meeting, each vote, the number of proxy votes received for, against and withheld is announced.

The results of the AGM are subsequently published on the Company's website and released via a regulatory information service provider.

A range of corporate information, including all Company announcements, is also available to shareholders, investors and the public on the Company's corporate website,

www.crosswordcybersecurity.com

PRINCIPLE 3: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

Apart from our shareholders, our most important stakeholder groups are our employees, our clients and partners and the universities we work with. The Board is regularly updated on stakeholder feedback and their potential impact on our business to enable them to understand and consider the feedback in decision-making. The Board understands that maintaining the support of all its stakeholders is paramount for the long-term success of the Company.

Employees

Crossword aims to provide an environment which will attract, retain and motivate its team. The Company has a growing number of permanent staff employed across the UK and Poland and therefore employee engagement with the senior management, who pride themselves on their availability and flexibility, is frequent through daily discussions and meetings. Staff are encouraged

to give regular feedback in relation to their needs, interests and expectations on away days, general discussions or one-to-one meetings with their line managers. These can then be addressed at the fortnightly management meeting to all senior members of the team where further actions will be discussed. Furthermore, the team engages in a weekly call where staff are able to communicate with all levels of the team across both countries.

Crossword reviews its processes and policies, which are guided by our values of Responsibility, Openness, Learning and Flexibility, to make continuous improvements for its staff.

The Company has developed its induction programme for new staff, engages with employees to maintain its culture and values and expected behaviours, performs exit interviews in the event people decide to leave the business, and follow-up interviews with new employees.

Crossword is supportive of career development of its employees and provides training programmes and Masters degree opportunities where appropriate.

Crossword's clients and partners

Crossword develops mutually beneficial commercial relationships with companies to support sourcing and commercialising cyber security intellectual property originating from university and other research projects and evaluating and exploiting routes to distributing and reselling its products. Crossword recognises that the establishment of a close working relationship with its partners is essential for its long-term success.

Crossword maintains its relationship with its partners through regular meetings, mutual understanding and aligned objectives. Feedback from partners is communicated to the relevant teams and the Board as appropriate.

Crossword interacts closely with its clients to understand the cyber issues organisations are facing, in order to support clients and help them to reduce cyber risks. Crossword provides a portfolio of innovative products and services, aimed at addressing risks clients have identified.

Universities

Crossword has excellent connections with universities in the UK and elsewhere through members of the Board and Management, who include some of the most highly regarded experts in IP commercialisation and the cyber security sector. Crossword maintains regular interaction with the universities with which it engages. This is predominantly achieved by digital means (e.g., frequent email exchanges and video calls), in which both parties can feedback to one another to ensure their needs are being met. The team also has face-to-face meetings with academics and works alongside universities at various events, such as talks and conferences. This continuous engagement with universities is paramount to the long-term success of the Company.

Social responsibility

Crossword partners with charities both in UK and Poland, where our offices are based. Crossword employees propose and vote on which charity they would like to support. Previously work has been undertaken to help a charity in their efforts to support the homeless and lead them to independence. In Poland, Crossword is supporting one of the largest, most recognisable and effective social schemes in Poland which implements and develops a system of smart, personalised aid that is unique in the world.

PRINCIPLE 4: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

Audit, risk and internal control

Financial controls

The Group has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board, in light of an ongoing assessment of significant risks facing the Group.

- The Board is ultimately responsible for the effectiveness of the Group's system of internal controls. Its key strategy has been to establish financial reporting procedures that provide the Board of Directors with a reasonable basis upon which to make judgements as to the financial position and prospects of the Group. Executive Directors and Non-Executive Directors have been appointed by the Board to assist with the implementation of this strategy and report progress to the Board.
- The Audit Committee has the primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets not less than three times in each financial year and has unrestricted access to the Group's external auditors.
- Regular budgeting and forecasting are conducted to monitor the Group's ongoing cash requirements and cash flow forecasts are circulated to the Board.
- The Group has a Risk Register which identifies the potential possibility and impact of risks associated with the Group and allocates an owner to mitigate each risk. The Risk Register is updated by the Chief Financial Officer and reviewed by the Executive, the Audit Committee and the Board.

Non-financial controls

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only 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 principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors.
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation whilst minimising risks.
- Central control over key areas such as capital expenditure authorisation and banking facilities.
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board; and
- Detailed monthly reporting of performance against budget.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Group's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include:

- Anti-bribery and Corruption Policy

- Information Security Policy
- Data Protection Policy
- Share Dealing Code.

All policies are documented, and senior managers and Directors are responsible for monitoring the compliance of these policies.

Approval process

All contracts are required to be reviewed and signed by a Director of the Company.

PRINCIPLE 5: MAINTAINING THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM, LED BY THE CHAIR

Composition, qualification and independence of the board

The Board comprises six Non-Executive and two Executive Directors. The names and responsibilities of the current Directors, together with their biographical details, are set out on pages 18 to 20.

37.5% Female

62.5% Male

The Board considers each of the Non-Executive Directors to be independent in character and judgement. Two of the Non-Executive Directors do not meet the strict criteria for independence set out in the QCA Code, due to their participation in the Company's share option arrangements, as part of their remuneration arrangements.

The Board considers that the ownership of shares and participation in the Company's share options to certain of the Non-Executive Directors encourages the alignment of their interests with those of the Company's shareholders and are not material enough to compromise their independence, character and judgement.

Therefore, the Company considers all Non-Executive Directors to be independent for the purposes of the QCA Code.

The Non-Executive Directors provide independent, robust and constructive challenge to the Executive Management and monitor the performance of the management team in delivering the agreed objectives.

All Directors have disclosed their other significant commitments and confirmed that they have sufficient time to discharge their duties effectively.

Appointment and tenure

The Board makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments, some of which has been delegated to the Nomination Committee. Appointments are made on merit, taking account of the balance of skills, experience and knowledge required.

The Company's Articles of Association require that all Directors retire by rotation at regular intervals and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

PRINCIPLE 6: ENSURE THAT, BETWEEN THEM, THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Board believes that its composition brings a desirable range of skills and experience in light of the Group's challenges and opportunities following Admission, while at the same time ensuring that no individuals or a small group of individuals can dominate the Board's decision-making.

The current Board, although considered to have a sufficient level of skills in all areas of the business, is always looking to improve and further its knowledge of the industry. All Directors receive regular and timely information on the Group's operational and financial performance and on technical issues.

Induction

Upon appointment, all Directors are provided with training in respect of their legal, regulatory and governance responsibilities and obligations, in accordance with the UK regulatory regime.

The induction includes face-to-face meetings with Executive Management and site visits to orientate and familiarise the new Directors with the Company's industry, organisation, business, strategy, commercial objectives and key risks.

The Board is kept up to date on legal, regulatory and governance matters at Board meetings. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

PRINCIPLE 7: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

Board effectiveness review

The Board undertook a further evaluation of its performance for the during the financial year. Some of the main themes and focus areas resulting from the evaluation included:

- Focus on strategy and Company culture.
- Managing and communicating risk and implementing internal controls.
- Shareholder sentiment.
- Diversity; and
- Board Development and Succession Planning.

The Board has continued throughout the year to measure progress against the recommendations resulting from the Board evaluation and will continue to assess its effectiveness in implementing new processes to achieve the recommendations. Furthermore, the Board conducted an evaluation in March 2022 to assess current performance and the progress made against the key focus areas. The Nomination Committee and Board were satisfied that previous recommendations and focus areas had been implemented and were being continually assessed.

The Nominations Committee will regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and make recommendations concerning plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chair and Chief Executive Officer.

PRINCIPLE 8: PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The role of the Board

The Board is responsible for the long-term success and strategic leadership of the Group. It is responsible for reviewing, formulating and approving the strategy of the Group and its subsidiaries, corporate actions and overseeing the Group's progress towards its goals. In addition, it also approves the annual and interim results and monitors the exposure to key business risks. The Board's full responsibilities are set out in a schedule of matters reserved for the Board.

The matters reserved for the attention of the Board include:

- The approval of interim and annual financial statements, dividends and significant changes in accounting practices.
- Review of bi-monthly financial statements.
- Board membership, reviewed by NOMAD, and powers including the appointment and removal of Board members, determining the terms of reference of the Board and establishing the overall control framework.
- AIM-related issues including the approval of communications to the London Stock Exchange and communications with shareholders will be dealt with by the Market Disclosure Committee and reviewed by the NOMAD or delegated by the Board to the Executive Directors.
- Senior management, remuneration, contracts, and the grant of share options will be addressed by the Remuneration Committee.
- Key commercial matters where the financial commitment is in excess of £50,000 per annum.
- Taking of loans or other credit.
- Financial matters including the approval of the budget and financial plans and performance against such plans and budgets.
- Approval of the appointment of the current period auditor, year-end audited statutory accounts and audit-related queries addressed by the Audit Committee.
- Risk management review.
- Changes to the Company's capital structure, its business strategy, acquisitions and disposals of businesses, and capital expenditures outside of budget approval; and
- Other matters including, but not limited to, health and safety policy, insurance, and legal compliance.

Role of the Chairman and Chief Executive Officer

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction, whilst the Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once approved, and overseeing the management of the Company through the Executive Management. The Chief Executive Officer is also responsible for communicating with shareholders, assisted by the Chief Financial Officer. This separation of responsibilities is clearly defined and agreed by the Board.

Board and Committee meetings

The Board meets at least six times each year, in accordance with its scheduled meeting calendar (these may be supplemented by additional meetings as and when required) to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. At each meeting, the Board considers a number of matters, which include

technical, operational, financial, risk and corporate governance reports, in addition to an update from its Committees, where applicable.

Any Director can challenge proposals, and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by Management.

The Group has established an Audit Committee, a Remuneration Committee, and a Nomination Committee, each with formally delegated duties and responsibilities outlined within terms of reference reviewed and approved by the Board on an annual basis.

From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

The Board and its Committees are supported by the Company Secretary, who ensures that the Board receives regular and timely information ahead of each meeting. A formal agenda is produced for each meeting and the Company Secretary distributes papers several days before meetings take place to provide the Board with sufficient time to consider the matters to be discussed. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable it to discharge its duties.

The table below sets out the attendance record of individual Directors at the scheduled and unscheduled Board meetings held during the year:

Name	Board Meetings	Audit	Nomination	Remuneration
Richard Dearlove	3/6	–	–	–
Tom Ilube	6/6	–	–	–
Andy Gueritz	6/6	2/2	2/2	1/1
Ruth Anderson	6/6	2/2	1/2	0/1
David Secher	6/6	2/2	–	1/1
David Stupples*	3/3	–	1/2	0/1
Gordon Matthew*	2/3	–	1/2	–
Mary Dowd	6/6	–	–	–
Tara Cemlyn Jones*	3/3	–	–	–
Robert Coles*	3/3	–	1/1	–

* Both David Stupples and Gordon Matthew resigned from the Board on the 25 May 2021. Tara Cemlyn-Jones and Robert Coles were appointed to the Board on the 25 May 2021.

PRINCIPLE 10: COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Board attaches considerable importance to the maintenance of constructive relationships with shareholders and its other stakeholders.

As mentioned above, the Company communicates with shareholders through the Annual Report and accounts, full-year and half-year results announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. The Company regularly releases regulatory and other announcements covering operational and corporate matters.

A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on the Company's corporate website, www.crosswordcybersecurity.com including:

- Our Articles of Association and admission document.
- A detailed account of how we have applied the principles of the QCA Code.
- Latest Crossword Cybersecurity news and press releases; and
- Annual and Interim Reports.

The Board receives regular updates on the views of shareholders through briefings from the Chief Executive Officer, Chief Financial Officer and the Company's brokers.

13 April 2022