



Statement of Compliance with the QCA Corporate Governance Code

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's (LSE) requirement for all AIM-listed companies to adopt and comply with a recognised corporate governance code. Our report sets out in broad terms how we comply with the code at this point in time. We will provide annual updates on our compliance with the code.

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

The Company's objective is to be the European leader in commercialising cyber security research originating from universities. The Company does this by acquiring IP rights through licences from universities and working with the university partners to develop the research concept into a fully-fledged commercial product that it then takes to market.

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. Crossword engages with its shareholders through regular financial reporting, release of regulatory announcements which are available on its website and by direct contact with its major shareholders. Regulatory announcements include details of the Company's website and phone numbers to contact the Company and its professional advisors. Crossword is also in the process of putting a PR plan in place.

The Annual General Meeting (AGM) is a forum for dialogue between shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 business days before the meeting. The Chair of the Board, the Committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by the shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's website and released via a regulatory information service provider.

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 partners and the universities we work with. The Board is regularly updated by executives 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 small 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 the principles of fairness and integrity to make continuous improvements for its staff. The Company is currently exploring further methods of obtaining feedback from its staff including employee opinion surveys and exit interviews in the event people decide to leave the business.

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

Crossword's Partners

Crossword develops mutually beneficial commercial relationships with companies to support sourcing and commercialising cyber security intellectual property originating from university research projects, and evaluating potential 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.

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 it has engaged with. 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 work alongside universities at various events such as talks and conferences. The continuous engagement with universities is paramount to the long-term success of the Company due to its principle objective.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Audit, risk and internal control

Financial controls

The Company 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 Company.

- The Board is ultimately responsible for the effectiveness of the Company'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 to make judgements as to the financial position and prospects of the Company. 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 of 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. The members of the Audit Committee comprise not less than two independent non-executive directors, (currently David Secher (as chairperson) and Andrew Gueritz) and, where possible, one member of the Remuneration Committee.
- Regular budgeting and forecasting is conducted to monitor the Company's ongoing cash requirements and cash flow forecasts are circulated to the Board.
- The Company has a risk register which identifies the potential possibility and impact of risks associated with the Company and allocates an owner to mitigate each risk. The risk register is updated by the COO and reviewed by the Executive team 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 principle 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 while 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
- Detailed monthly reporting of performance against budget

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

Standards and policies

The Board is committed to maintaining appropriate standards for all the Company'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 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

The Board comprises the Non-Executive Chairman, two Executive Directors, two Non-Executive Directors and three independent Non-Executive Directors. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

Company Board meetings are intended to be held at least bimonthly, with a view to having approximately 6 per annum, and are attended by the Directors in person or by phone. The presence of at least two directors will be required to form a quorum. An agenda and supporting documentation, including management accounts will be circulated in advance of each meeting. 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.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Sir Richard Dearlove KCMG, OBE - Chairman

Sir Richard brings to the Board extensive experience across government, education and global business. Sir Richard joined MI6 in 1966 undertaking various overseas and head office roles before being promoted to Chief of the Secret Intelligence Service in 1999. He retired from the Service in 2004. Sir Richard is presently Chair of Trustees of University of London. He was previously Master of Pembroke College, Cambridge from 2004 to 2015 and also served as a Deputy Vice-Chancellor of the University of Cambridge between 2005 and 2010 and Chairman of Trustees of the Cambridge Union Society from 2006 to 2015. Sir Richard is Chairman of Ascot Underwriting Limited at Lloyd's of London and a Director of Kosmos Energy, the New York Stock Exchange listed oil and gas exploration company, and holds several advisory roles.

Tom Ilube, CBE - CEO

Tom is founder and CEO of Crossword. He is also a Non Executive Director of the BBC and sits on Royal Bank of Scotland's Technology Advisory Board. Tom was until recently Managing Director of Consumer Markets at Callcredit Information Group, the private equity backed UK credit reference agency sold to GTCR of Chicago in 2014. Whilst at Callcredit, Tom founded Noddle, a credit reporting service that eventually grew to four million users and was acquired by US-based Credit Karma in 2018. Prior to Callcredit, Tom founded and was CEO of Garlik, a venture capital-backed identity protection company, sold to Experian in 2011. Earlier, Tom served as Chief Information Officer of Egg Banking plc, which at the time was a pioneering main market listed UK internet bank. His earlier career included positions at Goldman Sachs, PwC, Cap Gemini and the London Stock Exchange. Tom chaired the UK Government Technology Strategy Board's Network Security Innovation panel. He was a member of the High Level Expert Group on Cyber security at the International Telecommunication Union (ITU), a Geneva based UN-agency. Tom is an Advisory Fellow at St Anne's College, Oxford. He was awarded a Doctor of Science (Honoris Causa) by City, University of London, an Honorary Doctor of Technology by the University of Wolverhampton and was appointed a CBE in the 2018 Birthday Honours for services to Technology and Philanthropy.

Mary Dowd – Finance Director

Mary was most recently Chief Operating Officer for Europe, the Middle East and Africa, and previously Chief Financial Officer at Cordium Consulting Group Limited, a leading provider of governance, risk and compliance services with operations in London, Hong Kong, Malta, New York, Boston and San Francisco. Mary brings over 20 years' experience of working alongside business leaders. She has demonstrated a track record of managing finance teams to ensure timely delivery of relevant financial

information to all stakeholders, providing clear leadership, continuous process improvement, and excellent communication. She also brings to Crossword extensive experience of working in acquisitive businesses and providing transactional support. Mary graduated from University College Galway, Ireland and has a post graduate diploma in Business Studies from the same university. She is an associate member of the Chartered Institute of Management Accountants. Mary is a member of the Market Disclosure Committee.

Ruth Anderson – Independent Non-Executive Director

Ruth has over 15 years' experience in the fields of security, intelligence, cybercrime and risk management. She brings to the Board extensive experience across defence and law enforcement sectors and within financial services, developing and implementing cyber risk governance frameworks. Ruth is currently head of Technology Risk at Lloyds Banking Group. She was previously a director of Cyber in the Financial Services Department of KPMG. She served as the Head of Specialist Operational Support and also as the Head of Intelligence at the Child Exploitation and Online Protection Centre, where she delivered the first ever strategic threat assessment on child abuse in the online environment. Prior to this, Ruth served in intelligence and security in the British Army. Ruth read Arabic and Modern Middle Eastern Studies at Oxford University and is a keen linguist, speaking Arabic, French and German. Ruth is a member of the Remuneration and Nomination Committees.

Andy Gueritz – Independent Non-Executive Director

Andy is an experienced Senior Advisor with a successful track record helping clients improve and transform their business by managing technology better and creating new technology-based ventures. As a Vice President at marchFIRST (formerly Mitchell Madison Group), Andy led the European B2B e21 Commerce Strategy and IT Strategy Practices. Before becoming a consultant, he attained Board level responsibility in a successful career in software development and systems implementation. At K2 Systems plc (subsidiary of 4Front Technology Inc.), he was Customer Service and Development Director responsible for all client service and delivery operations amongst other roles. Notable systems implemented in his time at K2/4Front include: bespoke procurement, telesales and billing systems; a call-centre based on workflow and CTI technologies; and a client-server insurance claims handling system, incorporating document image processing. Prior to 4Front, Andy was a Development Executive at McDonnell Douglas Information Systems and also worked for Marconi Defence Systems on a number of electronic warfare and guided weapons projects. Andy is a Chartered Fellow of the BCS (FBCS), Chartered IT Practitioner (CITP), Chartered Engineer (C.Eng), Fellow of the IET (FIET), and a European Engineer registered at FEANI. He holds a First Class Honours degree in Electrical and Electronic Engineering with Computer Science from Queen Mary University of London. Andy is chair of the Remuneration Committee and a member of the Audit and Nomination committees.

Gordon Matthew – Non-Executive Director

Until recently Gordon was Interim Managing Director at Arden Group Limited, a mid-market unified communications and IT services provider. Arden was successfully sold to Babble Cloud on 19 October 2018. He recently became non-Executive Chairman of Flow Communications Limited, experts in designing, building, implementing and supporting customers' global IT infrastructure requirements. He currently acts as non-executive Consultant to Adventoris Limited and Ensign Communications Limited. Gordon has been the Non-Executive Chairman of Intrinsic Technology Limited from October 2011 to August 2017, m-hance Limited from May 2014 to August 2016, and Science Warehouse from June 2016 to February 2018. His executive roles have included interim CEO at Comtec Europe Limited (2010/2011) and, more recently, interim CEO at m-hance Limited (2014). Previously, Gordon served

as Chief Executive Officer of Azzurri Communications Limited and was responsible for ensuring that it met its financial and growth targets. He has served as the Chief Executive Officer of Ramesys (later RedSky IT) Holdings Limited where he was responsible for the successful turnaround, growth and exit of the business through two significant transactions in December 2005 and January 2007. Gordon has over 20 years' IT experience with broad experience of software applications, services, large bespoke developments and telecommunications. He also spent five years at Software AG (UK) where he oversaw all aspects of product and service delivery. Gordon began his career as a programmer at Logica before moving into project management and general management in 1988. He then spent eight years at AT&T Istel where he latterly served as Operations Director in the Manufacturing Division. Gordon holds an honours degree in Computer Science from the University of Strathclyde. Gordon is member of the Nomination Committee.

Dr David Secher – Independent Non-Executive Director

David is an international expert in intellectual property technology transfer and research management. His international experience includes Japan, Jordan, South Africa, Brazil, Chile, Australia, Argentina, India, Saudi Arabia and Lebanon as well as Europe and the USA. Dr Secher is a Life Fellow and until recently was Senior Bursar at Gonville & Caius College, Cambridge where he was responsible for the investment of a £210 million endowment. David is Patron of PraxisAuril (formerly PraxisUnico) and Past Chairman of PraxisUnico. Until 31 October 2013, he was co-founder and chairman of Praxis Courses Limited, the leading UK technology transfer training programme. He served as Director of Research Services, University of Cambridge where he was responsible for creating and directing a new division of 80 staff, for designing and implementing an IP policy for the University and for technology transfer throughout the University resulting in £2 million licensing revenue, 40 new licences and six spin outs per year. David was Chief Executive of N8 Limited, a consortium of eight research-led universities in the North of England, securing initial funding of £6m from Regional Development Agencies. His earlier career was in molecular biology research with MRC Laboratory of Molecular Biology, Celltech Limited and Cancer Research Campaign (now Cancer Research UK). Dr Secher held or was named on three patents and is the holder of the Queen's Award for Enterprise Promotion (2007) for creating "environments that favour enterprise, specialising in the practical aspects of commercialising the results of academic research". David is chair of the Audit and Market Disclosure Committees, and a member of the Remuneration Committee.

Professor David Stupples – Non-Executive Director

David is currently Director of the Centre for Cyber and Security Sciences at City University London. In his early career, he was employed as an engineer in signals intelligence in the Royal Air Force followed by a period of intensive research into surveillance systems at the Royal Signal and Radar Establishment, Malvern. He spent three years developing highly secure communications for surveillance satellites for Hughes Aircraft Corporation in the United States of America. Later, he became a senior partner with PA Consulting Group where he undertook surveillance and intelligence systems research for Ministry of Defence (Navy) and was responsible for consultancy in secure communications and surveillance systems for world-wide clients. Since 2003, David has been researching internet security at City University focused on cyber terrorism and organized cyber crime for both the UK government and commercial companies. However, he still maintains an active interest in radar surveillance research. Professor Stupples is a member of the Defence Scientific Advisory Council (DSAC), the Defence Procurement Agency's Independent Advisory Board on Systems Integration and GCHQ's Scientific Advisory Group. David is a member of the Remuneration and Nomination Committees.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Directors believe that the Board, taken as a whole, has sufficient expertise and the breadth and depth of complementary skills for the Company to operate and develop its business satisfactorily. The current Board, although considered to have sufficient skills level in all areas of the business, are always looking to improve and further their knowledge of the industry so as to gain a competitive advantage in what they believe will become a crowded market. All Directors receive regular and timely information on the Group's operational and financial performance and on technical issues. Relevant information is circulated to the Directors in advance of meetings by the Company Secretary. Contracts are available for inspection at the Company's registered office and at the AGM.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

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 Finance Director.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Company will have a formal process for the annual performance evaluation of the Board, its committees and individual Directors. Such evaluation of the Board and its committees will primarily be undertaken by the Nominations Committee. The Committee will regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations and review the results of any Board performance evaluation process that relate to the composition of the Board.

The Committee shall also make recommendations to the Board concerning formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive Officer, and any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provisions of the law and their service contract.

Principle 8: Promote a culture that is based on ethical values and behaviours

The Board is committed to promoting a strong ethical and values driven culture throughout the Company and has a people-oriented ethos where hard-work and commitment is recognised. Crossword recently appointed a HR Manager to oversee the culture, values and behaviour of the Company and the Executive team is transparent with their staff regarding the behaviours they expect

of each other. Crossword also recognises that employees will have interests outside work and consequently supports flexibility around these interests.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Board programme

The Board provides strategic leadership for the Company and meets at least 6 times each year, in accordance with its scheduled meeting calendar. This may be supplemented by additional meetings as and when required. The Board sets direction for the Company through a formal schedule of matters reserved for its decision. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed by the Company Secretary several days before the meetings take place. Any Director may challenge Company 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. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of the annual and interim results; annual budgets; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. 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. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team. The Chief Executive Officer is responsible for communicating with shareholders, assisted by the Finance Director. All Directors receive regular and timely information on the Group's operational and financial performance.

Board Committees

The Board is supported by the Nominations Committee, Audit Committee, Remuneration Committee and the Market Disclosure Committee. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committees to charge their duties.

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

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.

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