

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

Overview

As Chairman of the Board of Directors (“Directors” and together the “Board”), of Defenx plc (“Defenx”, or the “Company”) and its subsidiaries (together, the “Group”), it is my responsibility to ensure that Defenx has both sound corporate governance and an effective Board. As Chairman of Defenx, my responsibilities include leading the Board effectively, overseeing the Company’s corporate governance model, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

Defenx has adopted the QCA Corporate Governance Code (**QCA Code**). The Board seeks to follow the principles of the QCA Code and we have set out below how we seek to comply with such principles. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to current stage of change in the Company, and will disclose any areas of non-compliance in the text below.

Defenx understands that application of the QCA Code supports the Company’s medium to long-term success, whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders.

The Board currently consists of 2 Independent Non-Executive Directors, Giorgio Beretta and Nic Hellyer, and 2 Interim Executive Directors, Anthony Reeves and Raffaele Boccardo as detailed in point 9 below. The recruitment process to identify and recruit a CEO and a permanent CFO is a key area of Board focus.

QCA Principles

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

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders through the Company’s new strategic plan, *Defenx 2020*, which aims to diversify its business model into the corporate sector, with a view to reducing seasonality and improving cash conversion. The strategy aims to refocus sales from B2B2C distributors to selling Defenx’s relaunched products, which are building on the Company’s existing cloud backup products, in a compound model of Software-as-a-Service (SaaS) to smaller customers and direct sales to large corporates and the public sector. This strategy reflects the changing competitive landscape, growing demand for cloud-based services and feedback from existing and potential customers.

The Company intends to deliver shareholder returns through capital appreciation and, in the future, distribution via dividends. Challenges to delivering strategy and long-term goals include rapid technological developments from competitors, staff retention and reliance on the Company’s new business model, all of which are outlined in the Risk Management section below, as well as steps the Board takes to protect the Company, mitigate these risks and secure a long-term future for the Company.

The Board meets on a regular basis to discuss the strategic direction of the Company and any significant deviation or change will be highlighted promptly should this occur.

2. Seek to understand and meet shareholder needs and expectations

Defenx places a great deal of importance on communication with its stakeholders and is committed to establishing and maintaining constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders. The Company seeks to provide effective communication through its Interim and Annual Reports, along with Regulatory News Service announcements released to the London Stock Exchange and uploaded to the Company website.

Defenx also maintains a dialogue with shareholders through formal meetings such as the AGM, which provides an opportunity to meet, listen and present to shareholders. The Company is open to receiving feedback from key stakeholders, and will take action where appropriate. Anthony Reeves, the Company's Interim Executive Chairman, is the key contact for shareholder liaison.

IFC Advisory assists the Company with shareholder communications, providing insight as and when required.

Information on the Investor Relations section of the Group's website (*investors.defenx.com*) is kept updated and provides access to Company information, public announcements, published financial reports and contact details.

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

The Board recognises that the long-term success of the Company is reliant upon the efforts of technical staff, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares a detailed annual budget and plan which takes into account a wide range of key resources including consultants.

All employees within the Group are valued members of the team, and the Company seeks to implement provisions to retain and incentivise its employees. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. The Company values feedback received from customers and has recently updated its business model to be more corporate-focused partly due to the feedback received from current and prospective customers.

Defenx also has no significant environmental or community impact, but will continue to monitor and will take action if this changes in the future.

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

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of Defenx and the interests of its shareholders.

The Board further recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms.

The Board is responsible for determining the nature and extent of major risks facing the Group and for establishing and maintaining a risk management framework and system of internal financial controls. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules.

The Audit Committee will maintain effective working relationships with the Board, management, and the external auditors, and will monitor the independence and effectiveness of the auditors and the audit. The Board reviews the mechanisms of internal control and risk management it has implemented on an annual basis, and assesses both for effectiveness. Through this process the Board can determine if the risk exposure has changed during the year.

The risk assessment matrix below sets out and categorises principal risks and uncertainties, and outlines the mitigations that are in place. This matrix is updated as changes arise in the nature of risks or the mitigating actions implemented, and the Board reviews risks on a regular basis. The following principal risks, uncertainties and mitigations have been identified:

Activity	Risk	Impact	Mitigation
Business and Market Risks	Technological developments	Market is competitive and rapidly evolving due to technology and industry and government standards. Defenx's existing products may become less competitive or obsolete as competitors introduce new technology.	New products and features are assessed against their target markets and in response to customer feedback prior to development. Defenx works with expert development support from BV Tech, which has a track record of assessing and integrating software to meet customer demand.
Business and Market Risks	Market competition	The technology market is rapidly evolving as competitors introduce new products and customer behaviour changes. Many competitors have greater scale with significant financial, technical and marketing resource therefore may be better able to generate sales.	Defenx's products are being optimised for mobile devices, the fastest growing product and highest volume category. The relationship with BV Tech effectively provides scale and those resources Defenx does not itself have.

Strategic Risks	<i>Defenx 2020</i> business model	Risk that the move from the B2B2C sales model to the Defenx 2020 business model (mixture of Software-as-a-Service and direct corporate sales) proves difficult to implement.	Under Defenx 2020, reliance on the B2B2C channel is likely to be reduced significantly, with more stringent credit control on the remainder. BV Tech's sales and marketing resources and existing trading relationships enable access that would otherwise be difficult for the Group to obtain, thus facilitating the business model change.
Operational Risks	Staff retention	The success of Defenx depends upon high-quality staff with the relevant expertise and experience to broaden and sell the Group's products and solutions. Failure to attract and retain high calibre individuals into key roles will adversely affect the Group's performance and profitability.	The Board, including the new Non-Executive Directors, are highly experienced in their fields. The recruitment process, particularly the recruitment of a CEO and a permanent CFO, is a key area of Board focus. BV Tech also brings with it huge technology knowledge and expertise which should help mitigate this issue.
Operational Risks	Overseas operations and Brexit	A proportion of Defenx's revenues are generated outside the UK, which is currently negotiating Brexit. The Group may be adversely affected by changes in local and regional economic, political and social conditions such as changes in law and regulation, taxation, currency restrictions. In addition, fluctuating exchange rates and the costs of conversion and exchange controls may have an unfavourable	The Group has operating subsidiaries in the UK, Italy and Switzerland, providing operating options within and outside the EU. Selling into different national markets mitigates the risk of adverse changes in one. The Group incurs the majority of its costs and generates most of its revenues in Euros. This natural hedging reduces the impact of fluctuations in foreign currencies.

		<p>impact on profitability, particularly when reported in Sterling.</p>	
<p>Security Risks</p>	<p>Cyber security and data protection</p>	<p>As a growing provider of security solutions, Defenx may become a high-profile target and the Group's networks and products may have vulnerabilities that have from time to time been, and may in future be, targeted by attacks designed to disrupt the Group's business and harm its reputation.</p> <p>As a custodian of increasing volumes of end-user data, the Group is exposed to data loss and breaches of data protection regulations in the markets in which it operates.</p> <p>Such attacks and/or data loss could adversely affect the Group's reputation, performance and operations.</p>	<p>The Group actively monitors its cyber exposure and its product's effectiveness against emerging threats.</p> <p>The Group's IT teams monitor suspicious activities, investigating and reporting on any actual or suspected incidents, as well as regularly implementing improvements in the Group's security infrastructure.</p> <p>Staff members are trained to mitigate cyber risks by adopting appropriate best-practice.</p>
<p>Financial Risks</p>	<p>Working capital and funding</p>	<p>Even with the latest funding support from BV Tech in the form of the unsecured loan, if building new sales channels takes significantly longer than anticipated, further funding may be needed.</p>	<p>Costs and cash resources are being managed closely. A SaaS sales model negates trade credit risk and accelerates customer payments so that the Group is paid in advance.</p>

An internal audit function is not yet considered necessary as day-to-day control is sufficiently exercised by the Executive Directors. However, the Board will keep the need for this function under review, having regard to the Company's strategy and resources.

Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the Group are appropriate to the business.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises of 2 Independent Non-Executive Directors, Giorgio Beretta and Nic Hellyer, and 2 Interim Executive Directors, Anthony Reeves and Raffaele Boccardo. Anthony Reeves is the Company's Chair. Anthony was considered to be Independent on appointment. However, as he is currently acting as an Interim Executive Chair, he is no longer considered Independent. Raffaele Boccardo is the Deputy Chairman, who is also currently acting as Interim Executive Deputy Chairman and is not considered to be Independent by virtue of his employment as CEO of BV Tech and his majority ownership stake in BV Tech, the Company's majority shareholder. The Board is currently working to identify and recruit a CEO and permanent CFO.

Details of the current Directors, their roles and background are set out on the Company's website at: <https://investors.defenx.com/about-us/board-of-directors>

Meetings are open and constructive, with every Director participating fully. The Board aims to meet 10 times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. The Non-Executive Directors are each contracted to spend a minimum of 12 days per annum on Defenx business. In order to be efficient, the Directors meet formally and informally, both in person and by telephone. Board document authors are made aware of proposed deadlines through the calendar of meetings assembled at the beginning of the year. Board papers are collated, compiled into a Board Pack, and circulated with sufficient time before meetings, allowing time for full consideration and necessary clarifications before the meetings.

The Company has an Audit Committee and Remuneration Committee. The Board will review the need for a Nominations Committee as the Company evolves and one will be established if, and when, it is considered appropriate. Terms of reference for each of the Company's Committees are published on the Group's website, *investors.defenx.com*. The Committees have the necessary skills and knowledge to discharge their duties effectively. As with Board papers, Committee papers are drafted and circulated to members of the Committee with sufficient time before the meeting.

The Board is responsible for setting strategy, performance and for the stewardship of the Group within the framework of effective controls which enable risk to be assessed and managed. Importance is placed on maintaining a robust control environment. The Directors of the Company are committed to sound governance of the business and each devotes sufficient time to ensure this happens.

For the year ending 31 December 2017, there were 7 scheduled board meetings. There were also 2 ad-hoc Board meetings convened in relation to the placing and subscription announced in August 2017 and in relation to the Board changes in November 2017, which were attended by all Directors save for Franco Francione who was not present for the unscheduled August Board meeting.

The Board comprises a balanced mix of Independent and Non-Independent Directors with a combination of relevant skills and experience, designed to ensure there is effective leadership of the

Group. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.

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.

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

The Board comprises a balanced mix of Executive and Non-Executive Directors with a combination of relevant skills and experience, designed to ensure there is effective leadership of the Group. The Non-Executive Directors both have a depth of skills and technical experience, enabling them to provide the necessary guidance, oversight and advice to operate the Board effectively. The two Executive Directors have a combined broad sector experience, as well as a deep knowledge in corporate IT solutions. The Board assesses the experience, knowledge and expertise of potential Directors before any appointment is made and adheres to the principle of establishing a Board comprising Directors with a blend of skills, experience and attributes appropriate to the Group and its business. The Non-Executive Directors maintain ongoing communications with Executives between formal Board meetings.

Liam O'Donoghue of ONE Advisory Limited has been contracted by the Company to act as Defenx's Company Secretary. He has been given the responsibility for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. ONE Advisory Limited provides Board support through assistance with Board and shareholder meetings and MAR compliance.

In addition, the Directors are able to take independent legal advice at the Company's expense if so required.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise.

The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal. In line with future Board evaluations, Board reviews will include the identification of any training needs for the Directors.

The Board will seek to take into account any Board imbalances for future nominations, with areas taken into account being Executive appointments and gender balance.

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

The Board is committed to undertaking reviews of Board and Committee performance and of individual Board members every year. The first review was deferred and will now be conducted in the 2019.

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

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities are centred upon an open and respectful dialogue with staff, the community, consultants and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Directors seek to align their interests with shareholders.

Defenx entered into a relationship agreement with its major shareholder, BV Tech, to ensure that the Company is capable at all times of carrying on its business independently of BV Tech and its associates and for the benefit of the shareholders as a whole. This illustrates the Company's dedication to transparency, corporate social responsibility and ethical business practices.

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

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit.

There have been a number of recent changes in governance at the Company in the year to date as listed below;

Anthony Reeves	Non-Executive Chairman until 1 June 2018 Interim Executive Chairman from 1 June 2018
Raffaele Boccardo	Deputy Chairman and Non-Executive Director until 11 July 2018 Interim Executive Deputy Chairman from 11 July 2018
Nic Hellyer	Non-Executive Director from 1 August 2018
Giorgio Beretta	Non-Executive Director from 1 August 2018
Philipp Prince	Resigned as Chief Financial Officer on 11 July 2018
Leonard Seelig	Resigned as Non-Executive Director on 11 July 2018

Andrea Steconi Resigned as Executive Director on 24 April 2018

Alessandro Poerio Resigned as CEO on 24 May 2018

The Board has also appointed an Interim CFO. Given the interim nature of the appointment, it is not expected that the CFO will join the Board.

The Chair is responsible for the leadership of the Board, ensuring its effective operation, setting the agenda and ensuring that the Company and its Board are acting in the best interests of shareholders. His leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Chair is the key contact for shareholder liaison and any other key stakeholders.

The Executive Directors are responsible for the day-to-day running of the business and developing, proposing and implementing corporate strategy, while the Independent Non-Executives are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust. There is currently no formal Chief Executive Officer appointed at Defenx. The Board are seeking to identify and recruit a CEO and permanent CFO.

The Board has formally adopted appropriate delegations of authority setting out matters reserved to the Board, with matters including the following:

- the Group's strategy and vision;
- performance and for the stewardship of the Group;
- maintaining a framework of effective controls;
- interim and full year financial statements and reports;
- corporate governance; and
- appointment of new Directors.

The Board delegates authority to two Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has two members, Giorgio Beretta (Chair) and Nic Hellyer. Anthony Reeves and Raffaele Boccardo have agreed to step down from the Committee pending the appointment of full-time Executive Directors. The Committee is responsible for reviewing and reporting to the Board on financial reporting, internal control and risk management, and for reviewing the performance, independence and effectiveness of the external auditors in carrying out the statutory audit. The Committee advises the Board on the statement by the Directors that the Annual Report when read as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Committee's main responsibilities can be summarised as follows:

- to review the Company's internal financial controls and risk management systems;
- to monitor the integrity of the financial statements and any formal announcements relating to the Group's financial performance, reviewing significant judgements contained in them;

- to make recommendations to the Board in relation to the appointment of the external auditors and to recommend to the Board the approval of the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors; and
- to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations as to steps to be taken.

The Audit Committee meets not less than twice a year.

Remuneration Committee

The Remuneration Committee has two members, Nic Hellyer (Chair) and Giorgio Beretta. Anthony Reeves and Raffaele Boccardo have agreed to step down from the Committee pending the appointment of full-time Executive Directors. The Remuneration Committee is responsible for determining the Remuneration Policy for the Executive Directors and other members of senior management, and for overseeing the Company's long-term incentive plans. The Board as a whole is responsible for determining Non-Executive Directors' remuneration.

The Remuneration Committee meets not less than twice a year.

Nominations Committee

The Board has not established a Nominations Committee as the Board considers that a separately established Committee is not yet necessary, as its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board will review the need for a Nominations Committee as the Company evolves and one will be established if, and when, it is considered appropriate.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

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

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations), and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. The Company regularly monitors its shareholder bulletin boards for feedback.

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The Company's 2017 AGM resolutions were passed by large majorities. Going forward, the result of all AGM and General Meetings will be posted on the Company website. The Board maintains that, if there is a resolution passed at a GM with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The latest Corporate Documents (including Annual Reports) can be found here.
<https://investors.defenx.com/reports-presentations>

Information on the Investor Relations section of the Group's website (*investors.defenx.com*) is kept updated and provides access to Company information, public announcements, published financial reports and contact details.

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