

Changes to AIM rules on 30 March 2018 require AIM companies to comply or explain against a recognized corporate governance code by 28 September 2018.

On the 28th June 2018 the Board considered applicable corporate governance codes applicable to Companies in the UK and being a member of the Quoted Companies Alliance's (QCA) chose to adopt the newly revised Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (the "Code") as this was seen as the code which best suited the Company.

The Board is committed to maintaining high standards of corporate governance and adheres to the QCA Corporate Governance Code for small and mid-size quoted companies (the "Code"). The Board understands that following the code will be an organic process.

The Code was revised in April 2018 and sets out ten broad principles of corporate governance, which states what are considered to be appropriate corporate governance arrangements for growing companies and requires companies to provide an explanation about how they are meeting the principles through certain prescribed disclosures.

While the Board believes that it has complied broadly with the code in the past it has taken the opportunity of AIM Rule 50 to set out below in one document, how The Board has considered each of the ten principles is applied and provides an explanation of the approach taken to comply with the principles.

Principal 1: Establish a strategy and business model which promote long-term value for shareholders

Our strategic objective is to continue to innovate and to grow, with the solid foundation of a stable and efficient organisation.

Business Model

Elecosoft creates share value with stakeholders through a business model built on a differentiated technology portfolio and a high proportion of recurring revenues.

- License revenues are principally generated through a perpetual licensing model.
- Recurring Maintenance and subscription revenue is over half the Group's revenue and consists of support maintenance agreements and subscription licensing revenue.
- Services income is delivered through training and consultancy services.

Value is delivered through investment in product development which is delivered by in-house development teams, to meet the needs of customers and partners promptly and to a high standard. Software applications and services are tailored for sectors within the AECO industry to add value to our customers' operations and to maintain long-lasting relationships with our customers.

Value is protected by inspiring and challenging a productive workforce; developing strong customer relationships and continuing to invest in software development and maintenance.

Read more - <https://www.elecosoft.com/investor-relations/business-strategy/business-model/>

Strategy

The group aims to capitalise on its market-leading position in the UK, Sweden and Germany by continuing to develop and deliver software solutions that de-risk its customer business operations and provide certainty in project delivery to selected international markets. The Group has three pillars to its strategy; innovation, growth and stability;

Innovation - Developing a portfolio of increasingly integrated software solutions, available across multiple platforms and devices, that continue to lead in their segments.

Growth - Expanding Elecosoft's sales and marketing capabilities, channel capacity and operational territories.

Stability - Continuing to strengthen Elecosoft's financial position, whilst consolidating and simplifying its operations.

Elecosoft's customers range significantly from main contracting companies, house builders, retailers, product manufacturers, staircase producers, architects and trades. Within these organisations, software users include project planners, estimators, property managers, designers, architects, engineers and maintenance managers. The UK government BIM mandate is gaining adoption internationally and Elecosoft is delivering key elements to the BIM process including project scheduling, cost estimating, building and specification management and asset maintenance. The construction sector is seeing changes as it digitises; companies seek to invest in technologies for the long-term to deliver time and cost certainty, accuracy of information and de-risk their projects.

The engineering and manufacturing industry, where Elecosoft also delivers specialist software solutions, is continuously seeking efficiencies in production. The industry commits to long-term suppliers that deliver innovative and value added applications.

Technology Strategy

Elecosoft holds a broad technology portfolio which consists of desktop, web and mobile applications, 2D and 3D visualisation technology and sophisticated database systems. The skills are drawn from in-house development teams based in the UK, Sweden and Germany.

Read more - <https://www.elecosoft.com/investor-relations/business-strategy/>

Principal 2: Seek to understand and meet shareholder needs and expectations

The Group seeks to maintain and enhance good relations with its shareholders through a number of scheduled activities throughout the financial year.

- Interim and annual reports
- Public announcements
- Annual General Meeting

The Company's interim and annual reports are supplemented by capital market presentations and through public announcements to the market on technological, commercial and financial progress.

The Chairman and the Chief Operating Officer are primarily responsible for maintaining dialogue with shareholders, supported by the Company's Nomad and broker (finnCap) and financial PR advisers (Redleaf). Communication with shareholders is given high priority by the Board. The Chairman, Chief Operating Officer and Finance Director have meetings with representatives of institutional shareholders and hold analyst briefings at least twice a year, following the announcement of the interim and full year results, but also on request at other times during the year as necessary. Following these meetings, the Company's Nomad provide independent and anonymised feedback to the Board. The Company's financial PR advisers also provide anonymised feedback to the Board on views of journalists and analysts.

The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate. The chairman together with all Executive and Non Executive directors as well as staff members, attend the AGM and are available to answer questions raised by shareholders. Where feedback is received directly from shareholders, this is brought to the attention of the Board.

The board directors attend private investor events to provide a forum to meet the management team.

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

Elecosoft software applications have evolved over a number of years through close relationships with its customers.

Employees

The board recognises that an essential part of its continued success is the support and involvement of its employees.

The Company supports communication through internal social media, internal video, audio and messaging, shared calendars and team collaboration tools. Any employee can contact anyone within the Company through these tools.

The senior management teams meet regularly throughout the year to discuss business progress against Company and business unit objectives.

Training is provided where necessary to enhance job performance and aid development. The Company reviews the benefits offered to employees.

Environment

The nature of Elecosoft's software development business does not have a substantial impact on the environment compared with its former manufacturing businesses. However, the Company continues to recognise its activities that have an impact on the environment and acknowledges its responsibility to ensure it is minimised.

Ethics and Values

Elecosoft aims for job satisfaction for all its employees, a safe and secure working environment and the feeling that their efforts are recognised with opportunity to develop their full potential. The Company recognises its customers' needs for accuracy, customer service and quality of support at an affordable price.

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

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure and by its very nature can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has identified significant risks that the Group faces, key elements of the system of internal controls can be found using the following link <https://www.elecosoft.com/investor-relations/business-strategy/principal-risks/#1537976671802-566488dd-6525>

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

COMPOSITION OF THE BOARD

During the year the Board comprised the Chairman, three Non-Executive Directors (including the Senior Independent Director) and four Executive Directors (being the Chief Operating Officer, the Group Finance Director and two executive directors. The gender balance of the board is 87.5% Male and 12.5% Female.

The Chairman is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged. The Chief Operating Officer is responsible for the management of the Group's business and for implementing the Group's strategy

Each of the Non-Executive Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. At the date of appointment Independent Non- Executive Directors were assessed for independence against the main Corporate Governance code issued by the FRC in April 2016.

- They have not been an employee of the group in the last five years,
- Has not had a material business relationship with the group in the last three years,
- Does not receive any remuneration other than directors' fees and does not participate in the option scheme or is a member of the group pension scheme,
- Does not have any family ties with the company's advisors, directors or senior employees of the group,
- Does not hold cross directorships or has significant links with the directors through the involvement with other Companies or Bodies
- Represent a significant shareholder
- Has not served on the board for more than nine years.

The Board has established Audit, Remuneration and Nomination committees –details can be found at <https://www.elecosoft.com/investor-relations/>

The number of board and committee meetings and attendance records of directors will be set out in the Annual Report and Accounts.

In accordance with the Articles of Association, all Directors are required to retire and submit themselves for re-election at least every three years by rotation. In addition one third of the board will retire and offer themselves for reappointment annually.

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

The board has ensured that both its executive and Non-executive directors have a wide range of skills in management, finance and technical expertise.

John Ketteley FCA³

Executive Chairman

Appointed Executive Chairman in 1997, John Ketteley has an investment banking background as an Executive Director of SG Warburg & Co Ltd, Managing Director of Rea Brothers plc and Executive Director of Barclays De Zoete Wedd. He was formerly Non-Executive Chairman of BTP plc, Country Casuals plc and Prolific Income plc.

Time commitment: Full time.

Ben Moralee FCA

Group Finance Director

Appointed to the main board on the 12 September 2018, Ben was Interim Deputy Finance Director of the Company since March 2018, working alongside the Board of the Company. He has extensive further experience in international finance positions having previously been Head of Finance at Figleaves (part of N Brown Group PLC) and being Financial Controller for Serena Software Europe Limited (part of Micro Focus PLC), the international provider of IT management products, for ten years. Ben qualified as a chartered accountant with Deloitte and is a fellow member of the ICAEW.

Time commitment: Full time.

Jonathan Hunter BBus. BMM.

Chief Operating Officer

Appointed to the main board on the 14 June 2016, with Bachelor degrees in Business Management and Multimedia, Jonathan is responsible for Group operations. In this capacity, and having practical education in programming, 3D graphics, UX/UI and IT, he is Chairman of the Group Lead Developer Community, which consists of the Group's leading software developers. Jonathan also played a major part in the successful acquisition of Icon and Shire, he identified the potential of the software and SaaS technology in collaboration with Elecosoft's construction software portfolio and is currently responsible for the product integration. Jonathan joined Elecosoft in 2010 as a Marketing Manager for the Building Systems division and in 2011 he became General Manager of Group Marketing. In 2016, Jonathan was appointed Marketing and Business Development Director and in 2017 became the Chief Operating Officer.

Time commitment: Full time.

Anders Karlsson MSc

Managing Director of Elecosoft Consultec AB

Appointed in March 2017, Anders has over 20 years of business development experience from various companies in different management positions. He was initially appointed as Managing Director of Consultec Byggprogram AB in August 2005 and then re-joined the Group again as the Managing Director of Elecosoft Consultec AB in November 2014 after a four-year session as the CEO of an international signage company.

Time commitment: Full time.

Mukul Mistry BSc

Corporate Development Director

Appointed in June 2018, Mukul has 20 years of experience in the technology industry spanning continents, industries and a range of niche and mainstream technology specialties. His technical exposure is across a variety of operational and core systems in CRM, finance, data management, reporting, and analytics. Mukul holds qualifications in Solid State & Nuclear Physics & Mathematics, with Certifications in Industry Vendor Software, Economics, and Fintech.

Time commitment: Full time.

Serena Lang MBA^{123*}

Non-Executive Deputy Chairman

Appointed as a Non-Executive Director in December 2014, Serena Lang was appointed Non-Executive Deputy Chairman in May 2017 and is Chairman of the Remuneration Committee. Serena's distinguished and multifaceted career includes working as an Executive Consultant at E&Y, where she was heavily involved in client M&A and integration activities, then onto BP's group leadership team where she was VP Transformation in the downstream and latterly onto Invensys Plc (now part of

Schneider Electric) running the highly profitable £130m North Europe and Africa Division of their international software and process businesses as well as being the VP in charge of the BP account globally.

Time commitment: One day per week

Kevin Craig^{123*}

Non-Executive Director

Appointed as a non-executive Director in March 2017, Kevin Craig is Founder and CEO of the Political Lobbying and Media Relations Ltd (PLMR) communications agency. He has served over 11 years to date as a Councillor in London local government and formerly worked for Saatchi and Saatchi (Rowland Company) and DLA Piper. He is also a Non-Executive Director of Company Shop the UK's leading food and surplus redistribution company.

Time commitment: Two – four days per month

David Dannhauser FCA ^{123*}

Non-Executive Director

Appointed as a Non-Executive Director in February 2018, David Dannhauser is Chairman of the Audit Committee. He was for over 20 years the Finance Director for a number of listed companies, including from 1994 to 2010 the Company, during which time he was closely involved in the establishment and development of the Group's software activities, which today form the core of Elecosoft's software operations. More recently, he has also advised a number of companies on their capital raising, M&A and strategic planning activities.

Time commitment: Two – four days per month

**Independent Non-Executive Director, 1 Member of the Audit Committee. ² 2 Member of the Remuneration Committee. ³ 3 Member of the Nominations Committee*

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

The Board evaluation process. The Board's individual Director's performance is reviewed on an annual basis in February of each year headed by Serena Lang the senior Non-Executive Director and includes the other members of the remuneration committee, as the remuneration committee. The review looks at the individual and the group's performance and will look at any feedback from the Board members or senior executives in the group along with individual company and the group's results. The committee will consider feedback on each executive provided by the Chairman. The remuneration committee will then report back to the individual director.

Having now adopted the QCA Code, going forward the board will now undertake a more formal review of the board as a whole, its subcommittees and individual members. This will comprise questionnaires. The Board considered other ways of carrying out the Board evaluation in future but concluded that the questionnaire method with anonymised summary was an appropriate approach for the Company at this point in time. It is intended to carry out this process before the end of the financial year and continue to evaluate Board performance each year. To supplement the evaluation process, it was decided to ensure that the Non-Executive Directors meet at least once per annum without the Executive Directors to discuss their performance.

Training of Directors. Many directors are required to keep up-to date in accordance with their professional qualifications. Non-Executive Directors and Executive Directors are encouraged annually to undertake relevant training, courses are circulated to the board by the Company Secretary or the board members can identify courses themselves.

Succession planning. With the exception of the Deputy Chairman to succeed the Chairman in the event of illness or injury in the interim, as is common with many small companies, the Company does not have internal candidates to succeed existing Directors. This will be kept under review, especially when recruiting for senior roles as vacancies arise. However, the Board did not believe it is appropriate to recruit additional Directors or senior personnel solely for the purpose of succession planning.

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

The Group's medium and long-term success is underpinned by the Group's employees and its corporate culture. Company culture is based on agile methodology supported by structured business targets and an enduring commitment to delivering customer satisfaction which drives the Group's recurring revenues. Reputation is key to driving success and the Company promotes ethical behaviours to maintain its reputation within the industry. Teamwork and working as one is supported by investment in Group wide software communication systems that allow group collaboration. The company operates a flat structure with all staff having the access to discuss matters with the executive's directors. The management teams meet monthly to promote communication, teamwork and agility. The company has a long-term incentive plan for directors and senior management to reward performance.

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

OPERATION OF THE BOARD

The Chairman, along with the Executive Directors and Company Secretary, ensures that the Board functions effectively and has established Board processes designed to maximise its performance and effectiveness. Key aspects of these processes are:

- The Board meets eight times during the year. These meetings, together with any Committee meetings, are generally held at the Group's Head Office in London and are approximately one day in duration.
- Each Board meeting has an over-arching theme. These are budget, business strategy, long term plan, interim and final results.
- In addition to the main meetings, the Board holds regular telephone board meetings to discuss issues of importance between the intervening board meetings. An example for the current year would be the acquisition of Shire Systems on the 4th July 2018 and meetings to approve the final acquisition and funding.
- Executive Directors and members of the senior management team make presentations covering progress against current strategy and objectives and ideas for future investment.
- The Board delegates the day-to-day responsibility for managing the Group to the Executive Directors.
- To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors usually four working days in advance of Board and Committee meetings.
- A monthly reporting pack containing management accounts with commentary and reports from each Executive is distributed to the Board on a monthly basis.
- Meetings were held between the Chairman and the Non-Executive Directors during the year, without the Executives being present, to discuss appropriate matters as necessary.
- The Chairman ensures that the Directors take independent professional advice where they judge it necessary to discharge their responsibilities as Directors at the Group's expense. All members of the Board have access to the advice of the Company Secretary.

Matters reserved for the Board

The Board is responsible to shareholders for the proper management of the Group. There is a formal schedule of matters specifically reserved for the Board's decision that covers key areas of the Group's affairs, which include:

- overall responsibility for the strategy of the Group;
- corporate governance;
- review of trading performance and forecasts;
- risk management;
- Board membership;
- communications with shareholders;
- approval of major transactions, including mergers and acquisitions; and
- approval of the financial statements and annual operating and capital expenditure budgets.

A table on the directors' attendance at meetings during the year will be included in the Annual Financial Statements.

The board operates a number of subcommittees, Audit, Remuneration and Nomination - terms of reference for each committee can be found by using the following link or by referring to principle 4 above. <https://www.elecosoft.com/investor-relations/>

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

Having regard for principle two above the company held investor roadshows in March and July 2018 and these roadshows were organised by the Company's Nominated Advisor and Broker, finnCap.

All shareholders are invited to make use of the Group's Annual General Meeting to raise any questions regarding the management or performance of the Company. The company held its AGM on the 17th May 2018 where shareholders met the chairman, the board and other officers / employees of the company in attendance and had a chance to discuss all aspects of the business. Product literature is available to review or take away.

Shareholder votes and meetings

AGM 17 May 2018												
Combined Chairman and Third Party												
Resolution	Votes	In Favour		Discretion	Votes	%age	Items	Against			Withheld	
		%age	Items					Votes	%age	Items	Votes	Items
1	22,721,474	99.62	80		87,042	0.38	11	0	0	0	0	0
2	22,719,056	99.61	79		87,042	0.38	11	2,418	0.01	1	0	0
3	22,701,532	99.61	77		87,042	0.38	11	1,142	0.01	1	18,800	2
4	22,702,674	99.62	78		87,042	0.38	11	0	0	0	18,800	2
5	21,981,514	96.48	78		87,042	0.38	11	714,757	3.14	2	25,203	1
6	22,702,674	99.61	78		87,042	0.38	11	2,418	0.01	1	16,382	1
7	22,013,752	96.53	78		87,042	0.38	11	704,162	3.09	1	3,560	2
8	21,995,987	96.45	74		87,042	0.38	11	721,833	3.17	5	3,654	2
9	22,705,042	99.57	74		87,679	0.38	12	12,418	0.05	2	3,377	3
10	21,930,719	96.42	70		58,879	0.26	11	755,103	3.32	6	63,815	5

AGM 4 May 2017												
Combined Chairman and Third Party												
Resolution	Votes	In Favour		Discretion	Votes	%age	Items	Against			Withheld	
		%age	Items					Votes	%age	Items	Votes	Items
1	21,916,280	99.12	75		195,397	0.88	14	0	0	0	0	0
2	21,915,914	99.11	74		195,397	0.88	14	366	0.01	1	0	0
3	21,916,280	99.12	75		195,397	0.88	14	0	0	0	0	0
4	21,916,280	99.12	75		195,397	0.88	14	0	0	0	0	0

5	21,915,143	99.11	74		195,397	0.88	14		1,137	0.01	1		0	0
6	21,906,280	99.07	74		195,397	0.88	14		10,000	0.05	1		0	0
7	21,904,140	99.06	71		196,034	0.89	15		11,503	0.05	3		0	0
8	21,904,140	99.06	71		196,034	0.89	15		11,503	0.05	3		0	0
9	21,904,140	99.06	71		206,034	0.93	16		366	0.01	1		1,137	1
10	21,894,506	99.07	71		195,397	0.88	14		11,032	0.05	2		10,742	2
11	21,888,264	99.06	68		196,034	0.89	15		11,637	0.05	3		15,742	3
12	21,766,992	98.76	65		175,082	0.79	14		99,300	0.45	5		70,303	5
13	21,844,589	99.11	68		195,397	0.89	14		0	0	0		71,691	7
AGM 26 May 2016														
Combined Chairman and Third Party														
		In Favour				Discretion				Against			Withheld	
Resolution	Votes	%age	Items		Votes	%age	Items		Votes	%age	Items		Votes	Items
1	31,048,883	89.98	67		3,455,331	10.01	14		2,418	0.01	1		668	1
2	31,049,196	89.97	65		3,455,949	10.02	15		366	0.01	1		1,789	2
3	31,049,196	89.97	65		3,455,949	10.02	15		366	0.01	1		1,789	2
4	30,112,429	89.61	65		3,455,949	10.28	15		38,254	0.11	2		668	1
5	30,148,883	89.71	67		3,455,331	10.28	14		2,418	0.01	1		668	1
6	29,549,072	85.64	57		3,464,475	10.04	19		1,490,192	4.32	4		3,561	3
7	30,985,423	89.9	56		3,463,857	10.05	18		16,637	0.05	6		41,383	3
8	30,987,277	89.92	57		3,463,857	10.05	18		11,937	0.03	3		44,229	5
9	30,934,501	89.77	54		3,435,057	9.97	17		91,218	0.26	4		46,524	8
AGM 4 June 2015														
Combined Chairman and Third Party														
		In Favour				Discretion				Against			Withheld	
Resolution	Votes	%age	Items		Votes	%age	Items		Votes	%age	Items		Votes	Items
1	37,355,818	98.34	97		627,797	1.65	23		196	0.01	2		53,500	1
2	37,355,200	98.34	96		628,415	1.65	24		196	0.01	2		53,500	1
3	37,354,700	98.34	95		628,415	1.65	24		196	0.01	2		54,000	2
4	37,352,942	98.34	94		628,415	1.65	24		1,333	0.01	3		54,621	2
5	37,354,681	98.34	96		627,797	1.65	23		196	0.01	2		54,637	2
6	37,376,472	98.4	90		602,368	1.59	25		196	0.01	2		58,275	6
7	37,340,529	98.31	90		631,168	1.66	26		10,731	0.03	4		54,883	3
8	37,340,564	98.31	90		631,168	1.66	26		10,696	0.03	4		54,883	3
9	37,289,821	98.17	87		602,368	1.59	25		90,031	0.24	7		55,091	4
10	37,144,737	98.39	88		602,368	1.6	25		4,372	0.01	6		285,834	4

Copy shareholder communications for the last five years can be accessed using the following link
<https://www.elecosoft.com/investor-relations/>

Andrew Courts
 Company Secretary