



**BOOM**  
**BATTLE BAR**

**XP FACTORY PLC**

# XP FACTORY

## Introduction

On 13 September 2018, the board of XP Factory plc (formerly Escape Hunt plc) decided to apply The QCA Corporate Governance Code (2018 edition - the QCA Code). We believe that the QCA Code provides us with the right governance framework: a flexible but rigorous outcome-oriented environment in which we can continue to develop our governance model to support our business.

## The Quoted Companies Alliance (QCA) – Ten principles of Corporate Governance

1. Establish a strategy and business model which promote long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
5. Maintain the board as a well-functioning, balanced team led by the chair
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a corporate culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

## Application of the QCA Code and required disclosures in our annual report or on our website

The correct application of the QCA Code requires us to apply the principles set out above and by answering the specific requirements of each of the 10 principles which we have done below and also to publish certain related disclosures. These can appear in our annual report, be included on our website or we can adopt a combination of the two approaches.

Recommended locations for each disclosure are specified in the QCA Code; we have chosen to follow these recommendations.

## Disclosure requirements to ensure conformity with the 10 QCA principles

### **Principle 1. Establish a strategy and business model which promote long-term value for shareholders**

**ANNUAL REPORT & ACCOUNTS DISCLOSURE: Explain the company's business model and strategy, including key challenges in their execution (and how those will be addressed)**

XP Factory complies with this principle in the 2021 Annual Report and Accounts and this is set out in the Strategic Report on Pages 6 – 22. The Group's strategy, business model and challenges are fully explained within this Strategic Report. Further detail on the strategy, business model and challenges for the enlarged group is provided in the Interim Results for the six months to 30 June 2022 dated September 2022.

XP Factory has set out its strategic objectives for 2022/2023 and beyond in four categories:

1. Consolidate the UK footprint through a combination of direct investment and brand consistency projects, together with steady growth in the network of venues across both brands
2. Develop a platform for growth in international territories, focusing on franchise
3. Continue the development of new products and markets which facilitate the growth of B2B sales
4. Invest in infrastructure and systems that support scale and future growth, that provide business insights help develop sustainable differentiation across the group's brands.

Each of these components is important to the strategy and future success of the Group. In addition, the principal risks and uncertainties to the successful delivery of the Company's strategy, identified by the Board. The Board reviews key risks to the delivery of the strategy together with the appropriate actions being taken, at each board meeting.

### **Principle 2. Seek to understand and meet shareholder needs and expectations**

**WEBSITE DISCLOSURE: Explain the ways in which the company seeks to engage with shareholders and how successful this has been. This should include information on those responsible for shareholder liaison or specification of the point of contact for such matters**

We have a programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations to the City. These meetings allow the Chief Executive and the Chief Financial Officer to update shareholders on strategy and the Group's performance. Additional meetings with investors and / or analysts are arranged on request. All board members receive copies of feedback reports from the City presentations and meetings, ensuring they are aware of shareholder opinion. The Company also on occasions presents at investor forums in person or online, which are aimed at retail shareholders.

In addition, page 28 of our 2021 Annual Report and Accounts within the Corporate Governance Report there is a section entitled "Communication with shareholders" which meets all the points above apart from detailing the success of this shareholder engagement and who the IR points of contact are. These points are addressed below and are included in the text of the section from our Annual Report and Accounts which is extracted below:-

**Communication with shareholders:** The Board attaches great importance to communication with both institutional and private shareholders.

The Board attaches great importance to communication with both institutional and private shareholders. Regular communication is maintained with all shareholders through Company announcements, the half-year Statement and the Annual Report and financial statements. The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders. Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and to give feedback regularly throughout the year. With private shareholders, this is not always practical. The Board therefore uses the Company's Annual General Meeting as the opportunity to meet private shareholders who are encouraged to attend, and at which the Chief Executive Officer will usually give a presentation on the activities of the Company.

Following the presentation, there will be an opportunity to ask questions of Directors and to discuss the development of the business. The Company operates a website at <https://xpfactory.com/investors>. The website contains details of the Company and its activities; regulatory announcements, Company announcements, Interim statements, preliminary statements and Annual Reports. The website is maintained in compliance with AIM Rule 26.

The primary responsibility for IR rests with the CEO, Richard Harpham, and CFO, Graham Bird. They are supported by a consultant, Kam Bansil, whose role largely encompasses investor relations and is the first port of call for investor queries. Richard Rose, as the Chairman, and the other Non-Executive Directors are all willing to engage with shareholders should they have a concern that is not resolved through the normal channels.

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

**WEBSITE DISCLOSURE: Explain how the business model identifies the key resources and relationships on which the business relies. Explain how the company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products)**

The key resources and relationships on which the business relies are our customers, staff, shareholders, regulators, franchisees, prop-suppliers, builders for our site fit outs, landlords for our sites, content providers, and creditors. Shareholders are able to contact management directly via the web portal contact email, monitored by the Directors of the Company, or telephone numbers disclosed on regulatory announcements.

We obtain feedback from our stakeholders on a regular basis, in particular from our customers both directly and via public review forums such as TripAdvisor<sup>TM</sup>. We have daily contact with our franchisees and have established an online forum through which ideas and issues can be shared; we meet our builders and game suppliers on a daily/weekly basis and have regular reviews. Contact with potential content providers is driven by contractual arrangements. We obtain feedback from our institutional shareholders meetings organised by our brokers. Our design of new games is an iterative process with important feedback on a regular basis from franchisees, our site-staff, the design team and our suppliers. This enables us to improve our design process and quality and cost of production.

The Company has very little negative impact on society, local communities or the environment, so it is unlikely that these issues will affect the Company's ability to deliver shareholder value.

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

**ANNUAL REPORT & ACCOUNTS DISCLOSURE: Describe how the board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective**

The "Principal Risks and Uncertainties" of the XP Factory business are set out at pages 16 to 19 of the Company's 2021 Annual Report and Accounts. A risk register was created at the time of the IPO and is updated and remedied annually. This outlines the process for identifying, assessing and managing risks in order to execute and deliver strategy. The management meet most days and at least weekly and the process for identifying and managing risks are discussed at this forum. It is also a forum for emerging risks to be identified. The key risks that the business faces are discussed at board meetings and management meetings. Our auditors provide assurance over the annual report and financial statements, their reporting to the audit committee informs our assessment of how financial risk has been managed.

**Principle 5. Maintain the board as a well-functioning, balanced team led by the chair.**

**ANNUAL REPORT & ACCOUNTS DISCLOSURE: Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained. Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors). Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.**

The Company has three Non-Executive Directors both of whom are independent. Richard Rose has served on the Board since 25 May 2016, and both Martin Shuker and Philip Shepherd have served on the Board since 29 June 2022. Neither was a former employee of the Company, nor has either any other remuneration from the Company apart from their fee, they have no options, or performance related pay, no close family ties with any of the Company's advisors, Directors or senior employees and do not represent any material stakeholder. The Chairman owns indirectly or directly 0.04% of the Company's shares, whilst Martin Shuker owns 0% of the Company's shares and Philip Shepherd owns 0% of the Company's shares as at the date of issue/ update of this Statement. The CEO owns 0.59% of the Company's shares and the CFO owns 1.26% of the Company's shares.

The time commitment from the board is as follows: the CEO and CFO are full time executives. All Executive Directors are in regular contact with the NEDs throughout the year. All the Directors are expected to attend up to 10 board meetings per annum and review the monthly board reports. The NEDs attend audit committee meetings, remuneration committee meetings and nomination committee meetings, of which there are at least one of each per year, in addition to the Board meetings. The attendance records in person or participating by conference call for all board and committee meetings was 100% in 2022 and for 2023 to date.

The Board understands that it has collective responsibility and a legal obligation to promote the interests of the Company.

The Board also understands that the responsibility and the quality of the approach to corporate governance lies with the chair of the Board.

The CEO/CFO are responsible for keeping the Board informed in a timely manner and have been doing so up to now. This has been effective with no issues, up to this point.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration and Nomination Committees details of which are set out on pages 31-33 of the Company's 2021 Annual Report and Accounts and under Principle 9 below. At each Board Meeting, the Board receives a Board pack which includes latest financial, operational and management information. The company secretarial role is undertaken by the Company's (and Group) General Counsel, a practicing solicitor, Joanne Briscoe.

Martin Shuker is the senior Independent Director.

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

**ANNUAL REPORT & ACCOUNTS DISCLOSURE: Identify each director.**

**Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term**

- **Explain how each director keeps his/her skill set up-to-date**
- **Where the board or any committee has sought external advice on a significant matter, this must be described and explained**
- **Where external advisers to the board or any of its committees have been engaged, explain their role**
- **Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board**

Each board director serving at the time of publication of the 2021 Annual Report and Accounts is identified on pages 24-25 thereof. Karen Bach subsequently left the board on 29 June 2021. A brief biography of each of the directors can be found under 'key people' at <https://xpfactory.com/investors/>.

The Board has a 20% female representation, and including the company secretary in this ratio brings the female representation up to 25%, the Board contains the requisite skills, mix of experience, personal qualities and capabilities to deliver XP Factory's strategy for the benefit of the shareholders over the medium and long-term.

The executive directors continue to develop their industry skills on a daily basis. Both the CEO and CFO have regular interaction with other industry participants, including competitors, industry representatives, advisers and investors. The CFO receives regular updates on financial standards and attends seminars as required and receives advice from the Company's auditors, its financial and legal advisers, and innovation and tax advisers.

All the NEDs have board positions in other companies. Richard Rose is the Chairman of several boards offering guidance and direction, Martin Shuker currently does not serve as a director on the boards of any other companies, and Philip Shepherd serves as an executive director on the board of one other company and as non-executive director on the boards of 5 other companies, including XP Factory plc. The Board understands that as the Company evolves, the skill requirements of the Board will also change.

The Board has taken advice from its NOMAD, brokers, financial and legal advisers in the last year and also receives advice in relation to legal, tax and other matters in the ordinary course of business.

The Company employs a range of professional advisers including its auditors, tax advisers, innovation advisers, Nominated Adviser, corporate brokers, legal advisers, advisers on employee benefits and HR related matters, and insurance brokers. All have provided advice over the year to the Company, which is also disseminated to the Board as and when appropriate.

Advice was provided on insurance matters for the protection of Directors and the Company in the last year.

**Principle 7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

**ANNUAL REPORT & ACCOUNTS DISCLOSURE:**

- Include a high-level explanation of the board performance effectiveness process.
- Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed

**WEBSITE DISCLOSURE:**

Include a more detailed description of the board performance evaluation process/cycle adopted by the company.

This should include a summary of:

- a) The criteria against which board, committee, and individual effectiveness is considered;
- b) How evaluation procedures have evolved from previous years, the results of the evaluation process and action taken or planned as a result;
- c) How often board evaluations take place;
- d) Explain how the company approaches succession planning and the processes by which it determines board and other senior management appointments, including any links to the board evaluation process.

- a) The criteria against which the Board, the Committees and individual effectiveness are considered are the strategy of the business and the Key Performance Indicators (KPI's). The business KPIs are shown on page 13 of the 2021 Annual Report and Accounts and are set out below.

Key Performance Indicators: The Directors have identified the following key performance indicators ('KPIs') that the Company tracks. These will be refined and augmented as the Group's business matures:

- Number of owner-operated branches
- Number of franchised branches
- Site level revenue and like-for-like growth
- Site Level EBITDA
- Franchise revenue
- Central costs
- Adjusted EBITDA for the Group

- b) The evaluation procedures in the last twelve months have been similar to the year before. In the current year, both the CFO and the CEO have been reviewed. No issues have arisen to date.

The evaluation procedures seek to identify the Board's ability to assess the operating environment, think strategically and adapt as necessary and include the following:

- Review the skills and capabilities of the Board needed to meet current and future business need
- Review how well the Board performs its key roles and how successful it has been
- Review the effectiveness of Board relationships and its role as a team
- Assess the level and quality of information the Board receives
- Assess the respective contributions of the executive directors and non-executive directors
- Assess the effectiveness of the second tier of management and the succession planning arrangements in place
- Assess the compliance of the key governance documents with legal requirements and good practice

- c) Board evaluations take place annually

- d) A succession plan is in place with the nomination committee for unforeseen events. Regular reviews for succession planning of the Board members by the Directors takes place at board meetings.

The Board understands that as the Company evolves the skill requirements of the Board will also change.

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

**ANNUAL REPORT & ACCOUNTS DISCLOSURE:**

**Include in the chair's corporate governance statement how the culture is consistent with the company's objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties. The statement should explain what the board does to monitor and promote a healthy corporate culture and how the board assesses the state of the culture at present.**

**WEBSITE DISCLOSURE: Explain how the board ensures that the company has the means to determine that ethical values and behaviours are recognised and respected.**

XP Factory's culture is to be open, honest, inclusive and staff are encouraged to be communicative. The Directors arrange a number of briefings to all staff to communicate and to reinforce its corporate values and to invite questions and encourage discussion. The Directors frequently visit all the locations to ensure compliance with the Company's values. They encourage customer feedback via online booking review platforms.

The culture across the Group is espoused in the Company's stated beliefs and values which are communicated and included in staff assessments, and promotes a culture of service to its customers, whether in the owner operated escape rooms in the UK or its franchisees. The Group has dedicated resource to provide assistance and marketing support to the franchisee network and uses online collaboration tools to enable cross communication with franchisees, which has been well received. The critical service element monitored by management for the owner operated sites is the TripAdvisor™ rankings as well as other social media ratings.

Clear statements of behaviour are issued by the Board. The Group has an anti-bribery policy and anti-bribery statement is on our corporate website. Both the statement and policy confirm that the Group has a zero tolerance stance on bribery and they repeat the Board's expectation that everyone behaves at all times honestly, professionally, fairly and with integrity.

The Chairman's Corporate Governance Statement can be found on pages 26-32 in the 2021 Annual Report and Accounts.

**Principle 9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board**

**WEBSITE DISCLOSURE:**

- **In addition to the high level explanation of the application of the QCA Code set out in the chair's corporate governance statement:**
  - **Describe the roles and responsibilities of the chair, chief executive and any other directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups).**
  - **Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the board for its consideration.**
  - **Describe which matters are reserved for the board.**
  - **Describe any plans for evolution of the governance framework in line with the company's plans for growth.**

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Board comprises three executive and two non-executive directors, including the

Chairman. All Directors bring a wide range of skills and international experience to the Board. The Non-Executive Directors hold meetings without the executive Directors present. The Non-Executive Chairman is primarily responsible for the working of the Board of the Company. The Chief Executive is primarily responsible for the running of the business and implementation of the Board's strategy and policy. The Chief Executive is assisted in the managing of the business on a day-to-day basis by the Chief Financial Officer and the senior leadership team comprising the CEO, CFO and two other senior executives, together with the company secretary. High-level strategic decisions are discussed and taken by the full Board. Investment decisions (above a pre-approved level) are taken by the full Board. Operational decisions are taken by the executive directors and the senior leadership team within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels. The Board regulations define a framework of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve. The Board typically expects to meet up to 10 times a year to consider a formal schedule of matters, including the operating performance of the business and to review the Company's financial plan and business model.

### **Corporate Governance Code**

The UK Corporate Governance Code published by the Financial Reporting Council does not apply to AIM companies. However, the Directors recognise the importance of good corporate governance and complies with the provisions of the Corporate Governance Code for Small and Mid-Size Quoted Companies ("Governance Code"), published from time to time by the QCA, to the extent that they believe it is appropriate in the light of the size, stage of development and resources of the Company.

The Directors consider each of Richard Rose, Martin Shuker and Philip Shepherd to be independent.

The Board maintains three standing committees, being the audit committee, remuneration committee and nomination committee. Each has formally delegated duties and responsibilities, as described below.

The Board understands that they may have to change as the Company evolves.

**Board Committees** - The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented by oral reports from the Committee Chairmen at Board meetings.

**Audit Committee** - The Audit Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Philip Shepherd who chairs the committee, Martin Shuker and Richard Rose. Further details on the Audit Committee are provided below in the Report of the Audit Committee.

**Remuneration Committee** - The Remuneration Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Martin Shuker, who chairs the committee, Philip Shepherd and Richard Rose.

**Nomination Committee** - The Nomination Committee was formed in May 2017 on completion of the acquisition of Experiential Ventures Limited and comprises Richard Rose who chairs the committee, Martin Shuker and Philip Shepherd.

Matters reserved for the board are covered on pages 27-32 of the 2021 Annual Report and Accounts.



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

**ANNUAL REPORT & ACCOUNTS DISCLOSURE:**

- Describe the work of any board committees undertaken during the year.
- Include an audit committee report (or equivalent report if such committee is not in place).
- Include a remuneration committee report (or equivalent report if such committee is not in place).
- If the company has not published one or more of the disclosures set out under Principles 1-9, the omitted disclosures must be identified and the reason for their omission explained.

**WEBSITE DISCLOSURE:**

- Disclose the outcomes of all votes in a clear and transparent manner.
- Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the company should include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.
- Include historical annual reports and other governance-related material, including notices of all general meetings over the last five years.

A description of board committee work is covered on page 28 of the 2021 Annual Report and Accounts.

An audit committee report is shown on page 30 of the 2021 Annual Report and Accounts.

A remuneration committee report is shown on pages 29-30 of the 2021 Annual Report and Accounts.

A nomination committee report is shown on page 32 of the 2021 Annual Report and Accounts.

All stakeholders can communicate with the Company by contacting the Chief Financial Officer, Graham Bird, whose telephone number is shown on the website in the investors section. He is the first point of contact with the Company and is responsible for dealing with enquiries from stakeholders.

There are no omissions to the disclosures set out under Principles 1 – 9 above.

Disclosures of all outcomes of all shareholder votes is shown in the “News” section of the website and is released to the Stock Exchange via a regulatory new service.

None of the resolutions proposed at the Company’s AGM held on 29 June 2022 received a significant proportion (more than 20%) of votes cast against the resolution proposed.

Historical annual reports and other governance related material can be found on our website either under the “News” or “Documents” sections.

Nowhere in the Annual Report and Accounts is it explained how the directors keep their skillset up-to-date. This information is included in Section 6 of this document.

*This disclosure was last reviewed and updated on 30 March 2023*