

Billing Services Group Limited

Statement of Compliance with the QCA Corporate Governance Code

Co-Chairmen's Introduction

The directors recognize the importance of and are committed to high standards of corporate governance. The corporate governance framework within which the Group operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices that the board believes are proportional to the size, risks, complexity and operations of the business.

In the statement below, we explain our approach to governance, and how the board and its committees operate. It is the role of the board to ensure that BSG is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Effective corporate governance is an essential foundation in carrying out that responsibility.

Denham H.N. Eke, Non-Executive Co-Chairman
Jason R. Wolff, Non-Executive Co-Chairman

Change to Corporate Governance Regime

Changes to AIM rules on 30 March 2018 require AIM companies to apply a recognized corporate governance code by 28 September 2018. Of the two widely recognized formal codes, we have decided to adhere to the Quoted Companies Alliance's ("QCA") Corporate Governance Code ("QCA Code") for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these appropriate in the circumstances. We provide below an explanation of the approach taken in relation to each principle. The board considers that it does not depart from any of the principles of the QCA Code in the absence of a valid justification.

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

Billing Services Group Limited (the "Group" or "Company") is a leader in the provision of telecommunications clearing and financial settlement products, Wi-Fi data solutions and

verification services. Our products and services are used by (i) operators of wireline and wireless communication networks to manage billing and related data collection and financial settlement functions and (ii) telecommunication, utility, health care and other entities that need independent verification of transactions for best business practice, regulatory compliance or internal control purposes.

Our strategy and business model concentrate on offering unique and cost-competitive services that provide customers with a compelling value proposition. Our strategy requires that we maintain an efficient, adaptable and scalable technology platform to control costs. Management's primary focus is on cash flow metrics.

Our revenues arise primarily from the following services:

- billing and clearing services to wireline telecommunication network operators in the United States
- independent transaction verification services to telecommunication and utility companies in the United States
- Wi-Fi wholesale settlement solutions to wireless network operators in the United States and Europe

We believe that our strategy and business model will deliver long-term benefit for shareholders. At the same time, we are mindful of the associated challenges and risks. Accordingly, we seek to take the necessary steps to mitigate these challenges and risks to the extent possible. The key challenges we face include:

- Replacement of declining revenues in our wireline business, as wireless communications displace wireline communications.
- Loss of major third-party billing relationships. Within the past two years, the two largest local exchange carriers ("LECs") in the US withdrew from the market for third-party billing.
- Leveraging our technology platform to offer other complementary services without large investment. Our technology platform was designed to serve a niche market. It has been a challenge to identify and capitalize upon other applications that allow us to improve scale for this technology platform without substantial investment.

We seek to mitigate execution risks through the following actions:

- Foster deep relationships with LECs and customers so that we can understand and anticipate their needs and respond accordingly

- Emphasize internal controls and data security
- Hire and retain skilled employees who understand the niche markets we serve

In light of the challenges, the board's focus currently centers on creating a liquidity event that will enable shareholders to realize a further return on their investment. At the same time, the board has focused much of its attention on capital management actions.

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

The Group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. Understanding what our investors and analysts think about us, and in turn helping these audiences understand our business, is a key part of driving our business forward.

We communicate with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the annual general meeting ("AGM"). A range of corporate information (including all BSG announcements) is also available to shareholders, investors and the public on our website.

The Company's ownership is highly concentrated. Seven private and institutional shareholders own an aggregate of 85% of outstanding shares. The three board members individually own or represent owners holding 56% of outstanding shares. Four other private and institutional shareholders own an additional 29% of outstanding shares. The concentration of ownership allows the board to communicate easily with a high percentage of shareholders and to understand their needs and expectations.

Private shareholders

The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate.

The Notice of Meeting is sent to shareholders at least 21 days before the meeting. All directors, whenever possible, attend the AGM and are available to answer questions raised by shareholders. For each resolution, the number of proxy votes received for, against and withheld is announced at the meeting and shareholders attending the meeting vote on each resolution by way of a poll. For each resolution, we then announce whether a resolution has been carried and publish the results on our website.

Institutional shareholders

The directors actively seek to build relationships with institutional shareholders and potential investors. Shareholder relations are managed principally by our CEO who is supported in this role by the Co-Chairmen. Telephone calls and face-to-face meetings are held with institutional

shareholders typically following the release of the full-year and half-year results. In addition, the CEO communicates with significant shareholders following the release of any material announcements, either by telephone or a face-to-face meeting.

The majority of meetings with significant shareholders and potential investors are arranged by the Group's nominated advisor. Following meetings with significant shareholders and potential investors, the nominated advisor provides feedback to the CEO and the board, if deemed necessary.

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

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. In addition to its shareholders, these include the Group's employees, customers and suppliers. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the board's primary responsibility to promote the success of the Group for the benefit of its shareholders as a whole. The Group endeavors to take account of feedback received from stakeholders, making amendments to arrangements and plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.

In terms of environmental responsibility, BSG takes due account of any impact its activities may have on the environment. In general, however, the Group's products and systems have no impact on the environment.

Finally, through various procedures and systems, the Group ensures full compliance with health and safety legislation relevant to its activities.

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

The board is responsible for the systems of internal control and risk management and reviewing their effectiveness. Furthermore, through the activities of the Audit Committee, the effectiveness of these internal controls is considered at least annually.

Within the scope of the annual audit, specific financial risks are evaluated in detail, including those in relation to revenue recognition, recoverability of receivables, the valuation of intangibles and adequacy of all reserves.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the board. Revised forecasts are also prepared based on actual and projected changes in revenue and expenses. The Group's results are available to the board on a monthly basis.

BSG has a written share dealing policy provided to all employees and directors explaining the timing limitations on trading in the Group's stock and other limitations due to their access to non-public information, which, if and when disclosed, could foreseeably have an impact on the Group's share price.

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

The members of the board have a collective responsibility and legal obligation to promote the interests of the Group, and they are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the co-chairs of the board.

The board currently consists of three directors. One of the board members (Norman M. Phipps) is an executive director and two members (Denham H.N. Eke and Jason R. Wolff) are non-executive directors. Mr. Phipps serves as the Group's CEO, and he owns 7% of outstanding shares. Neither Mr. Eke nor Mr. Wolff is an independent director. Mr. Eke serves as the representative of Jim Mellon, who owns 28% of outstanding shares; and Mr. Wolff serves as a representative of Hawkeye Capital Management, which owns 21%. In the aggregate, the three directors own or represent owners of 56% of outstanding shares.

The board restructured its composition in 2017 in light of circumstances at the time. During 2017, the Group's sales declined 30%, and the Group incurred a \$6.7 million loss (\$0.02 per share). Additionally, the board was considering the sale of the Group's Wi-Fi data solutions business. The board was engaged in a number of significant issues affecting the capital structure and operations of the business.

During 2017, the board was comprised of one executive director and five non-executive directors. Three of the five non-executive directors were independent. None of the three independent non-executive directors was a significant shareholder.

At the end of 2017, the board decided to restructure its composition to one executive director and two non-independent/non-executive directors. The board accepted resignations from the three existing independent non-executive directors. The board's rationale for the change rested on the following objectives:

- Reduce expenses (the three departing independent non-executive directors earned aggregate fees of \$192,000 during 2017)
- Ensure alignment of the interests of every director and shareholder to maximize shareholder value.

Before the restructuring was implemented, board members discussed the proposed restructuring with several large shareholders who concurred with the proposal.

Under current circumstances, particularly the Group's financial performance and the board's objectives, the board believes that the absence of independent directors is non-prejudicial, appropriate and beneficial to all shareholders. The board is satisfied that its three members fully share the economic interests of all other shareholders and effectively represent them. There are no current plans to change the size or composition of the board.

The board generally meets four times each year to review regular business matters. Additional meetings are held, if necessary. Non-executive directors are expected to make reasonable accommodation to make themselves available at other times, as requested, for face-to-face and telephonic meetings with the executive team and investors.

The board has an agenda of items to consider at each meeting subdivided into the key activities of the business, namely operations, sales and marketing and financial matters. Prior to the board meeting, a package of relevant information is compiled by the executive director and circulated to the non-executive directors, together with the minutes from the previous meeting and the monthly management accounts.

During the year ended 31 December 2017, there were four board meetings. All directors attended all four meetings.

The board is supported by three committees: audit, remuneration and nomination. These committees, along with information about meeting frequency and attendance, are described on page 11 of the Group's 2017 Annual Report ([2017 Report](#)) on the Company's website (www.bsgclearing.com).

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

The board believes that the composition and breadth of experience of the board are appropriate for the Company at present. The directors' blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. All Directors receive regular and timely information on the Group's operational, sales and financial performance.

Biographies of the board are set out in the Company's website. ([Directors](#))

All directors retire at regular intervals with the Articles of Association requiring that one-third of Directors must stand for re-election by shareholders at every AGM and that each director must retire at the third AGM following his/her appointment or reappointment in an AGM.

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

The Group's Non-Executive Co-Chairmen have been assessing the size, composition, commitment and effectiveness of the board since their appointment, including their respective contributions to the board and the contribution of the Executive Director. In assessing the board's performance, they consider the inventory of competencies, the quality of participation, the level of cohesiveness and the identifiable effects of board decisions on shareholder value. An informal assessment is made periodically, normally on an annual basis, by the Co-Chairmen. To the extent that they identify any actions appropriate to improve board performance, they discuss such actions with the executive director and implement suitable changes. The board does not currently contemplate any changes in the size or composition of the board.

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

The board aims to lead by example and do what is in the best interests of the Company. It seeks to maintain the highest level of integrity in the conduct of the Group's operations. An open culture is encouraged within the Group, with regular communication to staff regarding progress and staff feedback sought on a regular basis.

The Group is an equal-opportunity employer which complies with all laws governing nondiscrimination in employment, including hiring, promotion, termination and compensation. The Group provides each employee with a handbook, which includes policies relating, among other matters, to the prohibition of bribery, corruption, disclosure of confidential information and harassment, whether sexual or other. The Group's policies are designed to ensure that business dealings are carried out by all employees and board members at the highest ethical standards.

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

The board provides strategic leadership for the Group and operates within the scope of a robust corporate governance framework. The Executive Director has day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent and objective judgment to board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-Executive Co-Chairmen. The Chief Executive Officer has the responsibility for proposing the strategic focus to the board and implementing it once it has been approved. He is supported in this task by the management

team. The Co-Chairmen are responsible for overseeing the running of the board, ensuring that no individual or group dominates the board's decision-making.

The board has established an Audit Committee, Remuneration Committee and a Nomination Committee. The work and composition of these committees is described on page 11 of the Group's 2017 Annual Report ([2017 Report](#)) on the Company's website (www.bsgclearing.com).

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

The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. It communicates with its shareholders primarily through the Annual Report and Accounts, full and half-year announcements, the Annual General Meeting and one-on-one meetings with existing or potential new shareholders.

A range of corporate information (including all Group announcements, presentations and annual reports) is also available to shareholders, investors and the public on the Group's corporate website, www.bsgclearing.com.

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