

# Sedex Information Exchange

## Corporate Governance

### Sedex Board – Roles & Responsibilities

1. Corporate governance in Sedex is the system by which the company is directed and controlled. The Board of Directors is responsible for the governance of Sedex. The responsibilities of the Board include setting Sedex's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to Sedex's members on the Board's stewardship. The Board's actions are subject to laws, regulations and the members of Sedex in general meeting. *(General definition based on the Cadbury Report, 1992).*
2. Sedex Information Exchange Ltd is a Company Limited by Guarantee incorporated in the UK. Therefore, it bases its governance arrangements on the UK Code of Corporate Governance (latest edition: September 2018). This not only represents best practice for companies incorporated in the UK but is the standard to which all our UK-based member companies must comply (including those represented on the Sedex Board). Sedex Information Exchange Ltd has two, fully owned subsidiaries, : Sedex Solutions Limited ("Solutions") and Sedex Information Exchange (Shanghai) Limited ("China").
3. The key principle of the UK Code of Corporate Governance, applied to Sedex, is that Sedex should be headed by an effective Board which is collectively responsible for the long-term success of the company and its subsidiaries.
4. Based on the Code the key functions of the Sedex Board are:
  - Promoting the long-term sustainable success of the company
  - Establishing the company's purpose, values and strategy
  - Ensuring that resources are in place to meet its objectives
  - Ensuring effective engagement with stakeholders
  - Ensuring that policies and practices are consistent with Sedex's values
5. The individual Directors of Sedex operate in accordance with the principles and duties laid down in the UK Companies Act 2006 and the Code. The key principle applied to Sedex is that a Director of Sedex must act in the interests of Sedex - and not in the interests of a group or groups within the company, such as their  
Employing member company or a group of member companies, if these are at odds with the interests of Sedex.
6. In line with the Code, the general duties of each Sedex Director are:
  - A duty to promote the success of the Sedex company
  - A duty to exercise independent judgement
  - A duty to exercise reasonable care, skill and diligence
  - A duty to avoid conflicts of interest

A duty to act within the powers specified in Sedex's Articles of Association

7. In addition, specific to Sedex, Directors have two additional duties:
  - A duty to understand how the Sedex platform works and the products and services which Sedex offers and how these are used by its members and Affiliated Audit Companies
  
8. When fulfilling the general duty to promote the success of the company, Sedex Directors should consider the following factors in all their deliberations:
  - The likely long term consequences of a decision
  - The interests of the company's employees
  - Fostering the company's business relationships with members, suppliers, customers and other external stakeholders
  - The impact of operations on the community and the environment
  - Maintaining a reputation for high standards of business conduct
  - The need to act fairly between all of the stakeholders in the company
  
9. Sedex Directors are accountable for ensuring that Sedex meets all of its statutory obligations, including its financial, accounting and auditing obligations; its health and safety obligations; its employment protection obligations.

### **Membership of the Board**

1. In line with the Articles of Association (as approved at the EGM in December 2020) the Sedex Board of Directors comprises up to 12 Directors. Five are elected Member Directors, five are Independent Non-Executive Directors and two are Executive Directors (the CEO and CFO).
  
2. Of the five elected Member Directors, at least two represent a Buyer perspective and at least two represent a Supplier perspective but may come from different sectors or regions. The Member Directors are elected by the members, at the AGM, in accordance with the company's Articles of Association.
  
3. The Board is responsible for appointing up to five Independent Non-Executive Directors (iNED's), of which one is the Chair of the Board, as well as the CEO, on recommendation by the Nomination Committee. In line with the Code, "independent" is defined as independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement on the Sedex Board. One of the iNED's is to be appointed Chair of the Board. All of the iNED's should be appointed on merit taking into account the following criteria:
  - Their experience in corporate governance
  - Their expertise in areas of critical importance to Sedex (which may be sector or skills driven)
  - That they complement rather than duplicate the expertise of the elected Member Directors
  - That they add to the international awareness and diversity of the Board
  
4. The Articles of Association state that, for normal business, the quorum for a Board meeting is four which must include at least two elected Member Directors, at least one Executive Director and at least one iNED.

5. The Board as a whole votes on the appointments and remuneration arrangements for CEO, Chair and NED's, on recommendation of the Remuneration Committee; and on changes to Membership fees.
6. The five elected Member Directors have historically not received any remuneration for their service on the Board, although the new Articles give the Board the power to remunerate the Member Directors if it believes this would be appropriate. Personal out-of-pocket expenses can be reimbursed, in line with the Directors expenses policy.
7. The Board has the power to determine remuneration of the iNEDs, upon recommendation by the Remuneration Committee. Personal out-of-pocket expenses can be reimbursed, in line with the Directors expenses policy.
8. Sedex Member Directors and Sedex iNED's are expected to devote approximately 10 days per year to their work as members of the Board of Sedex. This includes five days for Board Meetings during the year. The additional five days is intended to cover preparation for/follow up after Board meetings; interaction where appropriate with the Executive; participation in Board committees; participation in the AGM/any EGM. Additional days may be required, where additional Board work is necessary.
9. In line with the Articles of Association, all Non-Executive Directors serve for a term of office of up to three years, and can stand for re-election for one further term up to three years.. The specific term for each Non-Executive Director will be stated in their individual Director's Service Contract.

### **Sedex Board – How it works in practice**

1. The full Board meets quarterly. One Board meeting per year is for two days “away days” to include a Strategy Review and a Board Performance Appraisal. Other than the away days in Quarter 3, those Board Directors who are not resident in the UK can join Board meetings virtually.

2. The Board of Sedex has established three Standing Committees to address specific tasks and to bring recommendations to the full Board. The three Board committees are:

Audit & Risk Committee: the general role is to ensure full compliance with all accounting, risk management and controls and auditing requirements as well as evaluating and monitoring any investment financing arrangements.

Nomination Committee: the general role is to make recommendations to the Board on appointments to the Board and Standing Committees as well as recommendation to the Board on selection of the CEO.

Remuneration Committee: the general role is to oversee the remuneration of the CEO; to recommend any payments to NED's (other than reimbursement of expenses) and to monitor the remuneration policies, procedures and practice for the management and staff of Sedex.

3. The Board Committees meet at least once per year, or more frequently, as the Chair of each committee decides, based on the tasks assigned to the committee by the Board.
4. Each Standing Committee is composed of up to two Member Directors and up to three iNEDs. The CEO may be invited to attend meetings of the Standing Committees but has no vote on matters considered by the Committee. .
5. All Sedex Directors are covered by Directors and Officers Liability Insurance at Sedex's expense.

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