

### **THE QUOTED COMPANY ALLIANCE (QCA) CODE**

*The Directors recognize the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance's 2018 Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". Details of how the Company addresses the key governance principles defined in the QCA Code can be found in the table below. Further information on compliance with the QCA Code will be provided in the Company's next annual report\*.*

**Zvi Borovitz, Non-executive Chairman**

*This disclosure was last reviewed and updated on 10 March 2019*

<b>QCA Code Principle</b>	<b>Application</b> (as set out by QCA)	<b>What we do and why</b>
<b>1. Establish a strategy and business model which promote long-term value for shareholders</b>	<p>The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.</p>	<p>Our strategy is focused around five key areas: profitable sales growth, introducing new products, supporting our existing brands, enhancing our operational capabilities and supporting these with complementary strategic acquisitions.</p> <p>Our updated strategy for the enlarged Group is provided and explained within pages 9-10 of our Report and Accounts for the year ended 31 December 2018.</p> <p>The key challenges to the business and how these are mitigated are detailed in the Board Committees and Internal Control sections on pages 11 through to 14 of our Report and Accounts for the year ended 31 December 2018.</p>
<b>2. Seek to understand and meet shareholder needs and expectations</b>	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p> <p>The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>MTI encourages two-way communication with both its institutional and private investors and responds to all queries received. Shareholders may also contact the Company in writing via email at <a href="mailto:info@mtiwe.com">info@mtiwe.com</a> or via its website, which is regularly updated. Enquiries that are received will be directed to Company's chief executive officer, who will consider an appropriate response. The Company may be required to exercise discretion as to which shareholder questions shall be responded to, and the information used to answer questions will be information that is freely available in the public domain.</p> <p>The Board welcomes the views of shareholders. The Annual General Meeting ("AGM") is used as an opportunity to communicate with shareholders. The notice of Annual General Meeting is sent to shareholders at least 35 days before the meeting. All shareholders are encouraged to attend the Company's AGM in order to take advantage of the opportunity to ask questions of the Directors.</p> <p>Additional information is supplied through the circulation of the Quarterly Financial Reports and the Annual Report and Accounts.</p> <p>The Chief Executive, Finance Director and the Chairman from time to time meet individual and institutional</p>

		<p>shareholders and provide such information, as is permissible, in order to facilitate a better understanding of the Company's business and operations.</p> <p>The Directors believe that the Company's level of engagement and communication with shareholders is appropriate.</p> <p>Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.</p> <p>Under the Israeli Companies Law any transaction (unless defined as nonmaterial) with the controlling shareholder requires the approval of the audit committee, the Board and special majority of the shareholders.</p>
<p><b>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</b></p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. On the basis of the Directors' knowledge from the operation of the business, the Board considers that the Group's key stakeholders are the Group's employees, distributors and agents, suppliers and regulatory authorities.</p> <p>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 members as a whole. Feedback from stakeholders is received in both formal and informal ways, including via annual discussions with employees and ongoing feedback received from distributors, agents, customers and suppliers.</p> <p>The Group encourages feedback from our customers through trade account managers and engagement with individual customers through customer service teams and social media such as Facebook and Twitter.</p> <p>The Group endeavors to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer term strategy.</p> <p>No material changes to the Company's working methodologies have been required over the year to 31 December 2018 or more recently as a result of stakeholder feedback received.</p> <p>The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.</p>
<p><b>4. Embed effective risk management, considering both opportunities and threats, throughout the organization</b></p>	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to</p>	<p>The Board has overall responsibility both for the Company's risk management and system of internal controls, which includes internal financial controls and for reviewing their effectiveness.</p>

	<p>consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>The Directors recognize that no system of internal control can provide absolute assurance. The Company's systems are designed to manage the risk of failure to achieve business objectives and therefore can only provide the Directors with reasonable assurance against material misstatement or loss. The key elements of the Company's internal control system are as follows:</p> <p><u>Management Structure</u></p> <p>The Board has overall responsibility for the Company. Each executive Director has been given responsibility for specific aspects of the Company's affairs. The Company's articles of association contain certain provisions which are similar to matters that are reserved for the Board. Article 39 of the articles of association describes the general powers of the Board. Article 41 of the articles of association describes the Board's ability to delegate its powers. The Company's articles of association can be found at:  <a href="https://www.mtiwe.com/?CategoryID=371&amp;ArticleID=171">https://www.mtiwe.com/?CategoryID=371&amp;ArticleID=171</a></p> <p><u>Monitoring Systems used by the Board</u></p> <p>The Board receives regular reports on the financial and business performance of the Company. The Board is regularly advised through these reports on the financial performance relative to the Company's approved budget and update on the orderbook and pipeline status.</p> <p>Details of the Company's risk management framework are included on pages 12-14 of our Report and Accounts for the year ended 31 December 2018.</p> <p><u>Internal Audit</u></p> <p>The Board has, in accordance with the Israeli Companies Law, appointed Mr. Eyal Weitzman as its internal auditor who is performing annual audits in accordance to the direction of the Audit committee. For more details see page 14 of our Report and Accounts for the year ended 31 December 2018</p>
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## **THE PRINCIPLES OF THE QUOTED COMPANY ALLIANCE (QCA) CODE**

### **DELIVER GROWTH**

#### **MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

<b>QCA Code Principle</b>	<b>Application</b> (as set out by QCA)	<b>What we do and why</b>
<p><b>5. Maintain the board as a well-functioning, balanced team led by the chair</b></p>	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfill their roles.</p>	<p>The Company is controlled by the Board of Directors. Zvi Borovitz, the Non-executive Chairman, is responsible for the running of the Board.</p> <p>All Directors receive regular and timely information the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.</p> <p>All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Company's expense.</p> <p>Pursuant to the provisions of the Israeli Companies Law, the Company has to nominate two external (independent) directors chosen by special majority of shareholders to assure their service is for the benefit of all shareholders. As such, the initial term of an external director is three years and this may be extended for two additional three-year terms. The external directors have to serve on the Audit Committee, the Financial Committee and on the Remuneration Committee. The rest of the Board members are elected annually in the shareholders meeting.</p> <p>The Board comprises two Executive Directors and five Non-Executive Directors, of which three are considered to be independent, being Lihi Elimelech-Bechor, Richard Bennett and Brigadier General (retired) Amnon Sofrin. The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-executive Directors.</p> <p>The Board is supported by an Audit Committee, Financial Statements Committee and a Remuneration Committee, details of which are included on pages 12-13 of our Report and Accounts for the year ended 31 December 2018.</p> <p>Details of the time commitment required from directors, and the number of meetings of the Board and its committees and attendance over the year ended 31 December 2018 are included on pages 11-12 of our Report and Accounts for the year ended 31 December 2018.</p> <p>The Company's articles of association contain certain provisions which are similar to matters that are reserved for the Board. Article 39 of the articles of association describes the general powers of the Board. Article 41 of the articles of association describes the Board's ability to delegate its powers. The Company's articles of association can be found at:  <a href="https://www.mtiwe.com/?CategoryID=371&amp;ArticleID=171">https://www.mtiwe.com/?CategoryID=371&amp;ArticleID=171</a></p>

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p><b>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</b></p>	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	<p>Pursuant to the provisions of the Israeli Companies Law, the Company has to nominate two external (independent) directors chosen by special majority of shareholders to assure their service is for the benefit of all shareholders. According to a relationship agreement, the major shareholder of the Company committed that it will not use its power to nominate the majority of the Board members.</p> <p>The Board considers that all of the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in scientific, operational and financial development of communication solutions companies.</p> <p>The Directors' biographies are set out on pages 7-8 of our Report and Accounts for the year ended 31 December 2018.</p> <p>During the year ended 31 December 2018, the Company engaged two external advisers in relation to the merger of the Company with its former controlling shareholder, MTI Computers &amp; Software Services (1982) Ltd ("MTIC") (the "Merger"), which completed in August 2018. One adviser was a valuation consultant who provided an evaluation of the recommendation for the Merger, including the number of shares to be issued by the Company as consideration for the purchase of the other assets that were purchased under the Merger. The second adviser was a legal adviser advising the special committee of the Board (which was an independent committee that negotiated the terms of the Merger) regarding the Merger agreement and its terms.</p>
<p><b>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</b></p>	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>No formal evaluation of the Board, its members and committees occurred over 2018. However, the Chairman of the Board has typically assessed the individual contributions of each of the members of the Board on an informal basis to ensure that their contribution is relevant and effective, they are committed and where relevant, they have maintained their independence.</p> <p>Over the course of 2019 the Company intends to review the performance of the Board as a whole, to ensure that the members of the Board collectively function in an efficient and productive manner. When conducting this review, the Company will consider whether there is merit in using a more formal peer and self-assessment process to evaluate the performance of the Directors and the Board as a whole. The Company also intends to evaluate the Board's committees and to assess the committees on their roles and terms of reference and the effectiveness of communicating relevant information to the Board in a timely manner, and the overall effectiveness and efficiency of the committees in discharging their duties. As part of the above review processes, the Board will consider how regularly these review processes should be repeated going forward. The Company currently considers any succession planning requirements at appropriate junctures on an ongoing basis. The Company will consider whether any succession planning requirements might be necessary over the course of 2019, as part of the aforementioned review process.</p>

QCA Code Principle	Application (as set out by QCA)	What we do and why
		<p>However, any prospective changes to the Company's governance framework in the future will need to be compatible with the Israeli Companies Law.</p> <p>For executive directors - On November 12, 2012 Amendment No. 20 to the Israeli Companies Law was published (the "Amendment").</p> <p>According to the Amendment, a public company is required to appoint a remuneration committee (its composition and manner of discussion shall be in accordance with the provisions of the Amendment), and adopt a policy regarding the conditions of service and employment of officers of the Company, in accordance with the recommendations of such remuneration committee, subject to the approval of the general meeting of the shareholders of the Company. In addition, the Amendment regulates the method of approval of the terms of service and employment of officers of public companies. The Company is required to review its policy every three years and reapprove such policy with shareholders of the Company. The current policy received its approval from shareholders in May 2016 and a new policy was proposed for approval by shareholders in the coming extraordinary general meeting on March 14, 2019.</p> <p>All continuing non external directors stand for re-election on an annual basis and external directors are nominated for 3 years term per the Israeli Companies Law.</p>
<p><b>8. Promote a corporate culture that is based on ethical values and behaviors</b></p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviors and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team.</p> <p>Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p>	<p>The Board believes that the group has a healthy corporate culture throughout its businesses, which is able to deliver Company's key strategy areas which are described on pages 9 and 10 of our Report and Accounts for the year ended 31 December 2018.</p> <p>The Board promotes a Code of Business Conduct and Ethics as well as Anti-Bribery Compliance Policy. These policies can be found at: <a href="http://www.mtiwe.com/?CategoryID=379&amp;ArticleID=217">http://www.mtiwe.com/?CategoryID=379&amp;ArticleID=217</a></p> <p>All employees are familiar with the codes and any new employee is required to become familiarized with them.</p> <p>Violation of any of the standards contained in the Company's Code of Conduct can result in disciplinary actions, including dismissal and civil or criminal action against the violator. Failure to comply with Company's Anti-Bribery Compliance Policy is grounds for disciplinary action against such individuals, including potential termination of employment.</p> <p>Part of the Company's monitoring of its corporate culture is via the operation of a confidential whistle blowing policy, details of which are contained within its Code of Business Conduct.</p>

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p><b>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</b></p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> <li>• size and complexity; and</li> <li>• capacity, appetite and tolerance for risk.</li> </ul> <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p>Our Corporate Governance Statement detailed in our annual report for the year ended 31 December 2018 provides an overview of the Company's governance structures and why the Board believes that they are appropriate and suitable for the Company.</p> <p>The executive responsibility for the day-to-day running of the Company and our operating subsidiaries and the delivery of the strategy set by the Board sits with our Chief Executive Officer, who is also a member of the Board. The Chairman is responsible for corporate governance and overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters.</p> <p>Pages 12-13 of the Company's annual report for the year ended 31 December 2018 provides details of the Company's Audit &amp; Financial Statements Committee and Remuneration Committee).</p> <p>The Company's articles of association contain certain provisions which are similar to matters that are reserved for the Board. Article 39 of the articles of association describes the general powers of the Board. Article 41 of the articles of association describes the Board's ability to delegate its powers. The Company's articles of association can be found at:  <a href="https://www.mtiwe.com/?CategoryID=371&amp;ArticleID=171">https://www.mtiwe.com/?CategoryID=371&amp;ArticleID=171</a></p> <p>The Company does not currently have any plans for the evolution of its governance framework, but the Board will consider whether this need arises on periodic basis. However, any prospective changes to the Company's governance framework in the future will need to be compatible with the Israeli Companies Law.</p>

### **BUILD TRUST**

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p><b>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</b></p>	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> <li>the communication of shareholders' views to the board; and</li> <li>the shareholders' understanding of the unique circumstances and constraints faced by the company.</li> </ul>	<p>MTI encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. Shareholders may also contact the Company in writing via email at <a href="mailto:info@mtiwe.com">info@mtiwe.com</a>.</p> <p>The Board welcomes the views of shareholders. The Annual General Meeting ("AGM") is used as an opportunity to communicate with shareholders. All shareholders are encouraged to attend the Company's AGM in order to take advantage of the opportunity to ask questions of the Directors.</p> <p>The Company also communicates how it is governed and is performing through the circulation of its Quarterly Report and the Annual Report and Accounts, its regulatory announcements, and via its website, which is regularly updated.</p> <p>The Group's financial reports for the last five years can be</p>

	<p>It should be clear where these communication practices are described (annual report or website).</p>	<p>found at <a href="https://www.mtiwe.com/?CategoryID=299">https://www.mtiwe.com/?CategoryID=299</a></p> <p>Notices of General Meetings of the Company for the last five years can be found at <a href="https://www.mtiwe.com/?CategoryID=298">https://www.mtiwe.com/?CategoryID=298</a></p> <p>The Chief Executive, Finance Director and the Chairman from time to time meet individual and institutional shareholders and provide such information as is permissible in order to facilitate a better understanding of the Company's business and operations.</p> <p>All key implications arising from being an Israeli Corporation are clearly stated on the Company's website pursuant to AIM Rule 26.</p> <p>Pursuant to Amendment 20 to the Israeli Companies Law the Company's shareholders have to approve the remuneration policy for the Company's officers every three years after receipt of approval by the remuneration committee and the board of directors of the Company. Such policy was proposed for the re-approval of shareholders at an extraordinary general meeting called for 14 March 2019 and can be found on the company's web site.</p> <p>The Company's Audit &amp; Financial Statements Committee does not produce a report on its work throughout the year, although its work and key findings are communicated to the Board.</p> <p>The outcome of all resolutions tabled at general meetings, including details of voting, are to be posted on the Company's website and also announced via RNS.</p> <p>Where voting decisions are significantly not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary will be the main point of contact for such matters. In this eventuality the Board will consider making an appropriate statement on the Group's website (and via RNS) regarding any actions that might be taken as a result of this process.</p>
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