

## s172 (Stakeholder Engagement)



AMS considers its stakeholders as integral to its success and is committed to actively engaging and collaborating with them throughout the value chain. This engagement with our core stakeholders ensures that their views inform our business strategy, enabling us to understand their priorities, and use their feedback to shape our business. Additionally, we summarise below, and reference throughout this Annual Report, how our Directors fulfil their duties in relation to Section 172 of the Companies Act 2006 and engage with key stakeholder groups in their decision making processes.

### Section 172

The Directors, as required by Section 172 of the Companies Act 2006, must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the Directors must have regards, amongst other matters, to the:

- 1 Likely consequences of any decision in the long-term.
- 2 Interests of the company's employees.
- 3 Need to foster the company's business relationships with suppliers, customers and others.
- 4 Impact of the company's actions on the community and environment.
- 5 Desirability of the company maintaining a reputation for high standards of business conduct.
- 6 Need to act fairly between members of the company.

### Our stakeholders

Listening, engaging and partnering with our stakeholders, illustrated in the diagram below and further explained on pages 27 to 29, helps us to address our business impacts and improve the outcomes for those different groups.





Patients

The patient is at the heart of everything we do. We develop innovative products to improve patient outcomes, to minimise complications and improve patient safety and comfort.

#### Engagement activities in 2021

- Worked closely with industry bodies to keep informed of trends or changes affecting our patients.
- Seal-G® and LiquiBandFIX8® US Pre-Market Approval clinical studies to enable the commercialisation of products designed to improve surgical outcomes.
- Post-market surveillance to garner end user feedback.
- Recruitment for clinical studies to validate products to improve patient experience.

#### Outcomes

- Gained real world data on products as part of the product lifecycle.
- Certification of a number of new products.
- Endorsement from Tissue Viability Society on education and training.



Employees

We are a people-centric, equal opportunity business which aims to enable our employees to develop and thrive whilst maintaining their safety and supporting their wellbeing.

#### Engagement activities in 2021

- Focused on a COVID-19 safe workplace for our employees, customers, suppliers and sub-contractors.
- Enhanced Environment, Health and Safety (EHS) and Environmental, Social and Governance (ESG) reporting to the Board.
- Employee Forums, Works Council and Safety Committees provided closer engagement with employees and further embedded Care, Fair, Dare culture.
- Communication with employees through intranet, newsletters, SMT portal, CEO roundtables and Whistleblowing Policy.

#### Outcomes

- Updated COVID-19 information for employees and developed a health and wellbeing platform for mental health.
- Significantly improved our safety performance (AMS All Incident Rate (AIR) 1.7 (2020: 2.8)).
- Introduced environmental and energy management systems.
- Women in all recruitment selection pools and on all interview panels with diversity a focus.
- Designated Non-Executive Director for workforce engagement reviewed ongoing activities.
- In 2022 a review of culture is planned to assess understanding and perception.



Investors

We give high priority to communicating effectively with investors, brokers and analysts on strategy, governance and financial forecasts.

#### Engagement activities in 2021

- More than 80 investor or analyst meetings covering areas including results, strategy, markets, R&D pipeline, product approvals, acquisitions and dividends.
- Consulted with major shareholders on issues such as Director independence, tenure, Board refreshment, number of Board appointments, Directors' remuneration and ESG.
- Notified of any concerns of retail shareholders, providing guidance on drivers for investment.
- AGM allows engagement on performance and activities.
- Trading updates, full and half-year announcements, product approvals and COVID-19 updates informed shareholders on performance and progress.

#### Outcomes

- Board refreshment and succession plan implemented for the Non-Executive members following feedback from shareholders and proxy agencies.
- Development of an ESG framework which meets shareholder expectations.
- Improved guidance to market on impact of COVID-19, financial performance, product approvals and R&D pipeline, clinical studies, acquisitions and impact of MDR and Brexit.
- Increased investment in R&D and regulatory projects and continued to look for further acquisitions that meet our investment criteria.
- Better insight into what our shareholders expect.

## s172 (Stakeholder Engagement) continued



### Clinicians

We work with Clinicians and Key Opinion Leaders to ensure our products are effective, easy to use and clinically safe, and meet regulatory requirements as swiftly as possible.

#### Engagement activities in 2021

- Invested in industry-leading training and education (ActivHeal® Academy) and other digital platforms to deliver externally endorsed educational programmes.
- Expanded subscription database to inform about our brands and current activities and developed our tools for Clinician engagement.
- Developed Clinical Advisory Boards for guidance and clinical trial development for Seal-G®.
- Conducted virtual symposia, training and market surveys and 'Voice of Customer' for key surgical products.

#### Outcomes

- Increased loyalty and positive feedback in the market for ActivHeal® and increased social media engagement.
- ActivHeal® awards for best website and finalist for best education campaign.
- Expanded use of clinicians and advisory bodies to expedite product approvals.
- Re-education of surgeons on key products to increase skill levels and knowledge of products due to lack of contact in 2020.



### Partners

Our network of OEM and distribution partners allow us to meet the clinical needs of patients that we cannot reach directly.

#### Engagement activities in 2021

- Ensured partners have the opportunity to speak to key employees at any time regarding any concerns.
- Provided education and training through dedicated websites and online tools.
- Globalised our market and selling tools and introduced a Brand Hub.
- Provided value-based incentives and pricing to create win/win relationships.
- Prepared Best in Class Launch and B2B Support Materials and initiated audit and five-year development plans.
- Provided masterclasses for Key Opinion Leaders to better understand our products. Participated in industry clinician groups.
- Aligned our pipeline of new products, value-added services and customer support programmes.

#### Outcomes

- Embraced virtual tools for meetings, engagement and access to clinical data, reducing our carbon footprint.
- Following clinical feedback, we further developed our 'best in class' packaging.
- Remote 'Voice of Customer' and focus groups to regularly receive feedback on products and ideas.
- Leveraged 'best in class' LiquiBand® evaluation support tools for training to support evaluation and implementation of products.
- Established clinician/advisory panels to identify technologies to meet clinical needs.



### Regulators

We engage with Competent Authorities and Notified Bodies to operate within regulatory and legal frameworks and ensure our products have approval in key markets.

#### Engagement activities in 2021

- Committed to being open and transparent and work closely with regulators.
- Worked in partnership with Notified Bodies to gain further understanding of the regulatory landscape to ensure more efficient product approvals, including monthly meetings, clear contacts and lines of communication, and attending workshops.
- Worked with multiple Notified Bodies on MDR product approvals.
- Utilised external expertise to strengthen understanding and engagement with regulators.

#### Outcomes

- Gained increased understanding of regulatory requirements, improving regulatory guidance and service to partners and clinicians.
- Improved chance of success on new product approvals in existing and new markets.
- Broader understanding of MDR, FDA requirements and other legislation affecting the Group.
- Continued to inform Board of key drivers of regulatory requirements, which lead to increased investment.
- Improved chance of success with expert input to calls with Notified Bodies.



## Communities & Environment

Our values encourage us to contribute to our local communities and charitable causes, reduce our environmental impact and help to stop climate change. These are key components of our ESG framework.

### Engagement activities in 2021

- Encouraged employees to participate in local communities through charitable giving and other activities.
- Allocated matching charity funding to sites and employees.
- Maintained long-standing relationships with charities despite COVID-19 impact on fund-raising.
- Sponsored local community events and sports teams, and teams of employees and close family members.
- Undertaken environmental initiatives, including an environmental pledge programme, and implemented ISO50001 at selected sites.
- Local community initiatives (beach cleaning, wild flower planting and site biodiversity study).
- Reviewed environmental processes with Environment Agency.
- Customer discussions on environmental impact and emissions.

### Outcomes

- Employees gained a better understanding of the needs of their local community and chosen charities.
- Substantially increased focus on charities and charitable giving.
- Activities by employees personally to reduce their carbon footprint.
- Positive external feedback from Environment Agency.
- Key customers had positive view of our environmental responsibility.



## Supply Chain

We strengthen our supply chain resilience through robust supply agreements, minimising sole suppliers and a comprehensive supplier audit programme, monitoring compliance with our Ethical Sourcing Policy.

### Engagement activities in 2021

- Adapted how we engaged suppliers and sub-contractors to de-risk the supply chain, moving to remote working and business briefings, discussing forward ordering, safety stock levels, customer forecasts and working to understand their operational concerns.
- Enhanced sourcing function to support R&D in project delivery and de-risking the supply chain.
- Awareness of importance of complying with agreed payment terms and requirements to disclose payment terms.

### Outcomes

- Risk mitigation plans resulted in minimal disruption, continuity of supply and mutually beneficial arrangements. Working to increase safety stocks and providing expertise in areas such as logistics.
- Closer working relationships with suppliers and second sourcing where possible.
- Robust supplier audit schedule to enhance regulatory compliance and supply chain resilience.
- AMS payment practices compare favourably with industry norms.

## s172 (Stakeholder Engagement) continued

### Principal decisions

The Board considered the interests of and the impact on all stakeholders when making a number of key decisions during the year, as demonstrated by the following examples.

#### PRINCIPAL DECISION 1

##### Board refreshment and appointment of new Non-Executive Directors

The Board approved the appointment of Grahame Cook in February 2021 and Douglas Le Fort in August 2021. The Board placed great importance on stakeholder interests during the process. The Nomination Committee undertook an extensive search, engaging with or having regard to the following stakeholder groups:

#### Stakeholder considerations

- **Executive recruitment consultancy** – a search firm who had delivered good quality candidates in the past was retained with a clear brief as to the backgrounds sought in the new Non-Executive Directors (Grahame Cook – to become new Chair of the Audit Committee, Douglas Le Fort – provide commercial expertise). The agency initially delivered a list of candidates for consideration by the Nomination Committee, and advised the Committee as it proceeded through the selection process.
- **Key Employees** – an agreed shortlist of prospective candidates were then interviewed by the members of the Board.

- **Shareholders** – preferred candidates were reviewed by AMS' Nominated Advisor, to consider the appropriateness of appointment, prior to Board approval. In reaching its decision to appoint Grahame Cook and Douglas Le Fort, the Board considered carefully their backgrounds and experience (see page 53 for bios).

#### The impact on the long-term sustainable success of the Group

The Board appointments will support our high standards of corporate governance and compliance with the 2018 UK Corporate Governance Code. They will assist the Board move into the next phase of development, helping to focus on supporting AMS's growth strategy, providing strategic advice as the business builds on its position in the UK and internationally and drive significant value creation. They will be extremely valuable additions to our Board as AMS looks to grow and meet future challenges.

#### Outcome

Our Board has returned to what we consider to be the appropriate size and provides the necessary blend of skills, experience and tenure, both from an internal perspective and the perspective of our investors, equipping us to grow and meet future challenges. The next phase of Board refreshment will focus on diversifying the Board to meet the expectations of the market and support the Group's long-term goals.

Penny Freer will retire from the Board at the 2022 AGM and our commitment to equality and diversity will be a key part of the recruitment process.

#### PRINCIPAL DECISION 2

##### Development of ESG Framework and establishing ESG Steering Committee

In April 2021 the Board approved the publication of an ESG Report in the 2020 Annual Report and committed to developing an ESG Framework. We have developed this framework internally after engagement with multiple stakeholder groups, including shareholders, employees, customers and our internal auditors. This included independent research and interviews with internal and external participants. This foundation, framework, approach and our progress is detailed on pages 32 to 43 of this Report.

#### Stakeholder considerations

- **Investors** – significant shareholders were offered the opportunity to engage directly on ESG and a number of calls were held, with their views reflected in the work carried out in 2021 on our framework and by the ESG Steering Committee.
- **Employees** – we engaged the views of our employees and established an ESG Steering Committee to reflect the views from across the Group, both by site and by function.
- **Customers** – we have received significantly increasing ESG expectations from across our customer base, both from the public sector (NHS) and large customers (predominantly US based). Their requirements, views and best practice proposals are reflected in the detail of the framework.
- **Communities and Environment** – the work already being carried out in our communities was reviewed and the need to further engage was highlighted by charity matching funding being made available to employees at each site. Our commitment to reducing our carbon footprint was endorsed by the decision to become operationally carbon neutral in 2022 and developing a 'Pathway to Net Zero'.

### The impact on the long-term sustainable success of the Group

The Board believe the ESG Framework provides a good building block to further develop our targets in relation to ESG. The ever-increasing external expectations from customers are being met, allowing us to maintain current relationships. By being proactive in many areas we believe we will continue to be a company that can be invested in by any private individual or investment fund and project a positive view of the Group. Our work and goals in this area will need to be further developed over the next year to ensure we are meeting our responsibilities as a good corporate citizen and are in line with market and best practice.

#### Outcome

The development of an ESG Framework which sets out our strategy and plans for ESG. We believe our activities in this area meet the expectations of our investors and other stakeholders.

### PRINCIPAL DECISION 3 Engaging with significant shareholders on Directors' Remuneration

In 2021 we engaged directly with significant shareholders on proposed changes to Directors' remuneration and updating our Remuneration Policy, outlining our plans and offering the chance to comment on these changes through a meeting with our Remuneration Committee Chair. This engagement is invaluable to AMS and the majority of our significant shareholders responded, with a number requesting changes to the initial proposals. The Board considered the feedback received, both positive and negative, when finalising the changes which were implemented.

#### Outcome

A Remuneration Policy supported by significant investors that ensures we are able to attract, motivate and retain the talent we need to deliver on our strategy. Details of these changes is outlined in our Remuneration Report on pages 69 to 80.

### Non-Financial Reporting Statement

This Annual Report contains the information required to comply with the Companies, Partnerships and Groups (and Non-Financial Reporting) Regulations 2016, as contained in sections 414CA and 414CB of the Companies Act 2006. The table below provides key references to information that, taken together, comprises the Non-Financial Reporting Statement for 2021.

Reporting requirement	Group Policies that guide our approach	Information and risk management, with page references
Environmental matters	<ul style="list-style-type: none"> <li>– Environmental Policy</li> <li>– Ethical Sourcing Policy</li> <li>– ESG Policy</li> </ul>	<p>Reporting environmental impact/ SECR disclosures – pages 42 and 43</p> <p>Our Business Model – pages 2 and 3</p> <p>Risk Management – pages 47 to 51</p>
Employees and social matters	<ul style="list-style-type: none"> <li>– Equality, Diversity and Inclusion Policy</li> <li>– Community Support</li> <li>– Health and Safety Policy</li> <li>– Environmental Policy</li> <li>– Ethical Sourcing Policy</li> </ul>	<p>Reporting on our environmental impact – pages 42 and 43</p> <p>Our Business Model – pages 2 and 3</p> <p>Risk Management – pages 47 to 51</p> <p>Stakeholder Engagement – pages 26 to 31</p> <p>Our Strategy – pages 10 to 19</p>
Respect for human rights	<ul style="list-style-type: none"> <li>– Anti-Slavery Policy</li> <li>– Ethical Sourcing Policy</li> <li>– Modern Slavery Act Policy</li> </ul>	<p>Corporate Governance Report – pages 56 to 61</p>
Anti-corruption and anti-bribery matters	<ul style="list-style-type: none"> <li>– Anti-Bribery Policy</li> <li>– Gift Policy</li> <li>– Sanctions Policy</li> <li>– Whistleblowing Policy</li> <li>– Ethical Sourcing Policy</li> </ul>	<p>Audit Committee Report – pages 65 to 68</p> <p>Risk Management – pages 47 to 51</p>
Description of the business model		<p>Our Business Model – pages 2 and 3</p>
Description of the principal risks in relation to the above matters, including business relationships, products and services likely to affect those areas of risk, and how we manage the risks		<p>Risk Management – pages 47 to 51</p>
Non-financial key performance indicators		<p>Key Performance Indicators – pages 20 and 21</p>