

Corporate Governance Statement of Compliance with the 2018 UK Corporate Governance Code (Statement)

Chairman’s Introduction

Advanced Medical Solutions Group plc (AMS) shares are quoted on the AIM market and are subject to the AIM Admission Rules of the London Stock Exchange. As an AIM quoted company, the Board of AMS recognises that strong corporate governance is a key element to the success of the business. It recognises the need for ensuring that an effective governance framework is in place to give AMS’ stakeholders confidence in the way that the business is run, in accordance with s.172 of the Companies Act 2006.

The Board of AMS has adopted the UK Corporate Governance Code 2018 (Code) as its chosen framework for corporate governance. Compliance with the Code was checked on 7 December 2022. The Board recognises that the Code has been drafted with larger, main market listed companies in mind. AMS complies with all of the Principles and Provisions of the Code, other than certain limited exceptions (Code Provisions 36 and 38). Further details of AMS’s compliance with the Code and explanations for any non-compliance are set out below. A full version of the Code is available from the Financial Reporting Council website at www.frc.org.uk. Further detail on the below compliance can be found in the 2021 Annual Report (www.admedsol.com/investor-relations/)

PART 1 – BOARD LEADERSHIP AND COMPANY PURPOSE	
<p>Principle A</p> <p><i>“A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.”</i></p>	<p>AMS has a high-quality Board with diverse yet complementary backgrounds. The composition of the Board is regularly reviewed by the Nomination Committee to ensure there is a balance of appropriate skills, experience, independence and knowledge. It provides strong and effective leadership and constructive challenge. Individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans. The Board has outlined how it is being refreshed over a three-year period which commenced in 2020. This process has progressed well and is on schedule.</p>
<p>Principle B</p> <p><i>“The Board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.”</i></p>	<p>AMS’s purpose is to develop, to make a real difference and to add value and has a vision of a world where the outcome of every patient can benefit from our products and a company where every employee feels invested and valued. The Board is collectively responsible for the long-term success of the Group. It is responsible for setting and executing the business strategy which is defined through four Strategic Pillars and seeks to deliver shareholder value while acting in the best interests of the Group’s stakeholders. The Board has responsibility for AMS’s ‘Care, Fair, Dare’ culture and sets the tone from the top. The Board reserves certain matters for its own determination and delegates to Board Committees, Executive Directors and the Senior Management Team where appropriate. The role and activities of the Board are discussed in more detail in the Annual Report and on the AMS website.</p>
<p>Principle C</p> <p><i>“The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.”</i></p>	<p>The Board meets regularly each year with seven meetings scheduled in person and two by telephone conference. Ad-hoc meetings are arranged as required to manage urgent issues. Board meetings formulate AMS’s strategy and commercial objectives, continuously monitor the performance of the Group against strategy and KPIs, ensure that AMS’s principal risks and uncertainties are assessed and managed and actions are in place to manage ESG. AMS’s risk register is reviewed by the Board at least bi-annually. AMS’s risk management process is regularly reviewed and discussed with our internal auditors. In accordance with the Board’s procedures, all Directors are required to notify the Board of any conflicts of interest and a register of such interests is maintained by the Company Secretary. Transactions which engage an interest held by a Director are identified and the risks associated with any potential conflict are managed accordingly. Any planned changes to the interests of any Director, including Directorships outside the Group, are notified to the Board. Non-Executive Directors (NEDs) do not participate in any bonus, share option or pension arrangement.</p>

<p>Principle D <i>“In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.”</i></p>	<p>The Board is committed to open and constructive dialogue with shareholders, investors and analysts regarding strategic objectives, governance and performance of the company. The Board recognises its responsibility to take into consideration the needs and concerns of the Group’s stakeholders as it discusses matters and makes decisions. Further detail regarding the Board’s engagement with all stakeholders is set out in the Annual Report. This process was set out in the Annual Report and in market announcements and we continue to engage with our significant shareholders. At the AGM, the lowest percentage of support for the re-election of any Board member was 89.10%.</p>
<p>Principle E <i>“The Board should ensure that workforce policies and practices are consistent with the company’s values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.”</i></p>	<p>The Board conducts an annual review of AMS’s policies to ensure that they remain consistent with AMS’s values and continue to support AMS’s long-term sustainable success. The Code requires the Board implements mechanisms to ensure that it understands the views of the workforce. AMS’s employees are actively encouraged to report any concerns through the appropriate internal channels, which include an employee question portal, quarterly open forums with the CEO and a Whistleblowing Policy, where employees can raise concerns in a confidential way. The Board has nominated an independent NED as the delegated Director for workforce engagement.</p>
<p>PART 2 – DIVISION OF RESPONSIBILITIES</p>	
<p>Principle F <i>“The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information.”</i></p>	<p>The Chairman sets the agenda for Board meetings with the Company Secretary, focusing on strategic matters and issues to be covered in an annual programme of meetings. The Chairman promotes a culture of challenge, openness and scrutiny, built on his challenging but supportive relationship with the Chief Executive Officer. This sets the tone for Board interaction and discussions, encouraging contributions from the NEDs, as well as maintaining good working relations between all Directors. There is provision for Directors to take independent professional advice relating to the discharge of their responsibilities should they feel they need it. Board and Committee papers are circulated in advance of meetings to enable the Board to review and consider the materials provided.</p>
<p>Principle G <i>“The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board’s decision-making. There should be a clear division of responsibilities between the leadership of the Board and the Executive leadership of the company’s business.”</i></p>	<p>The Board consists of a Non-Executive Chairman, two Executive Directors and three NEDs. Together they bring a valuable range of expertise and experience to the Group when fulfilling their duties. Directors are subject to election or re-election by shareholders at each AGM. The Chairman was independent when appointed on 1 January 2014 and is responsible for the leadership and effectiveness of the Board. The Chief Executive Officer leads the Executive Management of AMS based on the strategy. Each NED was considered to be independent at the time of appointment. They are considered independent in character and judgement, and free of relationships and circumstances that might impact their independence. The Chair and NEDs meet at least annually without the Executive Directors present.</p>
<p>Principle H <i>“Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.”</i></p>	<p>The amount of time that NEDs are expected to commit is agreed on an individual basis upon appointment and reviewed periodically, taking into account their involvement in Committees. All Directors allocate sufficient time to ensure they discharge their responsibilities effectively. The Board reviews any new external appointments of all Directors to ensure that they do not impact on their responsibilities to AMS. The NEDs constructively challenge the Executive Directors on the performance of management. They help develop proposals on strategy, assuring themselves on the integrity of financial information, risk management and internal controls. Grahame Cook is the Senior Independent Director. The NEDs have a key role in the appointment, remuneration and succession planning of Executive Directors and to review succession planning for the Senior Management Team (SMT).</p>

<p>Principle I <i>“The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.”</i></p>	<p>The Chairman and Company Secretary ensure that Directors are provided with accurate, timely and clear information for Board meetings. Board meetings are planned a year in advance. Video conferencing facilities are used where appropriate, for example throughout the COVID-19 pandemic. The Company Secretary is available to all Directors as a source of advice on governance matters.</p>
<p>PART 3 – COMPOSITION, SUCCESSION AND EVALUATION</p>	
<p>Principle J <i>“Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and Senior Management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.”</i></p>	<p>The Nomination Committee is responsible for succession planning for Directors, Senior Management and membership of the Audit and Remuneration Committees, leading the Board appointments process and considering the size, structure and composition of the Board. A rigorous process for appointments is in place, giving due consideration to all criteria including diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. The overarching criteria is merit of the candidates and their ability to make an effective and relevant contribution to the Board.</p> <p>The Nomination Committee has a majority of independent Directors in accordance with Code Provision 17.</p> <p>All new Directors undergo a comprehensive induction and development programme designed to help them make an early contribution to the Board which includes details of how the Board and Committees operate, meetings with the SMT and information on Group strategy, products and performance.</p> <p>The Nomination Committee’s terms of reference were updated in 2022. They are available on the website together with further details of the work carried out by the Nomination Committee.</p>
<p>Principle K <i>“The Board and its Committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.”</i></p>	<p>The Directors are satisfied that the Board composition reflects an appropriate balance of skills, knowledge, experience and diversity. Details of each Board member’s role and their biographies are set out in the Annual Report.</p> <p>Membership of the Board was reviewed in detail in 2020 and a plan for Board refreshment over a three-year period was outlined in the Annual Report and market announcements. This process commenced with Peter Steinmann stepping down at the 2020 AGM and continued in 2021 with the appointment of Grahame Cook and Douglas Le Fort, and Steve Bellamy stepping down at the 2021 AGM. Penny Freer stepped down at the 2022 AGM and Liz Shanahan was appointed to the Board. NED recruitment is a formal, rigorous and transparent process using an appropriate executive search consultancy. A shortlist of candidates is developed before interviews are conducted with all members of the Board.</p>
<p>Principle L <i>“Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.”</i></p>	<p>An annual performance evaluation of the Board, its Committees and Directors is undertaken by the Chairman annually and is facilitated by the Company Secretary. It considers composition, diversity and how the Directors work together to implement the strategy, oversee risk and implement succession planning. The results are collated, discussed and acted upon by the Board and Committees. The Board reviews the outcomes of the Committee evaluations and assesses their performance.</p>
<p>PART 4 - AUDIT, RISK AND INTERNAL CONTROL</p>	
<p>Principle M <i>“The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.”</i></p>	<p>Grahame Cook, Douglas Le Fort and Liz Shanahan are members of the Audit Committee. Code Provision 24 states that the Chair should not be a member of the Audit Committee. This Provision was implemented on 6 May 2020 when Peter Allen stood down from the Audit Committee.</p> <p>The composition and terms of reference of the Audit Committee were reviewed in 2022 and can be found on AMS’s website. The Chairman of the Committee reports to the Board on the discussions and findings. The external auditors, Deloitte, were appointed in 2008 after a competitive tender. Deloitte’s independence is reviewed annually and is supported by regular partner rotation and by limitation of non-audit services provided. The last partner rotated in 2022.</p>

<p>Principle N <i>“The Board should present a fair, balanced and understandable assessment of the company’s position and prospects.”</i></p>	<p>AMS’s Board has systems in place to ensure that the Annual Report is a fair, balanced and understandable assessment of the company’s position and prospects, and includes the business model, strategy and a statement that it is appropriate to adopt the going concern basis of accounting in preparing the group’s accounts.</p> <p>There are formal and transparent arrangements for considering how corporate reporting, risk management and internal control principles are applied. The Group has a range of governance-related policies and procedures in place.</p>
<p>Principle O <i>“The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.”</i></p>	<p>The Board carries out bi-annual, robust assessments of the principal risks and how they would be mitigated. The Board also reviews the long-term viability of the Company on an annual basis against various scenarios over a five-year period. Risk management and internal control is monitored by the Board annually, and more regularly by the Audit Committee.</p> <p>The Group has an established risk-based internal audit function which is a key component of internal control and is managed and delivered against an agreed plan by an external audit firm (RSM). It reviews areas of potentially significant risk and substantial process improvement and provides assurance that key controls are effectively designed and operated consistently. Findings and recommendations are reported directly to the Audit Committee.</p>
<p>PART 5 - REMUNERATION</p>	
<p>Principle P <i>“Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company’s long-term strategy.”</i></p>	<p>The level and components of remuneration, and how it promotes the long-term sustainable success of AMS, is explained in the Directors’ Remuneration Report in the Annual Report, together with the remuneration policy. The Remuneration Committee consults with shareholders on Directors’ remuneration when appropriate.</p> <p>Code Provision 36 has not been implemented in full in that the Remuneration Committee does not have a formal policy for post-employment shareholding requirements which is not considered to be necessary at this time.</p> <p>The LTIP and Deferred Annual Bonus Schemes have malus provisions and clawback provisions (Code Provision 37). AMS has implemented a policy that future Executive Director appointments will receive the same pension contributions as the workforce. The Executive Directors currently receive pension contributions of 10% which is not in line with the workforce contributions (Code Provision 38) but is not considered by the Committee to be excessive. The above Code compliance exceptions are reviewed at least annually.</p>
<p>Principle Q <i>“A formal and transparent procedure for developing policy on executive remuneration and determining director and Senior Management remuneration should be established. No director should be involved in deciding their own remuneration outcome.”</i></p>	<p>AMS’s Remuneration Committee comprises four NEDs. The Committee, in consultation with the Chief Executive Officer, determines the Group’s policy on Executive remuneration, employment conditions and the individual remuneration packages of the Executive Directors of all Group companies, SMT members or other senior role where shares are included in the joining package. It also approves all new incentive schemes, the grants of options under the Group’s share option schemes and the grant of shares under the Group’s Long-Term Incentive Plan (LTIP).</p> <p>The terms of reference for the Remuneration Committee were updated in 2021. No Directors or SMT members are involved in setting their own remuneration.</p>
<p>Principle R <i>“Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.”</i></p>	<p>The Remuneration Committee retains the right to exercise discretion. Any use of discretion is independent and would take into account both Group and individual performance. No discretion was been used in 2022. Further detail regarding the work of the Remuneration Committee can be found in the Annual Report.</p>

**Approved by the Board of Advanced Medical Solutions Group plc
7 December 2022**