

AIM RULE 26 DISCLOSURE (CORPORATE GOVERNANCE)

Chairman's statement

The board of directors (the "Board") of Redcentric plc (the "Company") recognises the importance of high standards of corporate governance and integrity. It is committed to effective corporate governance as the basis for delivering long-term value growth and for meeting shareholder expectations for proper oversight and leadership of the business. I am responsible, as Chairman of the Board, for corporate governance within Redcentric and the Board is committed to maintaining a strong governance and ethical structure that supports and sustains its decision making. We believe that having good corporate governance is fundamental to pursue success for the Redcentric plc group ("Group") and its stakeholders. As such, the Company has adopted the Quoted Companies Alliance Code for Small & Mid-sized Quoted Companies 2018 (the "QCA Code") as its benchmark for governance matters and we believe that we are in full compliance at the date of this report.

This report sets out how the Group has applied and complies with the principles of the QCA Code. We will continue to review and update our approach and will update this report as we do.

Additional information in respect of section 172 of the Companies Act 2006 is contained in the Strategic report of the Annual Report and Account for the financial year ending 31 March 2020 ("FY20") ("2020 Annual Report").



Ian Johnson

Chairman

21 July 2020

Governance Principle	Application
Principle 1 Establish a strategy and business model which promotes long-term value for shareholders	<p>The Group's business model and strategy is discussed within the Chief Executive's Review on pages 4 to 8 and also on page 16 of the 2020 Annual Report.</p> <p>Details of the key risks and challenges facing the Group and the high-level management of such are outlined on pages 19 to 20 of the 2020 Annual Report. The Operating Board this year overhauled the risk register and engagement of the Operating Board has been a key area of progress during the year. The risk register is shared and refined with the Audit Committee and Board at key intervals in the year.</p>
Principle 2 Seek to understand and meet shareholder needs and expectation	<p>The Group is committed to engaging with its shareholders to ensure that the strategy and business model are clearly shared and understood. The Board believes that the disclosures of the 2020 Annual Report provide information necessary for shareholders to assess the Group's performance, business model and strategy. Copies of the Annual Report and Accounts are issued to all shareholders that have requested them and copies are also available on the Group's website. The Group's half year report is also available on the Group's website and the Group makes full use of the website to provide information to the shareholders and other interested parties.</p> <p>The Executive Directors of the Company are in regular contact with the Company's shareholders and brief the Board on feedback and any shareholder issues. In FY20, investor briefings and roadshows were held at regular intervals, including following announcement of the preliminary and interim results, and other ad-hoc one to one meetings with key investors and potential investors were also held through the year.</p> <p>There is also regular dialogue with shareholders through the Company's corporate brokers, finnCap Limited (and Numis Securities until January 2020), who keep the Company abreast of shareholder expectations and reactions. Any reports from analysts that refer to the Company or cover the sector are circulated to the Board to support their understanding of the views of the investment community. finnCap, as broker,</p>

	<p>provides feedback directly to the Board from shareholder meetings and events such as the investor day. An update on key shareholding changes and any relevant investor sentiment is also provided in each Board report and Board meeting.</p> <p>There is a dedicated investor relations contact email address should shareholders or investors wish to contact the Company (investorrelations@redcentricplc.com) and the Company Secretary also deals with a number of written queries throughout the year along with the Company's registrar, Link Asset Services.</p> <p>The Chairman and other non-executive directors will always make themselves available to shareholders. The annual general meeting of the Company ("AGM") is usually a key opportunity for this, with shareholders being given the opportunity to raise questions during the AGM and the Board being available both prior to and after the meeting for further discussion with shareholders. However, due to the COVID-19 pandemic, shareholders were regrettably not able to attend the 2020 AGM. Details of the business to be conducted at the 2020 AGM together with arrangements for the AGM due to the COVID-19 pandemic and what shareholders should do to vote by proxy were set out in a separate Notice of Annual General Meeting. To ensure that shareholders had the ability to ask questions of the Board, the Board accepted questions relating to the business being dealt with at the AGM to be submitted by shareholders in advance to the Company at investorrelations@redcentricplc.com.</p> <p>The voting record at the Company's general meetings is monitored and we are pleased that all resolutions were passed by shareholders at the 2020 AGM.</p>
<p>Principle 3</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The Board recognises that the long-term success of the business relies on its customers and colleagues as described on pages 4 to 8 and page and pages 21 to 23 of the 2020 Annual Report and that engagement with these key stakeholders is fundamental to helping the Board make the best business decisions.</p> <p>COLLEAGUES</p> <p>The dedication and skill of the colleagues is fundamental to the Group's operation and success and, as such, we are committed to colleague engagement and listening to and acting on feedback from colleagues. In FY20 a new HR Director was appointed to the Group to ensure it is a great place to work and the first colleague engagement survey for many years was carried out to give colleagues an opportunity to provide detailed and thorough feedback. As described on page 21, a Group-wide plan has been developed in response to some of the themes identified through the survey, including in relation to flexibility of working, the development of the Group's new vision, mission and values and the introduction of a Group-wide online objectives and feedback system.</p> <p>The Group's online learning management system has also been relaunched in response to feedback that colleagues would like to see greater focus on development.</p> <p>Other opportunities for colleagues to provide feedback include quarterly colleague briefing sessions carried out by the Operating Board at various business locations to enable colleagues to ask questions and raise issues and to provide colleagues with updates on the business. We continue to evolve our internal communications strategy and internal ways of working to ensure colleagues are engaged and involved.</p> <p>As detailed on page 22 of the 2020 Annual Report the Group also has in place a Save As You Earn Option Plan to enable colleagues to become personally invested as shareholders of the Company.</p> <p>In FY20 the Group made considerable investment in our working environments, taking on board colleague feedback to refresh the main office in Harrogate, with new furniture, décor and the introduction of a number of innovative "pods" for collaborative thinking and meeting.</p> <p>CUSTOMERS</p> <p>The Group's extensive customer services, which are detailed on the Group's website at https://www.redcentricplc.com/services/, are core to the Group's customer proposition and the Group is in regular dialogue with its existing and potential</p>

	customers in order that it may understand and respond to their ongoing and future requirements.
<p>Principle 4</p> <p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>As set out in the Audit Committee Report on page 32 of the 2020 Annual Report, the Board is committed to ensuring that risk management forms part of the way the Group works and is embedded in the business. The risk register of the Group has been overhauled in the year and is regularly reviewed by the Operating Board before reporting to and review by the Board.</p> <p>The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Operating Board. However, the internal control system is designed to manage rather than eliminate risk and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system cover financial, operational and compliance controls and include:</p> <ul style="list-style-type: none"> • close management of the day-to-day activities of the Group by the executive directors; • an established budgetary system with the preparation and approval of an annual budget by the Board and regular monitoring and review of performance against budget, forecasts and prior year; • detailed monthly reporting to the Board (including financial information, performance against budget and key performance and risk indicators) whereby the Executive Directors report on significant changes to the business and external marketplace to the extent they represent significant risk, • an organisational structure that has clear reporting lines and delegated authorities; • management and monitoring of risk and performance at multiple levels throughout the Group; • strengthened finance and legal functions that maintain processes and systems to enhance the control environment, including the control of expenditure, authorisation limits, purchase ordering, sales order intake, contract review and approval; and • the principle treasury related risks are documented and approved by the Board. <p>The Group has also worked hard over some time to attain a number of ISO accreditations, detailed at https://www.redcentricplc.com/about-us/accreditations-frameworks/, and has a number of policies and procedures in place in order to fulfil the requirements of and maintain these accreditations.</p>
<p>Principle 5</p> <p>Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The composition of the Board is detailed on page 31.</p> <p>The Board delegates specific responsibilities to the Board committees. The composition of the committees and how they discharge their responsibilities can be found on page 29 of the 2020 Annual Report.</p> <p>Part of the role of the Board's Nomination Committee is to keep the composition of the Board under review as the Group's business evolves. It is the intention of the Board to diversify its composition in due course where appropriate and where the opportunity arises. In October 2019, the Company announced the appointment of Ian Johnson as Non-Executive Chairman as Chris Cole stepped down. Ian has previously served on the boards of a number of public and private companies and has a strong track record in building shareholder value. Chris Rigg also stepped down as a Non-Executive Director in December 2019. The Company appointed Dean Barber as an Executive Director and Chief Financial Officer in September 2019 and following the end of the year announced his replacement on the Board and as Chief Financial Officer by David Senior. David has been with the Group since 2017 and has been instrumental</p>

	<p>in building a strong finance team and contributed to the commercial successes of the Group.</p> <p>The Board is satisfied that it has an appropriate balance between independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged and expected to use their independent judgement and to challenge matters where required, both strategic and operational.</p> <p>The Executive Directors of the Company are employed on a full-time basis. Non-Executive Directors are required to devote such time to the Group's affairs as necessary to discharge their duties and this may change from time to time. In addition to scheduled Board meetings, members are required to attend other ad hoc Board meetings, committee meetings, the AGM, site visits, Board dinners and any other business or general meetings as required. Board members are also required to consider all relevant papers before each meeting and to devote additional time in respect of preparation and ad hoc matters which may arise. Non-Executive Directors are required to obtain the agreement of the Chairman before accepting additional commitments that may affect the time that they are able to devote to their role as a non-executive director. Further details of external appointments of the Board are included in their biographies on page 31 of the 2020 Annual Report. In addition to being Non-Executive Chairman of the Company, Ian Johnson is Executive Chairman of Circassia plc and Non-Executive Director of Ergomed plc. Ian has, nonetheless, been able to devote sufficient time to the Group to date and the Board will continue to monitor this.</p> <p>Details of the number of regular scheduled meetings of the Board and committees, together with the attendance record for each Board member, are set out on page 30 of the 2020 Annual Report.</p> <p>The Board recently concluded an assessment of its performance and more detail is provided below against Principle 7.</p>
<p>Principle 6</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>Directors' details and biographies are on page 31 of the 2020 Annual Report. The Board considers that it has sufficient skills and experience to enable it to execute its duties and responsibilities effectively given the nature and size of the Group. As mentioned above, the appointment of Ian Johnson and David Senior to the Board has extended the breadth of experience on the Board and enhanced its capabilities. Directors are responsible for ensuring their continuing professional development to maintain their effective skills and knowledge.</p> <p>As part of the Board performance assessment recently concluded, details of which are set out below, each Board member provided information on their individual skills and experience in areas relevant to the Group. This exercise indicated a high level of capability and also provided insight on additional areas that could potentially form part of the specification for any future Board appointments.</p> <p>The Board receives monthly reports on the Group's operational and financial performance as mentioned above, and formal agendas and reports are also circulated to the Board in advance of meetings. The Board has access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are adhered to. Directors are able to obtain further advice or seek clarity on issues raised in reports or at meetings from within the Group or from external sources. The Board also has a procedure whereby any director may seek, through the Company Secretary, independent professional advice in furtherance of their duties, if necessary, at the Group's expense. Stephen Vaughan is the Company's Senior Independent Director and provides a sounding board for the Chairman and also serves as an intermediary for the other directors where required.</p> <p>External advisers or consultants have been engaged by the Board in respect of the Financial Conduct Authority's investigation into the historical accounting misstatements uncovered by the Company in November 2016 and the implementation of the restitution scheme announced on 26 June 2020 as part of the settlement reached with the FCA, both being significant matters; by the Nomination Committee in relation to the appointment of a new Non-Executive Chairman and by the Remuneration Committee in relation to Executive and</p>

	<p>senior management remuneration arrangements as described in the Directors' Remuneration Report.</p> <p>On appointment to the Board, new directors receive a tailored induction pack and introductions to relevant personnel within the Group.</p>
<p>Principle 7</p> <p>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The Board has recently carried out its first evaluation in a number of years. The assessment was internally facilitated and comprised the following elements:</p> <ul style="list-style-type: none"> • a questionnaire completed by every Board member covering Board and Committee structure, processes, agendas and priorities. Each Board member's assessment of their individual performance and feedback on each other was also sought. The questionnaire was based on one designed by external consultants with considerable experience of Board reviews, but tailored to meet the specific circumstances of the Group; • completion of a skills matrix by each Board member, as referred to under Principle 6 above, to identify areas of expertise on the Board and additional areas that the Board could consider in relation to future appointments; • a Board discussion facilitated by the Company Secretary on the outputs of the questionnaire and skills matrix. <p>The processes identified a number of actions which the Board believes will assist in improving Board performance and these will be implemented during the year, including:</p> <ul style="list-style-type: none"> • increasing the number of scheduled board meetings to be held in the year; • agreeing revised timetables for distribution of papers in advance of Board meetings; and • ensuring that there is robust succession planning in place for senior roles.
<p>Principle 8</p> <p>Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board aims to lead by example with respect to promoting a healthy corporate culture and ensuring that ethical values and behaviours are embedded in the business. The processes in place for decision making which are documented in its Committee terms of reference, the Company's share dealing code and the requirement for regular disclosure of interests are all examples of processes which require high standards of behaviour from the Board.</p> <p>Employment policies adopted by the Group, such as its whistleblowing and anti-bribery policies, assist in embedding a culture of ethical behaviour and the values set out in its corporate social responsibility statement and Modern Slavery Act statement also reinforce this culture.</p> <p>The Group is proud that it works closely with a number of charities including Macmillan Cancer Support, Sue Ryder and the Kidney Cancer Support Network and that it has donated over £10,000 to these charities over the past year. It has also worked in partnership with customers to sponsor a number of charitable events.</p>
<p>Principle 9</p> <p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The business and management of the Group are the collective responsibility of the Board. The Board meets at least six times a year in accordance with its scheduled meeting calendar and this schedule is supplemented with additional meetings as and when required. The attendance by each Board member at meetings held in the year is shown in the table below.</p> <p>At each scheduled meeting, the Board considers and reviews the trading performance of the Group. The Board and its Committees receive appropriate and timely information prior to each meeting in accordance with a reporting timetable agreed with the Board and Operating Board. A formal agenda is agreed with the Chairman for each meeting and papers are distributed several days ahead of meetings taking place.</p>

	<p>The Board has a formal written schedule of matters reserved for its review and approval including approval of the annual budget, major capital expenditure and interim and annual results. All specific actions arising are documented following each Board and Committee meeting, followed up by the Executive Directors and Company Secretary and then reviewed at the next meeting.</p> <p>BOARD COMMITTEES</p> <p>The Board is supported by the Audit, Nomination and Remuneration Committees. A report on the composition, responsibilities and key activities of the Audit Committee are set out in the Audit Committee Report in the 2020 Annual Report and in the Directors' Remuneration Report for the Remuneration Committee in the 2020 Annual Report.</p> <p>The Nomination Committee consists of Ian Johnson (Chairman), Stephen Vaughan and Jon Kempster. The Committee meets at least once a year and as required, particularly as and when necessary to identify and nominate, for approval by the Board, candidates for Board appointments. The Committee engages external consultants when appropriate to assist in the search for and selection of new Board members. During the year, the Nomination Committee was involved in the appointment of Ian Johnson as Non-Executive Chairman and David Senior as a Director and Chief Financial Officer as detailed above.</p> <p>The Committee has terms of reference in place which have been formally approved by the Board and once a year it reviews the structure, size and composition (including diversity) of the Board, considers succession planning and reviews the leadership needs of the organisation.</p> <p>OPERATING BOARD</p> <p>Authority for execution of approved policies, business plan and daily running of the business is delegated to the Executive Directors together with the Operating Board of the Group, which manages and monitors operational performance across the business and ensures effective decision-making. The Operating Board meets on a weekly basis and provides written reports to the Executive Directors on a monthly basis shortly before each Board meeting to ensure that the Board has the most up to date information possible.</p>
<p>Principle 10</p> <p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>The Board communicates with its shareholders in a range of ways including through the Annual Report and Accounts, interim and full-year results announcements, further trading updates where required and appropriate, the AGM, investor roadshows and one-to-one meetings with major existing shareholders or potential new shareholders. The Group's website (www.redcentricplc.com), particularly the investor section of the site, also provides a range of corporate information for shareholders, investors and the public, including all Company announcements and presentations.</p> <p>Group performance information is communicated to colleagues, within the limitations imposed by the Company's public company disclosure obligations, in a number of ways, including regular colleague-wide email communications from the Executive Directors and Operating Board and the quarterly colleague briefing sessions referred to above.</p>