

Corporate Governance Statement of Compliance with the UK Corporate Governance Code 2016

Chairman's Introduction

Advanced Medical Solutions Group plc (the "AMS") shares are quoted on the AIM market and are subject to the AIM Admission Rules of the London Stock Exchange. AMS believes in creating quality outcomes for our employees, customers and patients, and good corporate governance is a key part of this. We recognise the need for ensuring that an effective governance framework is in place to give our stakeholders confidence in the way that the business is run.

Compliance with UK Corporate Governance Code 2016

The Board is committed to the principles of good corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations and has agreed to report against the UK Corporate Governance Code 2016 ("Code"). This report sets out how we comply. Compliance with the Code was checked on the 10 September 2019. A full version of the Code is available from the Financial Reporting Council website at www.frc.org.uk.

Provisions of the Code

A. Leadership

A.1 Role of the Board

The Board consists of the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. It is collectively responsible for the long-term success of the Company and for setting and executing the business strategy, delivering shareholder value. To achieve this, the Board reserves certain matters for its own determination including matters relating to Group strategy, approval of interim and annual financial results, dividends, major capital expenditure, budgets, monitoring performance, treasury policy, risk management, corporate governance and the effectiveness of its internal control systems. It has a schedule of matters specifically reserved for its approval.

Matters are delegated to the Board Committees, Executive Directors and the Senior Management Team where appropriate. The Board performs its responsibilities through an annual programme of meetings and by continuous monitoring of the performance of the Group.

Executive Directors

The Executive Directors are the Chief Executive Officer and the Chief Financial Officer.

Senior Management Team

The Senior Management Team consists of the Executive Directors and key functional managers and meets monthly under the chairmanship of the Chief Executive Officer. The Senior Management Team is collectively responsible for developing a strategy for submission to the main Board, the day to day management of the Group's business and its overall trading, operational and financial performance.

Attendance at Board and Committee meetings

Audit Committee

The Committee consists of the Chairman and three independent Non-Executive Directors and is chaired by Steve Bellamy who has recent and relevant financial experience. The Committee monitors the integrity of the Group's Financial Statements and announcements, its accounting processes, and the effectiveness of its internal controls and risk management system.

Remuneration Committee

The Committee consists of the Chairman and three independent Non-Executive Directors and is chaired by Penny Freer. 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 and all Management earning in excess of £100,000 per annum. 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).

Nomination Committee

The Committee consists of the Non-Executive Chairman, the Chief Executive Officer and three Non-Executive Directors. It considers succession planning for Directors, Senior Management and membership of the Audit and Remuneration Committees to ensure that requisite balance of skills, knowledge and experience are available to the Board to address future challenges and opportunities. It ensures that appropriate procedures are in place and due regard is given to diversity, including gender.

A.2 Division of responsibilities

There is a clear division of responsibilities between the role of the Chairman and the Chief Executive Officer, and between the Board and Senior Management. No individual having unfettered power.

A.3 The Chairman

The role of Chairman is to lead the Board, ensuring it operates effectively and is composed of the right mix of skills and experience. He or she is also responsible for promoting a culture of challenge, openness and scrutiny.

A.4 Non-Executive Directors

Penny Freer is our Senior Independent Director. Meetings of the Non-Executive Directors without the Executive Directors being present are held at least annually.

B. Effectiveness

B.1 Composition of the Board

The Board consists of the Non-Executive Chairman, two Executive Directors and three independent Non-Executive Directors.

Non-compliance with the Code

The area where AMS currently does not comply with the Code is the tenure requirements for a Non-Executive Director. The Board notes the tenure requirement for a Non-Executive Director who has served on the Board for more than nine years from the date of first election to not be considered to be independent (Code Provision B.1.1.).

Steve Bellamy and Penny Freer have served as Non-Executive Directors for 12 years (as at February 2019) and 9 years (as at February 2019) respectively. Due to their extensive experience with the Company, and that the Board consider them to be independent of character and judgement, they are considered to be independent Directors. Steve Bellamy and Penny Freer are, however, subject to annual re-election which started in 2017 for Steve Bellamy and 2019 for Penny Freer (Code Provision B.7.1.).

The Board further notes that under Code Provision B.1.2 a smaller company (below FTSE 350) must have at least two independent Non-Executive Directors. The Board consider Peter Allen, Steve Bellamy, Penny Freer and Peter Steinmann to be independent.

Peter Allen, Steve Bellamy and Penny Freer own shares in the Company as shown on page 61 of the 2018 Annual Report. These holdings have been highlighted to shareholders and are small. They are not considered to impact Non-Executive Director independence under Code Provision B.1.1.

Code Provision B.2.3. states that any term beyond six years for a Non-Executive Director should be subject to rigorous review, taking into account the need for progressive refreshing of the Board. The Board reviewed the appointments of Steve Bellamy and Penny Freer, and consider that their continued appointment does not present any issues

B.2 Appointments to the Board

The Nomination Committee leads the process for the appointment of new Directors to the Board. Please see the terms of reference for the Nomination Committee for more information on the process ([Link](#)).

B.3 Commitment

As part of the evaluation process the Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

B.4 Development

On joining the Board, new members receive go through a formal and comprehensive induction process, including details of how the Board and Committees operate, meetings with Senior Management and information on Group strategy, products and performance. Individual training and development needs of Directors are reviewed as part of the Board Evaluation process. The Directors are kept apprised of developments in legal, regulatory and financial matters affecting the Group by the Deputy Company Secretary and the Group's External Auditors and advisors.

B.5 Information and support

There is a regular flow of information to the Board to keep Directors up to date with the business. The Deputy Company Secretary attends all Board meetings and is responsible for advising the Board on corporate governance matters and for facilitating the flow of information to and from the Board. In addition the Board and Committees have access to independent advice at the Company's expense.

B.6 Evaluation

In accordance with the Code, an annual performance evaluation of the Board, its Committees and the Directors is undertaken annually and is facilitated by the Deputy Company Secretary. It is implemented in collaboration with the Committee Chairmen. This review assesses the effectiveness of all aspects of the Board and its Committees and includes composition, experience, dynamics, the Chairman's leadership, and the Board's role and responsibilities in connection with the strategy, oversight of risk and succession planning. In 2019 this evaluation will be done internally. In accordance with the Code, where a Non-Executive Director has been on the board for six years or more a rigorous review of their contribution is required to ensure they are still effective. This was carried out in 2018 for Steve Bellamy and Penny Freer as outlined above.

B.7 Re-election

The Company's Articles of Association require Directors to submit themselves for re-election by shareholders at least once every three years. In 2017 it was determined that Steve Bellamy would be put forward for re-election annually, and Penny Freer will be put forward for re-election annually from 2019.

C. Accountability

C.1 Financial and business reporting

As set out in the Board's statement on page 64 of the 2018 Annual Report, the Directors consider that the report taken as a whole is fair, balanced and understandable. Pages 65 to 69 of the 2018 Annual Report shows the Independent Auditors' report. The Strategic Report on pages 4 to 33 of the 2018 Annual Report presents an explanation of the Company's business model and strategy.

D. Remuneration

The Remuneration Committees' activities during the previous reporting period are set out on pages 49 to 59 of the 2018 Annual Report.

E. Relations with shareholders

The views of both institutional and private shareholders are important, and these can be varied and wide-ranging, as is their interest in the Company's strategy, reputation and performance. The Executive Directors have overall responsibility for ensuring effective communication and the Company maintains a regular dialogue with its shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year.

The views of shareholders are sought through direct contact and via feedback from advisors and are communicated to the Board as a whole. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which is sent to shareholders at least 20 working days before the meeting. The AMS website 'www.admedsol.com' is regularly updated and provides additional information on the Group including information on the Group's products and technology.

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