

Corporate Governance Statement

The Board is committed to maintaining the highest standards of corporate governance, striving at all times for effective and open communication, transparency and integrity. The Board continuously and diligently works to manage Ergomed in an efficient and entrepreneurial manner for the benefit of shareholders over the longer term.

As a company with shares traded on AIM, Ergomed plc has adopted the Quoted Companies Alliance's Corporate Governance Code ('QCA Code'). Dr Miroslav Reljanović, in his capacity as Executive Chairman, has assumed responsibility for ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied.

The corporate governance arrangements that the Board has adopted are designed to ensure, not only that the Company delivers long-term value to its shareholders, but also that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Board recognises that its decisions regarding strategy and risk, and the way they are communicated, will affect the corporate culture of the Group as a whole, the engagement of employees and, inevitably, the performance of the Group. Each Director therefore places great importance on demonstrating ethical behaviours, both during the decision making process, and in the implementation and communication of strategic decisions.

The Board currently consists of five Directors, comprising two Non-Executive Directors (including Peter George as Senior Independent Director), and three Executive Directors (including Dr Miroslav Reljanović as Executive Chairman). The Board considers Peter George and Michael Spiteri to be independent Directors.

The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls.

The table below shows the number of Board and Board committee meetings held during the year to 31 December 2018 and the attendance of individual Directors at those meetings.

Meetings held during the year to 31 December 2018

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
<i>Number of meetings</i>	10	3	3	2
<i>Executive Directors</i>				
Dr Miroslav Reljanović	10	–	–	2
Stephen Stamp ¹	10	–	3	–
Stuart Jackson ²	3	–	–	–
Andrew Mackie ³	7	–	–	–
Jan Petracek	10	–	–	–
<i>Non-Executive directors</i>				
Peter George	7	2	2	2
Christopher Collins	9	3	3	2
Michael Spiteri ⁴	1	0	0	0

1 Stephen Stamp ceased to be a member of the Remuneration Committee on 5 December 2018.

2 Stuart Jackson was appointed as a Director on 2 July 2018.

3 Andrew Mackie ceased to be a Director on 1 October 2018.

4 Michael Spiteri was appointed as a Director on 1 October 2018. He became a member of the Audit and Risk, Remuneration (as Chair) and Nomination Committees on 5 December 2018.

Board committees

The Board has established Audit and Risk, Nomination and Remuneration Committees, all of which meet at least twice a year.

Audit and Risk Committee

The Audit and Risk Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Ergomed's shareholders.

The Audit and Risk Committee is also responsible for ensuring that the Company is complying with the AIM rules and reviewing and monitoring the Company's corporate governance practices.

Peter George is Chair of the Audit and Risk Committee and Michael Spiteri is the other member. Chris Collins was the Chair of the Audit and Risk Committee during the 2018 financial year, and until his death in March 2019.

The Audit and Risk Committee's report for the 2018 financial year is set out on page 29 of the 2018 Annual Report.

Nomination Committee

The Nomination Committee identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Dr Miroslav Reljanović is the Chair of the Nomination Committee and Peter George and (since 5 December 2018) Michael Spiteri are the other members. Chris Collins was a member of the Nomination Committee during the 2018 financial year, and until his death in March 2019.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders.

Michael Spiteri succeeded Chris Collins as Chair of the Remuneration Committee on 5 December 2018. Peter George is the other member of the Remuneration Committee. Stephen Stamp was a member of the Remuneration Committee until 5 December 2018, and Chris Collins was a member of the Remuneration Committee during the 2018 financial year, and until his death in March 2019.

The Remuneration Committee's report for the 2018 financial year is set out on pages 30 to 31 of the 2018 Annual Report.

Share dealing code

The Directors understand the importance of complying with the AIM Rules relating to Directors' dealings and have established a share dealing code which is appropriate for an AIM listed company.

Application of QCA Code

The QCA Code sets out 10 principles which should be applied by companies which have adopted it as their corporate governance code. These are listed below, together with a short explanation of how the Company applies them.

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

The Board is committed to delivering long-term value for Ergomed's shareholders.

Ergomed's strategy and business model have been worked on extensively by the Board, taking into account investors' feedback and expectations. Our strategy is explained fully within the Strategic Report on pages 1 to 21 of the 2018 Annual Report.

Principle 2 – Seek to understand and meet shareholder needs and expectations

The Board attaches great importance to communication with all of Ergomed's shareholders, both institutional and private. We encourage all our shareholders to attend our Annual General Meeting, which provides a forum and time for shareholders' questions and open discussions.

Furthermore, feedback from investors is obtained through direct interaction between the Executive Chairman (during the 2018 financial year, the CEO) at meetings following its interim and final results, and certain other ad-hoc meetings that take place during the year.

There is also a regular dialogue with shareholders through the medium of the Company's nominated adviser and corporate broker, Numis Securities.

The voting record at the Company's general meetings is monitored and we are pleased that all resolutions proposed so far have been passed by shareholders (with a great majority being passed by 100% of attending votes).

The Company also seeks to stay abreast of shareholder expectations and reactions through its dedicated investor email address: ir@ergomedplc.com.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

As a global group of companies, Ergomed has historically placed great importance on understanding and respecting different cultural and social values within the international realm in which it operates. We have adopted policies to encourage an open and transparent corporate culture, including policies addressing anti-slavery, anti-bribery and whistleblowing, and a Supplier Code of Conduct. We continue to adopt new policies and monitor the implementation of those that we have adopted so far.

We recognise the importance of implementing feedback mechanisms to solicit, consider and act upon feedback from stakeholder groups. We intend to consider the implementation of such systems during the 2019 financial year. This remains a challenge, considering the global environment in which we operate, but the Board continues to place this matter high on the list of Ergomed's priorities.

We use LinkedIn, Facebook and Twitter to encourage dialogue with all stakeholders, including clients and employees. We post on topics such as company news, exhibitions we are attending, webinars we are involved in, company and employee achievements and corporate social responsibility activities.

Our individual offices support a variety of local charities, with a focus on those related to healthcare.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

Details of the principal risks and uncertainties which the Board considers to be associated with the Group's activities, together with the mitigation actions which are being pursued in relation to them, are set out on pages 20 to 21 of the 2018 Annual Report.

Internal control and risk management

The Board acknowledges its responsibility for safeguarding shareholders' investments and the Group's assets. In applying this principle, the Board recognises that it has overall responsibility for ensuring that the Group maintains a system of internal control that provides it with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit and Risk Committee, reviews the effectiveness of the systems of internal control and management continues to invest significant time in further developing the Group's internal control environment. The key features of the internal control system are described below:

- control procedures and environment – the Group has an organisational structure with clearly drawn lines of accountability and authority. Employees are required to follow well-defined internal procedures and policies appropriate to the business and their position within the business and management promotes the highest levels of professionalism and ethical standards;
- identification and evaluation of risks – the Group employs Executive Directors and senior management with the appropriate knowledge and experience required for a medical and scientific research group. Identification and evaluation of risk is a continuous process running in parallel with the significant organic growth of the Group. As a Group, we assess risk on a daily basis and specifically when assessing particular contracts, projects or directions. We consider that there is room for improvement in the creation and implementation of risk management policies, and this is on our priority list for 2019;
- financial information – the Group prepares detailed budgets and working capital forecasts annually. These are based upon the strategy of the Group and are approved by the Board. Detailed management accounts and working capital re-forecasts are reviewed at least quarterly for each Board meeting, with any variances from budget investigated thoroughly and a summary provided to the Board. Annual Reports, Preliminary Statements and Half-year Reports prepared by the Group are reviewed by the Audit and Risk Committee prior to approval by the Board; and
- monitoring – the Board monitors the activities of the Group through the supply of reports from various areas of the business as contained in the Board papers. The Company's Executive Committee, which comprises Executive Directors and other senior executives, performs a more detailed review, taking corrective action if required.

Given the Group's relatively small size, the Board does not consider it either necessary or practical at present to have its own internal audit function. The Board continues to monitor the requirement to have an internal audit function.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair

The Board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition, the Board reviews the risk profile of the group and ensures that an adequate system of internal control is in place. A schedule of matters reserved for the Board has been adopted and is regularly reviewed.

In January 2019, Dr Miroslav Reljanović was elected Executive Chairman of the Board, following the resignation for health reasons of the CEO, Stephen Stamp. Dr Reljanović founded the Company as a CRO in 1997 and co-founded PrimeVigilance in 2008. He was CEO of the Company until June 2017, when he became Executive Vice-Chairman. With his thorough knowledge and experience of the Group and the market in which it operates, the Board decided that it was in the best interests of the Company for Dr Reljanović to re-assume full executive responsibility for the Company, pending a search for a new CEO. Also in January 2019, Peter George stepped down as Chairman to become the Company's Senior Independent Director, to act as a sounding board and intermediary for the Executive Chairman and other Board members.

The Board considers Peter George and Michael Spiteri to be independent Directors.

The Board meets face to face at least five times a year, and it is usual for all Directors to attend. In addition, the Board has telephone conferences or communicates via email on every material issue which arises throughout the year. The Board also meets for Strategic Meetings once to twice a year.

Board meetings typically take half a day with one day of preparation time per meeting. Non-Executive Directors are required to spend a minimum of 12 days per year, and such additional time as is necessary, on Company business (including attendance at Board meetings), and Executive Directors are full-time employees. The table on page 24 of the 2018 Annual Report shows the number of Board and Board committee meetings held during the year to 31 December 2018 and the attendance of individual Directors at those meetings.

Ergomed's General Counsel and Company Secretary attends all Board meetings and assists Directors with any legal or administrative issues arising.

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Directors collectively bring a broad range of business experience and skills to the Board, resulting in a wide variety of perspectives being represented in Board discussions.

A summary of the skills and experience of each Board member is included in their biographies on pages 22 to 23 of the 2018 Annual Report and in their biographies on the 'Investors' section of the Company's website at www.ergomedplc.com.

The Board is drawn from an international background, representing the international nature of the Group's, and many of our clients', businesses. The Directors are aware that the Board is not currently balanced in terms of gender representation and, while they support improved gender balance as an important goal, their fundamental aim (with reference to the size of the Group) is to ensure that the right mix of skills, experience and capabilities is represented on the Board.

The Board regularly reviews and evaluates its skills and capabilities and, in October 2018, Michael Spiteri was appointed as a Non-Executive Director in order to focus on helping the Group develop its business across digital, automation and machine learning.

The Nomination Committee identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the General Counsel and Company Secretary and the Chief Financial Officer.

All Directors are required to retire by rotation at every third AGM at which they hold office, in accordance with the Company's Articles of Association.

Individual Directors attend ad-hoc training, seminars and/or conferences relevant to their specific skills and roles within the Board. Executive Directors regularly attend industry seminars and/or conferences in furtherance of their experience, skills and industry awareness, and in order to consolidate relations with our stakeholders. New Directors attend induction training to familiarise them with their duties and responsibilities as Directors of an AIM listed company.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Evaluation of Board performance has been carried out on an informal basis to date, and the Board discusses its performance from time to time. These discussions are open and aimed at achieving improvement whenever possible. The Board also considers the tenure of Board members, and considers succession planning.

The Board recognises that the criteria and processes of these evaluations should be more formal, and this is one of its objectives for 2019.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

Ergomed has been international from its very beginning and has always appreciated and accommodated different cultural experiences and values. Directors and employees of the Group are accustomed to collaborating in the interests of our business, whilst providing space for cultural differences. The Board promotes the involvement of local managers throughout the Group to integrate our core values with local cultural sensitivities.

Each Director places great importance on demonstrating ethical behaviours, both during the decision-making process, and in the implementation and communication of strategic decisions. Senior managers are also encouraged to lead by example in the promotion of ethical values and behaviours.

Our corporate culture is also based around our need to adhere to quality standards on our clients' behalf, and this focus on quality standards underlies the majority of our business processes. As a Group, we are subject to numerous external client and regulatory audits as well as internal audits of our operations and vendors.

The Chairman's Corporate Governance Statement dated 28 September 2018 stated that Ergomed intended to adopt a Code of Conduct by mid-2019. Our Supplier Code of Conduct was adopted in late 2018, and during the next 12 months we intend to focus on the implementation of revised human resources policies which promote best practice behaviours throughout the Group.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Further details on our governance structure and the role of our Board Committees are set out on pages 24–25 of the 2018 Annual Report and in the 'Investors' section of our website at www.ergomedplc.com.

The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. A scheduled meeting calendar is arranged as far in advance as possible, and ad-hoc meetings are held in person or by telephone when it is necessary for the Board to discuss specific issues.

To enable the Board to discharge its duties, the Directors receive appropriate and timely information. A formal agenda and briefing papers are distributed to the Directors in advance of each Board meeting. The Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with, and to the Chief Financial Officer. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board sets direction for the Company through a formal schedule of matters reserved for its decision, which is regularly reviewed.

The Board intends to review its governance structures regularly to ensure they are fit for purpose and will carry out a review of the terms of the Audit and Risk, Nomination and Remuneration committees during 2019.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board attaches great importance to communication with both institutional and private shareholders.

Regular communication is maintained with our shareholders primarily through:

- our Annual General Meeting;
- our investors' dedicated email address: ir@ergomedplc.com;
- our websites (www.ergomedplc.com, www.primevigilance.com and <https://psr-group.com>);
- meetings and conversations between the Executive Chairman and shareholders, both on an ad-hoc basis, and following publication of the interim and final results; and
- company announcements.

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders, especially considering the long-term nature of the business. Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and give feedback regularly throughout the year. With private shareholders this is not always practical and the Board uses the Company's Annual General Meeting as its main opportunity to meet private shareholders. A presentation on the activities of the Group is given at each AGM, and following the presentation there is an opportunity for shareholders to ask questions of Directors on a formal and informal basis, and to discuss the development of the business.

Our Group website (www.ergomedplc.com) sets out details of the Group and its activities, regulatory announcements and company press releases, Annual Reports, half-year reports, notices of general meetings and information required by the AIM Rules for companies and the QCA Code. From the Company's 2019 AGM, the Group website will also disclose the outcome of votes at general meetings. The 'Investors' section of the Group website includes a dedicated 'Corporate Governance' section, where our annual Corporate Governance Statements can be found. During the next 12 months we intend to enhance the Corporate Governance section of our website to include clear signposting to where the disclosures required by the QCA Code are located (i.e. in our Annual Report or on our website).

We also use LinkedIn, Facebook and Twitter to communicate with our stakeholders, including clients and employees, on topics such as company news, exhibitions we are attending, webinars we are involved in, company and employee achievements and corporate social responsibility activities.

Dr Miroslav Reljanović
Executive Chairman
7 May 2019