

Corporate governance at a glance

Board and committee meetings during 2020

Name	Notes	Number of meetings			
		Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings		4	4	3	1
Executive Directors					
Miroslav Reljanović		4/4	–	–	1/1
Richard Barfield		4/4	–	–	–
Lewis Cameron	Appointed 20 January 2020, resigned 21 September 2020	3/3	–	–	–
Non-Executive Directors					
Rolf Soderstrom		4/4	4/4	3/3	1/1
Ian Johnson		4/4	4/4	–	–
Michael Spiteri		4/4	4/4	3/3	1/1
James Esinhart	Resigned 14 May 2020	1/1	–	1/1	–

	Primary responsibilities
Executive Chairman	Lead and manage the Board and wider business, ensuring the Board's effectiveness and delivery of the Group's strategy through the senior management team.
Chief Financial Officer	Manage the Group's finance activities, support the Executive Chairman in delivering the Group's strategy and manage investor relations.
Senior Independent Director	In addition to usual Non-Executive Director duties, to support the Executive Chairman, act as an intermediary for other Directors and lead the Non-Executive Directors in the oversight of the Executive Chairman's performance.
Non-Executive Director	Oversee the development and delivery of the Group's strategy, performance of senior leadership and the adequacy of governance policies and processes.

Governance focus areas in 2020

Key areas of governance focus in the year, and since the year end:

- Review and focus the Group's strategy on the CRO and PV service business sectors;
- Oversee and monitor the adoption of key financial standards;
- Committed to the acquisition and integration of PrimeVigilance USA and MedSource;
- Approved the sourcing and securing of £30 million debt financing facility;
- Ongoing review of Risk, Compliance and Corporate Governance processes;
- Initiated project to implement share options administration system;
- Review of key corporate policies; including local HR policies, anti-bribery and whistleblowing policies;
- Review and oversight of the Capital Reduction process; and
- Implementing formal, regular Board effectiveness evaluations.



Miroslav Reljanović

Executive Chairman

"Maintaining the highest standards of corporate governance, striving at all times for effective and open communication, transparency and integrity."

Introduction

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 public company with shares listed on the Alternative Investment Market ('AIM') of the London Stock Exchange, Ergomed has adopted the 2018 Quoted Companies Alliance's Corporate Governance Code ('QCA Code'). In my capacity as Executive Chairman, I have assumed responsibility for, and I am committed to, 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.

In this Corporate Governance Report we aim to explain how the Board discharges its governance responsibilities.

The Board of Directors

The Board is responsible for taking all major strategic decisions and 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.

Meetings

The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. Directors are expected to attend all meetings of the Board and the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. In the event that Directors are unable to attend a meeting, their comments on the matters to be considered at the meeting are discussed in advance with the Chairman so that their contribution can be included in the wider Board discussion.

The Presidents of the Group's CRO and PV businesses, the Chief Commercial Officer and other key management personnel are invited to attend Board and Committee meetings as appropriate.

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

Scheduled Board meetings take place four times a year, and it is usual for all Directors to attend. Scheduled Board meetings are ordinarily face-to-face but have largely taken place by video conference in 2020, due to the COVID-19 pandemic. In addition, the Board has telephone/video conferences or communicates via email on material matters that may arise throughout the year. The Board also meets for a strategy meeting at least once 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 1 shows the number of scheduled Board and Board Committee meetings held during the year to 31 December 2020 and the attendance of individual Directors at those meetings. There were further ad hoc meetings held when required.

To enable the Board to discharge its duties, the Directors receive appropriate and timely information, including monthly management reports. 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 are 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.

Composition and independence

The Board is drawn from an international background, representing the international nature of the Group, and many clients' businesses. The Board recognises that diversity is an important factor in ensuring stakeholder representation and promoting long-term shareholder value and supports an improved gender and cultural balance as an important goal, whilst acknowledging that the current composition of the Board does not reflect this.

The Board currently consists of two Executive Directors and three Non-Executive Directors. Biographical information for each Director and their contribution to the business is set out on pages 48 to 49 of the 2020 Annual Report. The Board considers Rolf Soderstrom and Michael Spiteri to be independent.

Appointment, removal and re-election

Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') following their initial appointment, and at each AGM one-third of the Directors shall retire by rotation and put themselves forward for re-election. All Directors must retire by rotation and put themselves forward for re-election at least once every three years.

Lewis Cameron was appointed to the Board as Chief Operating Officer ("COO") on 20 January 2020. Mr Cameron resigned from his position as COO on 21 September 2020 for personal reasons related to the COVID-19 pandemic.

On 14 May 2020 James Esinhart confirmed that he would not be standing for re-election at the forthcoming AGM and would step down from the Board as a Non-Executive Director with immediate effect.

The Board would like to thank Lewis and James for their service and wish them well in their future endeavours.

Induction and development

Individual Directors attend ad hoc training, seminars and conferences relevant to their specific skills and roles within the Board. Executive Directors regularly attend industry seminars and 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 themselves with their duties and responsibilities as Directors of an AIM listed company.

Communication with investors

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 website – www.ergomedplc.com;
- meetings and conversations between the Executive Chairman, Chief Financial Officer and shareholders, both on an ad hoc basis, and following publication of the interim and final results;
- Company announcements via RNS; and
- investor conferences and webinars.

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 with them. 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.

The COVID-19 pandemic resulted in some disruption to the usual methods of investor communication, namely the Group's ability to hold an 'in-person' meetings. The AGM held on 10 June 2020 and General Meeting in relation to the capital reduction held on 19 October 2020 were both held as closed meetings. The Group successfully utilised virtual presentations for the 2019 year end preliminary results and 2020 interim results, which were received well.

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. The 'Investors' section of the Group website includes a dedicated 'Corporate Governance' section, where our annual Corporate Governance Statements can be found.

The Group also utilises social and corporate media platforms such as 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 presenting at, company and employee achievements and corporate social responsibility activities.

Board Committees

The Board delegates certain items of business to its Committees. At the year-end, these were the Audit and Risk, Nomination and Remuneration Committees. Each Committee operates under clear terms of reference.

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, reviewing reports from the Company's auditors relating to the Company's accounting and internal controls and monitoring the primary risks and uncertainties and the potential impact they have on the Group executing its strategy.

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

The Audit Committee is composed of three Non-Executive Directors, the majority of whom are independent, and is chaired by Rolf Soderstrom. Michael Spiteri and Ian Johnson are the other members of the Committee.

The Audit and Risk Committee's report for the 2020 financial year is set out on pages 56 to 59 of the 2020 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.

Miroslav Reljanović is the Chair of the Nomination Committee. Michael Spiteri and Rolf Soderstrom are the other members of the Committee.

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, to ensure they are aligned to the execution of Group strategy, and effective risk management, for the medium to long term.

The Committee does so within its formal terms of reference and having due regard to the interests of shareholders.

Michael Spiteri was Chair of the Remuneration Committee during the year and the other member of the committee was Rolf Soderstrom. James Esinhart was a member until his resignation as a Director in May 2020.

The Remuneration Committee's report for the 2020 financial year is set out on pages 60 to 63 of the 2020 Annual Report.

Capital reduction

In light of the Group's operational and financial progress, in October 2020 the Board sought shareholder approval for a capital reduction, whereby the balance on the Company's share premium account and other reserves would be used to eliminate the deficit on the retained earnings reserve ('Capital Reduction').

On 19 October 2020 the Company received 100% support from shareholders at the General Meeting to approve the Capital Reduction. The Capital Reduction became effective on 17 November 2020 following Court approval and the filing of documentation with the Registrar of Companies.

The Capital Reduction has provided the Board with the flexibility to distribute future profits to its shareholders, should it be considered appropriate to do so. No decision has been made by the Board on how the distributable reserves created by the Capital Reduction will be utilised and any such utilisation will always be subject to the financial position and prospects of the Company at the relevant time.

The Board would like to thank shareholders for their support in completing this process.

AGM

The Board values each AGM as an opportunity to communicate with private and institutional investors and welcomes their participation. At the time of writing, it is not expected that in-person voting and attendance will be possible at Ergomed's 2021 AGM, due to ongoing COVID-19 restrictions. The Board is keen to ensure that it can engage with shareholders at the 2021 AGM, despite the challenges of COVID-19, and arrangements for shareholder participation at the AGM will be announced via RNS and on the Company's website at www.ergomedplc.com.

The Company has adopted the Quoted Companies Alliance Corporate Governance Code (2018 edition) (the "QCA Code"). The QCA Code sets out ten main corporate governance principles and requires the Company to apply these principles and publish certain related disclosures, which are summarised in the table below.

	QCA Governance Principles	Explanation*
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. During 2020, Ergomed continued to implement its strategy to become a global leader in PV and specialist clinical trials. Please see 'Strategic Report' on pages 2 to 47 for further details.
2	Seek to understand and meet shareholder needs and expectations	Ergomed is committed to effective communication with all Ergomed's shareholders, both institutional and private. Details of how we communicate with our investors are set out on pages 52 to 53 ('Communication with investors'). Please see 'Stakeholder engagement' (pages 34 to 35) for details of how the Group identifies shareholder needs and engages with them.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Please see 'Stakeholder engagement' (pages 34 to 35) for details of how the Group takes wider stakeholder needs into consideration and engages with them. The Group has 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. Please see 'Audit Committee report' (pages 56 to 59) for details of how these policies have been updated during 2020. Please see 'Responsible business' (pages 33 to 43) for details of how the Group addresses key social responsibilities such as its impact on the environment and commitment to the wellbeing of patients and colleagues.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Please see 'Risk Management' (page 44) for details of the Group's risk management framework and processes and how these have been enhanced during 2020. Please see 'Principal risks and uncertainties' (pages 45 to 47) for details of the main risks and uncertainties which the Board considers to be associated with the Group's activities.
5	Maintain the Board as a well-functioning, balanced team led by the Chair	The Board is chaired by Miroslav Reljanović as Executive Chairman. Dr Reljanović founded Ergomed in 1997 and cofounded PrimeVigilance in 2008. He was CEO of the Company until June 2018, when he became Executive Vice-Chairman, becoming Executive Chairman in January 2019 and has thorough knowledge and experience of the Group and the market in which it operates. The Board is also composed of the CFO, Richard Barfield, a Senior Independent Director, Rolf Soderstrom, and two Non-Executive Directors, Ian Johnson and Michael Spiteri, who bring significant Boardroom experience in both executive and non-executive roles. The Board will continue to appoint additional independent Non-Executive Directors where possible. The Board recognises that best practice in corporate governance is to ensure a clear division of responsibilities between the roles of Chair and CEO and continues to monitor investor feedback with regard to this on an ongoing basis. The Board considers Rolf Soderstrom and Michael Spiteri to be independent. The biographies of all current serving Directors can be found on pages 48 to 49.

* All page references in this table are to Ergomed plc's 2020 Annual Report, which is available at www.ergomedplc.com

QCA Governance Principles	Explanation
6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	<p>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.</p> <p>Please see 'Board of Directors' (pages 48 to 49) for a summary of the experience, skills and capabilities of Ergomed's Directors.</p>
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<p>During 2020 the Board carried out a formal internal evaluation of its performance, and will implement the recommendations arising from this evaluation during 2021. It is the intention that this evaluation process will be repeated annually, and the need for external evaluation will be kept under review. The Board also considers the tenure of Board members and considers succession planning on an annual basis.</p>
8 Promote a corporate culture that is based on ethical values and behaviours	<p>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.</p> <p>Please see 'Responsible Business' (pages 33 to 43) for details of our corporate culture. 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.</p> <p>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 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.</p> <p>During 2020 we initiated the implementation of revised human resource and corporate policies which promote best practice behaviours and align policies throughout the Group.</p>
9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	<p>Further details on our governance structure and the role of our Board Committees are set out on pages 48 to 49 ('Board of Directors') and 53 ('Board Committees') and in the 'Investors' section of our website at www.ergomedplc.com.</p> <p>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 matters outside of scheduled meetings.</p>
10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>Ergomed engages with its shareholders and other relevant stakeholders in a variety of ways, to ensure they understood how the business is governed and how it is performing</p> <p>Please see 'Stakeholder engagement' (pages 34 to 35) and 'Communication with Investors' (pages 52 to 53) for details of how we engage with our shareholders.</p>

Miroslav Reljanović

Executive Chairman

22 March 2021