

Circassia Group plc
QCA code application
16 June 2020

Principle	QCA Guidance	Application by Circassia
<p>1. Establish a strategy and business control which promote long-term value for shareholders</p>	<p>The Board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.</p>	<p>Refer to the Strategic Report which can be found in the 2019 Annual Report and Accounts (pages 1 to 35). The Group's values are stated within the Corporate Social Responsibility Report on pages 27 to 33 and the Group's strategy and business model are explained in detail in the Strategic Report on pages 18 to 19.</p>
<p>2. Seek to understand and meet shareholder needs and expectations</p>	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p> <p>The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>Refer to the Corporate Governance Report in the 2019 Annual Report and Accounts beginning on page 46.</p> <p>All resolutions at the 2019 AGM were approved by Shareholders.</p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.</p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p>	<p>The Board recognises the need for good relations with internal and external stakeholders. The Directors recognise the importance of corporate social responsibility, and seek to take account of the interests and feedback from all the Group's stakeholders, including its investors, customers, suppliers, partners and employees when operating the business. Feedback is obtained, for example through the use of annual employee surveys, customer satisfaction surveys and regular meetings with shareholders.</p> <p>The Board believes that fostering an environment in which employees act in an ethical and socially responsible fashion is critical to its long-term success.</p>

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	<p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>The Group strives to be a good corporate citizen and respects the laws of the countries in which it operates.</p> <p>To this end, the Corporate Social Responsibility section of the 2019 Annual Report and Accounts (pages 27 to 33) addresses our people, our values, diversity, employee welfare and involvement, employment, training, career development and promotion of disabled persons, health and safety, ethical and social policies, the Sunshine Act, human rights, product development, impact on the environment, greenhouse gas emission and slavery and human trafficking.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.</p>	<p>The Board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>Refer to the section Risks and Risk Management beginning on page 34.</p>
<p>5. Maintain the Board as a well-functioning, balanced team led by the chair</p>	<p>The Board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.</p> <p>The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p>	<p>Refer to the Corporate Governance Report in the 2019 Annual Report and Accounts on pages 46 to 53.</p> <p>Separate Committee reports can be found in the 2019 Annual Report and Accounts as follows:</p> <ul style="list-style-type: none"> - Audit and Risk Committee page 54 - Nomination Committee page 60 - Remuneration Committee page 63

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	<p>The Board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a Board judgement.</p> <p>The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>Garry Watts was appointed as Senior Independent Director on 2 March 2020 increasing the number of NEDs to three.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.</p>	<p>The Board must have an appropriate balance of sector, financial and public market skills and experience, as well as an appropriate balance of personal qualities and capabilities.</p> <p>The Board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a Board.</p> <p>As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.</p>	<p>The Board has a balanced composition, with relevant skills and expertise. Refer to the Board of Directors biographies on pages 44 and 45 for more details on each.</p> <p>The Nomination Committee is responsible for reviewing the size, structure and composition of the Board and establishing appropriate succession plans (see 2019 Annual Report and Accounts on page 60).</p> <p>Directors are able to obtain external advice, at the cost of Circassia, when needed. This is normally organised by the Company Secretary.</p>
<p>7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.</p>	<p>The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The Board performance review may be carried out internally or, ideally externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p>	<p>The Board carries out an evaluation of its performance annually as described on page 51 of the 2019 Annual Report and Accounts.</p> <p>The Nomination Committee is responsible for establishing succession plans for the Executive Directors.</p>

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	<p>It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for Boards. No member of the Board should become indispensable.</p>	
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the Board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issues by the company.</p>	<p>Refer to the section Corporate Social Responsibility beginning on page 27 in the 2019 Annual Report and Accounts.</p>
<p>9. Maintain governance processes that are fit for purpose and support good decision making by the Board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> - size and complexity, and - capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p>The Executive Chairman is ultimately responsible for Corporate Governance and is responsible for engagement with shareholders. The Senior management team are responsible for the day to day running of the business with key decisions put to the Board.</p> <p>The roles of the committees are explained in the Corporate Governance report of the 2019 Annual Report and Accounts. As follows:</p> <ul style="list-style-type: none"> - Audit and Risk Committee page 54 - Nomination Committee page 60 - Remuneration Committee page 63

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		Matters reserved for the Board are available on the website.
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</p>	<p>A healthy dialogue should exist between the Board and all of its shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> - the communication of shareholders' views to the Board; and - the shareholders' understanding of the unique circumstances and constraints faced by the company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>Refer to page 47 of the 2019 Annual Report and Accounts 'Dialogue with shareholders'.</p> <p>The work of the Board and its committees in each year is set out in the 2019 Annual Report and Accounts as set out on:</p> <ul style="list-style-type: none"> - page 46 – Corporate Governance Report - page 54 – Audit and Risk Committee Report - page 60 – Nomination Committee Report - page 63 – Remuneration Report. <p>Historical annual reports and other governance related material are available on the website at circassia.com.</p> <p>The results of the voting at the 2019 Annual General meeting are available at circassia.com.</p>