

# REACT Group PLC

## Corporate Governance Statement

The Board strongly believes in the value and importance of good corporate governance and its accountability to all of REACT's stakeholders, including shareholders, staff, customers and suppliers. In the statement below, we explain our approach to governance, and how the Board operates. The Chairman's role is to lead the Board, with ultimate responsibility for overseeing the Company's approach to corporate governance.

REACT has chosen to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

### Board Composition and Compliance

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent. During the year, Robert Gilbert and Michael Joyce continued as non-executive directors and both are considered by the Board to be independent. Mark Braund was appointed as Executive Chairman in December 2020 to replace Gill Leates as Chairman, who stepped down from the Board after a number of years as director of the Company. Shaun Doak and Andrea Pankhurst continued as CEO and CFO respectively throughout the year, as well as fulfilling roles as directors of both trading companies.

### Board Evaluation

Performance of the directors is reviewed informally by the Chairman on an ongoing basis and action taken to address any issues arising as appropriate.

### Shareholder Engagement

Shareholders are encouraged to attend the Annual General Meetings, notwithstanding periodic restrictions due to COVID-19, and are provided with contact details for the Company on all announcements made via RNS.

The Company provides shareholders with direct access to the Annual General Meeting and live investor presentations via the Investor Meet Company, a digital platform that provides free, direct access to each event.

The Board also has ultimate responsibility for reviewing and approving the Annual Report and Accounts and confirms that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The following paragraphs set out REACT's compliance with the 10 principles of the QCA Code.

#### **Principle 1: "Establish a strategy and business model which promotes long-term value for shareholders".**

REACT Group is a leader in the specialist cleaning, decontamination, and hygiene sector, including both contracted commercial cleaning and specialist emergency decontamination work.

Our purpose is to rapidly maintain and/or return our customers' property to safe, clean, operational use and do this through regular specialist cleaning and/or emergency response to potentially harmful incidents.

The core business includes regular cleaning regimes in the health service, the education sector, on parts of the rail network and the highways; emergency call-out work to respond to trauma, anti-social behaviour, and other hazardous incidents across a range of sectors including working for some of the industry's largest facilities management ("FM") firms; and specialist ad hoc work such as dealing with void clearances, fly tipping, pigeon guano clearance, and graffiti.

As a genuine specialist, REACT operates across a fragmented market where quality, geographical reach and range of service is often a challenge.

## REACT Group PLC

### Corporate Governance Statement (continued)

REACT's emergency call out business is one of the very few specialists with full coverage of mainland Great Britain operating to a call-out time of less than 4 hours; essential for our larger customers that rely on a consistently high-quality standard and an urgent response to provide their own customers with minimum interruption of service.

The work our specialists undertake has tangible value; the cost of not being able to operate a train, open a hospital ward or school classroom, occupy any form of commercial or socially important property is material, hence the work REACT does is valued and operates at higher margins than regular cleaning.

Customers value quality and speed of response; they recognise REACT as one of the very few specialists to deliver such strength and diverse capability across the whole of Great Britain.

*Our strategy is to continuously improve the value of our portfolio of services to our customers and thereby further strengthen the financial model of our business by maintaining strong margins and improving the long-term recurring nature of our income.*

#### **Principle 2: "Seek to understand and meet shareholder needs and expectations."**

The Board believes it is important to provide shareholders with clear and transparent information on the Group's activities, strategy and financial position. Responsibility for investor relations rests with the Chairman whose contact details are provided on the website; shareholders are also encouraged to attend Annual General Meetings (notwithstanding current restrictions due to COVID-19) during which time is set aside specifically to allow questions from attending members to be addressed by the Board.

A range of corporate information (including all REACT Group announcements) is also available to shareholders, investors and the public on our website.

The Company provides shareholders with direct access to the Annual General Meeting and live investor presentations via the Investor Meet Company, a digital platform that provides free, direct access to each event. These sessions also include a Q&A element.

The Company's broker arranges meetings with the Company's institutional and other larger shareholders at appropriate intervals during the year.

The Board is keen to ensure that the voting decisions of Shareholders are reviewed and monitored and that approvals sought at the Company's AGM are as much as possible within the recommended guidelines of the QCA Code.

Allenby Capital Limited has fulfilled the combined role of Nominated Adviser and Broker throughout the year.

#### **Principle 3: "Take into account wider stakeholder and social responsibilities and their implications for long term-success"**

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards its employees, customers and suppliers and to take into account, where practicable, the social, environmental and economic impact of its activities on its stakeholders.

Accordingly, we have a detailed Corporate Social Responsibility Policy in place which outlines our commitment to our social responsibilities. We also undertake regular business risk assessments in accordance with the ISO9001:2015 and ISO14001:2015, to assess and manage the risks associated with the operational aspects of the business including the environmental impact. Under the ISO 2015 Standards we also have to identify other 'Interested Parties' who may be affected by daily operation of the organisation, and document and regularly review how we manage those relationships.

The Board also takes its responsibilities with regard to health and safety and working practices very seriously and ensures that the Company complies with all the necessary legislation, and that employees are given appropriate training for the work that they have to undertake.

## REACT Group PLC

### Corporate Governance Statement (continued)

#### **Principle 4: “Embed effective risk management, considering both opportunities and threats, throughout the organisation.”**

Responsibility for the management of risk in the business rests with the Board. The Company’s business is subject to a number of risks and uncertainties and the Board continually considers how to identify and mitigate the key business risks that could impact upon performance. The principal risks and uncertainties facing the Group and how they are being addressed are as follows:

#### ***Dependence on key customers***

As detailed in the Strategic Report, a significant proportion of the Group’s sales has historically been derived from a relatively small number of customers.

A combination of focusing on strategically valuable customers and the acquisition of Fidelis has grown the active customer base from 129 at the end of FY20 to 213 at the end of FY21.

Expanding our reach and contracted business with existing customers is a key part of our strategy. We have been successful doing this during the period, especially in the health, rail and highways sectors. We have also succeeded in expanding our contracted business with several of the large FM companies we provide services to, including our appointment as the ‘core vendor’ to one of the world’s largest FM companies.

The Company remains focused on further developing the business it carries out with more of its customers to provide a better spread and balance of business and thereby reduce the dependency on a limited number of customers.

#### ***Attraction and retention of key management and employees***

Also as stated in the Strategic Report, the skills and performance of the Group’s management and staff are key to its future success. We continue to review our employee value proposition at all levels in the Company, aiming to be a destination employer in our sector.

As part of this process, we continue to improve communication and collaboration amongst our colleagues, alongside a structured approach to employee training and development refined according to both personal and business requirements.

Appropriate key performance indicators (KPIs) are used for the benefit of both customer service and employee development.

#### ***Future funding requirements***

The Group is reporting its second annual trading profit in the year ended 30 September 2021. It has funded the costs of the Fidelis acquisition from its own cash reserves and these transactions are the main factor in the reduction of cash balance to £0.63m (2020: £1.78m). Fidelis had negotiated a CBIL loan prior to the acquisition and at the year end, the remaining balance of this loan was £67,000. Since April 2020, REACT has had an invoice discounting facility in place and this facility provides flexibility for the Group to deal with normal business working capital fluctuations. Based on the trading outlook for the next 12 months, it is not anticipated that any further funding will be required. However, the Board will continue to regularly monitor the Group’s performance and its overall cash position.

The directors also constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure of credit risk and liquidity risk. They are confident that suitable policies are in place and that all material financial risks have been considered. The Group’s financial instruments primarily comprise cash balances and receivables and payables that arise directly from its operations. The main risks the Group faces are liquidity risk and capital risk. The board regularly reviews and agrees policies for managing each of these risks. The Group’s policies for managing these risks are summarised below.

#### ***Interest risk***

The Group is exposed to interest risk in relation to its Invoice Discounting Facility. Its CBIL loan of £67,000 at 30<sup>th</sup> September 2021 is currently interest-free. The plan is to repay this loan during the interest-free period.

## REACT Group PLC

### Corporate Governance Statement (continued)

#### ***Credit risk***

The Group is exposed to credit risk as services are invoiced as soon as practicable after completion. This risk is mitigated as most large customers have been customers for several years and have good credit ratings. The board has also put procedures in place to ensure all services are invoiced promptly and payments received in a timely manner.

#### ***Liquidity risk***

Liquidity risk is the risk that Group will encounter difficulty in meeting the obligations associated with financial liabilities. The responsibility for liquidity risks management rest with the Board of Directors, which has established appropriate liquidity risk management framework for the management of the Group's short term and long-term funding risks management requirements.

#### ***Capital risk***

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

#### ***Health and safety***

Given the nature of the business our operators are often working in challenging conditions. As a consequence, the Group takes its responsibilities with regard to the health and safety of its employees very seriously and has in place experienced, well trained resources updating and implementing policies and practices aimed at ensuring the well-being of its employees.

#### **Principle 5: "Maintain the board as a well-functioning, balanced team led by the chair."**

The members of the board have a collective responsibility and legal obligation to promote the interests of the Group, 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.

During the year ended 30 September 2021, the Board continued to benefit from the ongoing support of its two independent non-executive Directors; Rob Gilbert, with his sales and marketing experience and Michael Joyce with senior financial expertise. Mark Braund was appointed as Executive Chairman in December 2020 to replace Gill Leates as Chairman who stepped down from the Board after a number of years as a director of the Company. Shaun Doak and Andrea Pankhurst continued as CEO and CFO respectively throughout the year.

Details of the individual Directors and their biographies are set out on the Company's website [www.reactplc.co.uk](http://www.reactplc.co.uk). The Directors evaluate the balance of skills, knowledge and experience on the Board when defining the role and capabilities required for new appointments.

The Board is responsible for management of the business, setting the strategic direction and policies. The Board meets regularly to attend to any issues which require the attention of the Board and oversees the financial position of the Company monitoring the business and affairs on behalf of the Shareholders, to whom the Directors are accountable. The Board also addresses issues relating to internal control and the Company's approach to risk management.

During the year ended 30 September 2021 the Board held 8 scheduled meetings. The primary duty of the Board is to act in the best interests of the Company, its shareholders and its stakeholders at all times.

#### ***Audit Committee***

The Audit Committee meets at least twice a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of REACT Group PLC. This committee consists of Michael Joyce non-executive Director (who chairs the committee) and Mark Braund, Executive Chairman.

## REACT Group PLC

### Corporate Governance Statement (continued)

#### **Remuneration Committee**

The Remuneration Committee meets not less than once each year. The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of REACT Group PLC. This committee consists of non-executive Director, Michael Joyce (who chairs the committee) and Mark Braund, Executive Chairman.

#### **Nominations Committee**

The Nominations Committee assists the Board in meeting its responsibilities for ensuring that the Board retains an appropriate balance of skills to support the strategic objectives of the Group, has a formal, rigorous and transparent approach to the appointment of Directors and maintains an effective framework for succession planning. This committee consists of non-executive Director, Michael Joyce (who chairs the committee) and Mark Braund, Executive Chairman.

#### **Principle 6: “Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.”**

The Board currently comprises a part-time Executive Chairman, two independent non-executive Directors, as well as two full-time executive directors, being the CEO and CFO. The skills and experience of the Board are set out on the company website.

The Board is kept abreast of developments of governance and AIM regulations. The Company’s lawyers provide updates on governance issues and the Company’s NOMAD provides AIM Rules training to new directors as well as apprising the Board as a whole of updates and guidance published regarding the AIM rules and other regulatory matters.

All Directors have access to the Company’s NOMAD, registrars, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

The Company is mindful of the issue of gender balance although Board appointments are made with the primary aim of ensuring that the candidate offers the required skills, knowledge and experience.

#### **Principle 7: “Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.”**

Performance of the Directors is reviewed informally by the Chair on an ongoing basis and action taken to address any issues arising as appropriate.

The Board meets formally at least 6 times a year with ad hoc Board meetings as the business demands. There is a strong flow of communication between the Directors. The Agenda is set with the consultation of all Directors, with consideration being given to both standing Agenda items and the strategic and operational needs of the business. Papers are circulated in advance of the meetings, giving Directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up.

The composition of the Board continues to be monitored, in particular the balance of executive and non-executive Directors. The Board as a whole is mindful of the need for considering succession planning.

The Directors have a wide knowledge of the business and requirements of Directors’ fiduciary duties. Further training and development will be considered as the business and Board evolves.

The Directors have access to the Company’s NOMAD and auditors as and when required. They are also able, at the Company’s expense, to obtain advice from external bodies if required.

#### **Principle 8: “Promote a corporate culture that is based on ethical values and behaviours.”**

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise Shareholder value. The Company maintains and regularly reviews a staff handbook that includes clear guidance on what is expected of every employee of the company. As noted above the Company also has detailed Corporate Social Responsibility Policy in place which outlines our commitment to our social responsibilities and provides guidance for employees.

## REACT Group PLC

### Corporate Governance Statement (continued)

The Board takes its responsibilities with regard to health and safety and working practices very seriously and ensures that the Company complies with all the necessary legislation, and that employees are given appropriate training for the work that they have to undertake.

Issues of bribery and corruption are taken seriously, the Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Company, its employees and those third parties to which the business engages with. The policy is provided to staff upon joining the business and training is currently being provided to ensure that all employees within the business are aware of the importance of preventing bribery and corruption. There are strong financial controls across the business to ensure on going monitoring and early detection.

A whistleblowing policy is in place, which enables staff to raise any concerns in confidence.

**Principle 9: “Maintain governance structures and processes that are fit for purpose and support good decision making by the board.”**

The Board provides strategic leadership for the Group and is continuously improving and evolving its corporate governance framework. The purpose is to ensure the delivery of long-term Shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans.

The Executive Chairman has overall responsibility for corporate governance and in promoting high standards throughout the business as well as the management of the day to day operations. It is the role of the independent non-executive Directors to contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinising the performance of management, providing constructive challenge to the Executive management and ensuring that the Group is operating within the governance and risk framework approved by the Board. They also review and challenge the financial information produced by the executive management.

The matters reserved for the board are:

- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the Group;
- Approving half year and full year results and reports;
- Approving major investments and contracts;
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor compliance against this Code on an annual basis and revise its governance framework as appropriate as the Group evolves. Details of the Audit Committee and the Remuneration Committee are detailed in relation to Principle 5 above.

**Principle 10: “Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders”**

See investor relations activities described above in relation to Principle 2.



**Mark Braund**  
Executive Chairman  
31 January 2022