

Corporate governance statement

Statement by the Chairman on Corporate Governance

As a Company listed on the AIM market of the London Stock Exchange, RTC Group Plc has chosen to comply with the Quoted Companies Alliance Corporate Governance Code “the Code”.

This report describes how the Group has complied with the Code and explains any departures from the ten principles within the Code.

A description of the Board and its committees, together with the Group’s systems of internal financial control is set out below.

The Board

The Board comprises a Chairman, the Chief Executive, the Group Finance Director and one independent non-executive Director. It is intended that the Board will evolve as the Group grows to include at least two independent non-executive Directors.

The Board meets 12 times a year. The Executive Chairman spends an average of 7 days per month occupied with Company matters whilst being on call at all times. The Chief Executive and the Group Finance Director are engaged full-time and the senior independent non-executive Director is required to spend two days per month considering Company matters and attending the monthly Board meeting.

The Group believes that in its Board it has at its disposal an appropriate range of skills and experience to ensure the interests of all stakeholders in the Group are fully accommodated, as demonstrated by the following biographies.

W J C Douie, Chairman

After two years in export sales, commencing in 1962, with British Oxygen, he moved into banking with Midland Bank and qualified as an associate of the Institute of Bankers. In 1969 he moved into Merchant Banking, joining Keyser Ullmann Limited and spent 11 years in investment management, corporate finance and instalment credit joining the Bank board in 1975. In 1981, following the merger of Keyser Ullmann and Charterhouse Japhet, he left to buy out, and become Chairman of, the Group’s Instalment Credit subsidiary, Broadcastle Plc, and to become Chairman of British Benzol Limited, a fully listed Company in the solid fuel industry. Following the acquisition by Broadcastle of Harton Securities Limited, he oversaw the merger of Broadcastle Plc and ATA Selection Plc, a USM listed recruitment Company, before becoming Chairman of the Group in 1990. He joined with Clive Chapman in 1992 to purchase the ailing ATA business from the Group and remains Executive Chairman.

A M Pendlebury, Chief Executive

Andy held several senior management positions during his long career with British Aerospace Plc. In 1992 he joined the board of Wynnwith Engineering and was appointed Managing Director in 1995 establishing the business as one of the United Kingdom’s fastest growing recruitment businesses. In 2002 Andy joined GKN Plc as interim Managing Director of the Company’s in-house recruitment business Engage and guided it through the board’s divestment strategy. From 2004 to 2007, as Chief Executive, he engineered a trading turnaround and subsequent sale to the Morson Group of White & Nunn Holdings. He joined the Board of RTC Group Plc as a Non-Executive in July 2007, becoming Group Chief Executive in October 2007.

S L Dye, Group Finance Director

Sarah is a Chartered Accountant who has worked in both the public and private sectors in the UK and overseas. Sarah qualified with BDO before moving to The Post Office Plc and then The Boots Company Plc gaining experience in risk management, internal audit and commercial finance. In 1998, Sarah joined Allied Domecq Plc as Finance and Planning Manager for Europe. In 2004 Sarah joined Nottingham Trent University where she held several senior finance positions. Sarah spent five years in New Zealand with the Office of the Auditor-General, working with central and local government entities and the tertiary sector. In 2011 Sarah joined Staffline Group Plc as Group Financial Controller. Sarah was appointed as Group Finance Director of RTC Group Plc in February 2013.

B W May, Senior Independent Non-Executive Director

Brian is a Chartered Civil Engineer and progressed his career in Tarmac Construction Ltd, subsequently holding several senior positions in Mowlem Plc over the course of 15 years. In 2000, Brian became Chief Executive of Laing Construction Plc, followed by HBG Construction Ltd in 2001. Brian held the position of Chief Executive Officer of Renew Holdings for 11 years until his retirement in 2016.

Board matters

The Board has a schedule of matters specifically reserved for its decision. It is responsible for formulating the Group's corporate strategy, monitoring financial performance, acquisitions, approval of major capital expenditure, treasury and risk management policies.

Board papers are sent out to all directors in advance of each Board meeting including management accounts and accompanying reports from the executive directors. Annual budgets are approved by the Board. Operational control is delegated by the Board to the executive directors.

The Company Secretary acts as the conduit for all governance related matters and shareholder enquiries and passes them on the Chairman to respond.

Corporate culture

The Board is responsible for ensuring that the corporate culture is consistent with the Company's objectives, strategy and business model. The Board achieves this by ensuring that appropriate policies on behavior and ethics are in place and signed up to by all employees. Performance is appraised taking into account not just the achievement of objectives, but the behaviors demonstrated to do so. All managers and the Board lead by example in their behavior and ethical values demonstrated. The Managing Directors of each subsidiary present to the Board at least annually on their subsidiary's performance and cultural matters. Periodically employee satisfaction surveys are undertaken to help inform management of the environment employees perceive they are working in.

Board performance

The performance of the Board is primarily measured by the earnings per share (EPS) achieved and progress in this measure is passed on to shareholders through the Company's progressive dividend policy. This measure is formally reviewed by the Board twice yearly on the publication of the interim statement and the annual report. The Executive Director's performance is also measured in relation to the achievement of specific operational and strategic objectives that support the key performance indicators including EPS which are presented in the annual report.

Succession planning

The Board believes it is healthy to periodically refresh Board membership and that responsibilities within the Board should change from time to time. The Board has succession plans in place which include the identification, training and mentoring of existing Board members to take on new responsibilities and for potential future Board members to step up. The Board also seeks the input of independent non-executive Directors whose skill sets are complementary to the existing Board and whose experience will benefit the Company. Independent directors' appointments are terminable on one month's notice.

Company secretary

All directors have access to the advice of the Company Secretary and the Senior Independent Director and can take external independent company secretarial advice on certain matters, if necessary, at the Company's expense.

Board Committees

The Board has a remuneration committee and an audit committee.

The audit committee comprises W J C Douie and B W May. It is chaired by W J C Douie. The committee meets as necessary to monitor the Group's internal control systems and major accounting and audit related issues. There are plans to evolve the Company's governance structure so that the audit committee has an independent chair.

The remuneration committee is responsible for determining the contract terms, remuneration and other benefits for executive directors, including performance-related bonus schemes. The committee comprises W J C Douie and B W May. It is chaired by W J C Douie. No members of the remuneration committee are involved in determining their own remuneration. There are plans to evolve the Company's governance structure so that the remuneration committee has an independent chair.

The whole Board considers matters of nomination and succession and thus there is no requirement for a nomination committee at this time.

Engagement with shareholders

The Board values the views of its shareholders. The Annual General Meeting is used to communicate with all investors and they are encouraged to participate. The directors are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a formal resolution to approve the Annual Report. Shareholders can also contact the Company Secretary or the Chairman via the Company's website.

The Board takes full cognisance of the results of any poll or feedback from shareholders and the Chairman will respond as appropriate whether by email or by offering a chance to meet with the shareholder to explain the Board's position.

Internal control

Internal control systems are designed to meet the needs of the Group and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the directors have established with a view to providing effective internal financial control are as follows: -

- **Management structure**
The Board has overall responsibility for the Group and there is a schedule of matters specifically reserved for decisions by the Board.
- **Quality and integrity of personnel**
The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are an essential part of the control environment.
- **Identification of business risks**
The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks. The boards of our Group businesses also actively identify risks and ensure mitigating controls are in place.
- **Budgetary process**
Each year the Board approves the annual budget. Key risk areas are identified. Performance is monitored, and relevant action taken throughout the year through the monthly reporting to the Board of variances from the budget and preparation of updated forecasts for the year together with information on the key risk areas.
- **Authorisation procedures**
Capital and revenue expenditure is regulated by a budgetary process and authority limits for approval of expenditure are in place. For expenditure beyond specified levels, detailed written proposals are submitted to and approved by the Board. Once authorised, such expenditure is reviewed and monitored by the Board.

The Group does not have a formal internal audit function. An annual programme of specialist subject matter reviews that is focused on key risk areas is approved by the audit committee and carried out by external specialists who are independent of the Group's management team.