

Good corporate governance



Dear Shareholder

On behalf of the Board I am pleased to present the EMIS Group plc corporate governance report for the year ended 31 December 2021.

The Board recognises the value and importance of good corporate governance and the framework in place underpins the Group's ability to achieve its strategic goals. Governance arrangements are reviewed on an ongoing basis to ensure that they remain fit for purpose. As the Group operates within the healthcare sector, it is particularly important the focus remains on the safety and security of the Group's products as well as balancing the interests of all our stakeholders. As an AIM-quoted company we have chosen to apply the UK Corporate Governance Code 2018 ("the Code") voluntarily as best practice.

The governance section of the 2021 annual report and accounts, including the corporate governance statement, the audit committee report, the nomination committee report and the Directors' remuneration report, describes how the Group has applied the main principles contained within the Code. Our statement of compliance, required for AIM-quoted companies, can also be found on our website at www.emisgroupplc.com/investors/corporate-governance.

Good corporate governance is important in achieving effective leadership and sustainable corporate behaviour. It means ensuring that there is an effective framework of internal controls, practices, policies and systems that together define clear levels of accountability and authority for decision making, enabling management to take appropriate levels of risk within a culture of openness, ethics and values.

A good Board is formed of a diverse group of individuals, each contributing different experiences, skills and backgrounds, which enables independent and effective leadership. Inclusion and diversity is a priority for us as a Board and for the wider company.

Patrick De Smedt
Chair

24 March 2022

COMPLIANCE STATEMENT

This corporate governance statement has been prepared in accordance with the principles of the "Code". During the year, the Group was compliant with the Code except for Provision 38 – pension alignment and Provision 41 – employee engagement to explain how executive remuneration aligns with the wider company pay policy, which are explained in more detail on page 53.

1. Board leadership and company purpose

- Led by strong and experienced Chair
- Alignment of purpose, strategy and values with Group culture
- Effective engagement with stakeholders

Read more on pages 55 to 56

2. Division of responsibilities

- Majority of independent Directors
- Regular dialogue between Board and management
- Policies, processes, information, time and resources for effective leadership in place

Read more on pages 56 to 57

Corporate governance statement

Introduction

This statement explains the key features of the Group's governance structure and how it complies with the Code. The Code is published by the Financial Reporting Council (FRC) and is available at www.frc.org.uk.

Compliance with the Code

The Group is committed to achieving and maintaining the highest standards of corporate governance. During 2021, the Group was compliant with the Code except for:

- Provision 38 – the Group did not comply with the requirement that pension contribution rates for Executive Directors, or payments in lieu of pension, are aligned with those available to the workforce. Employer pension contributions for UK-based EMIS Group staff range from 6% to 10% of base salary (dependent on seniority) and are set at 15% for Executive Directors. In 2021 and 2022 this is capped at the 2020 base salary and as of 1 January 2023, employer pension contributions for Executive Directors as a percentage of salary will be aligned to the wider UK workforce, currently at 6% of salary. Pension contributions for any new Executive Directors will be aligned to the UK workforce. Provision 41 – the Group did not fully comply with employee engagement to explain how Executive remuneration aligns with the wider company pay policy. Although there is a great deal of employee engagement and overall benefits and remuneration are discussed with employees, Executive remuneration has not been raised or discussed explicitly at the employee forums. During 2022, the Group intends to conduct a review of its engagement around all aspects of remuneration, including Executive remuneration.

Details and explanations of the application of the principles of corporate governance are set out in the following sections of this corporate governance statement.

2021 MEMBERSHIP AND BOARD ATTENDANCE

The attendance record for Board members during the year ended 31 December 2021 is set out below. There were seven scheduled meetings during the year.

	Number of meetings
Executive Directors	
Andy Thorburn	● ● ● ● ● ● ●
Peter Southby	● ● ● ● ● ● ●
Non-executive Directors	
Patrick De Smedt (Chair)	● ● ● ● ● ● ●
Kevin Boyd	● ● ● ● ● ● ●
Jen Byrne	● ● ● ● ● ● ●
JP Rangaswami ¹	● ● ● ● ●
Denise Collis ²	● ●
Andy McKeon ³	● ● ● ● ● ● ●

- Attended
- Not attended

- 1 JP Rangaswami joined the Board on 1 March 2021.
- 2 Denise Collis joined the Board on 1 October 2021.
- 3 Andy McKeon retired from the Board on 28 February 2022.

3. Composition, succession and evaluation

- Board with wide experience and relevant skills
- Internal Board evaluation to assess the Board's effectiveness
- Regular review of succession plans

Read more on pages 57 to 58

4. Audit, risk and internal control

- Oversight of internal audits and risk reviews
- Formal and transparent policies and procedures in place
- Annual review and challenge of the principal and emerging risks in the context of the strategy

Read more on page 58

5. Remuneration

- Remuneration policy consistent with the Code and supporting strategy
- Executive remuneration aligned to the Group's purpose and values
- Alignment of outcomes with interests of shareholders

Read more on page 58

Corporate governance statement continued

STANDING AGENDA ITEMS

At each meeting comprehensive Board packs are provided and the following standing items are discussed:

- Strategy;
- Financial results and KPIs;
- Sales pipeline and forecasts;
- Management accounts and commentary;
- Reports from the Chief Executive Officer on operational matters and the Chief Financial Officer on financial matters;
- Mergers and acquisitions;
- Regular presentations from members of the Group executive team (GXT);
- Progress reports on major projects;
- Analysts' forecasts;
- Board committee updates;
- Investor relations engagement;
- Legal, governance and regulatory matters; and
- Implementation of actions agreed at previous meetings.

KEY TOPICS CONSIDERED BY THE BOARD IN 2021**Financial**

- Financial results announcements, presentations, report and accounts and market updates (annual and half year).
- Banking facilities.
- 2022 Group budget.
- The Group's viability statement and capital allocation policy, including dividends.

Strategic

- Review, debate and challenge of the corporate strategy and plan.
- ESG matters.
- Review and consideration given to M&A targets and approval of the acquisition of Edenbridge Healthcare Limited.

Governance

- Approval of appointment of Denise Collis.
- Employee engagement and culture.
- Risk management and internal controls.
- Investor engagement.
- Board evaluation.

Operational

- Presentations on product roadmap, information security, EMIS-X Analytics, service performance and customer service satisfaction strategy.
- Group operating model.
- Management information and KPIs.
- Operational efficiency, including service level reporting.
- Group restructuring.
- Examined the output and associated management action plans regarding an external cyber security review performed by Deloitte LLP.

Board leadership and Company purpose

Role of the Board

The Board's principal role is to provide effective leadership of the Group and establish and align the Group's purpose, strategy, values and culture. It is responsible to shareholders for delivering shareholder value by developing the overall strategy and supporting the development of the direction of the Group. The Board is also responsible for overseeing the Group's external financial and other reporting and for ensuring that appropriate risk management and internal control systems are implemented and maintained. These responsibilities are largely exercised through the audit committee, which reports on its activities on pages 59 to 63.

The business model on pages 10 and 11 explains the basis on which the Group generates and preserves value over the longer term. The strategy of the Group and its achievements in 2021 are outlined on pages 18 to 19.

The Board recognises the importance of establishing the right culture and communicating this message throughout the organisation. For more information on the Group's culture see page 46. It is important that the Board provides strong and effective leadership and constructive challenge and, along with the GXT, the Board accepts collective accountability for the long-term sustainable success of the Group. In so doing, the Board will continue to drive and deliver its strategy in the best interests of all the Group's stakeholders.

Board operation

The Board meets as often as necessary to discharge its duties.

The number of Board meetings held during 2021, together with the Directors' attendance records, is set out on page 53. Details on the number of committee meetings held during the year, together with the Directors' attendance records, can be found in the committee reports on pages 59, 64 and 66. Historically, the location for Board meetings was rotated around the Group's principal sites, providing opportunities for the Board to meet management and employees and develop a better understanding of the Group's operations and culture. The majority of meetings in 2021 were conducted remotely because of the pandemic but going forward, the Board will adopt a hybrid approach taking protective measures and environmental issues into account. Employee engagement remains a priority for the Board as outlined on page 46.

The Directors have access to the advice and services of the Company Secretary, Christine Benson, who is responsible for ensuring that the Board and its committees' procedures and applicable rules and regulations are met. The Directors all have access to the Group's key advisers. If required in the performance of their duties, Directors may take independent professional advice at the Company's expense. Appropriate insurance cover is in place in respect of legal action against the Directors. The Group has adopted and maintained a share dealing code for Directors and employees in accordance with the Market Abuse Regulations.

Board and committee papers are circulated one week in advance of meetings to enable the Board to review and consider the materials provided.

The Chair ensures that input is sought and obtained from any Director who is unable to attend a Board meeting and he provides a verbal update following the meeting to complement the minutes. There is ongoing contact between the Chair, Executive Directors and Non-executive Directors between Board meetings.

A topical Board calendar is prepared on an annual basis with senior leadership members regularly invited to present an update on their areas of the business. This is highly valuable in providing further detail to support strategic decisions. In addition, the Board meets on an ad hoc basis as necessary to consider specific issues, such as potential corporate activity, supported by detailed Board papers circulated in advance analysing relevant aspects of the topic under discussion.



Stakeholder engagement

The Board recognises its responsibility to take into consideration the needs and concerns of the Group's stakeholders as it discusses matters and makes decisions.

Relations with shareholders

Communication between the Group and its shareholders is an essential element of a sound governance framework.

The Chief Executive Officer and Chief Financial Officer are the main day-to-day point of engagement with shareholders and prospective investors. During the year, formal programmes of meetings with analysts and institutional shareholders took place immediately after the results announcements, supplemented by ad hoc meetings and calls at other times.

Feedback from these meetings, and regular market updates prepared by the Group's broker, are presented to the Board to ensure the Directors have a good understanding of shareholders' views. The Chair and the Senior Independent Director are also available separately to shareholders to discuss strategy and governance issues. Feedback from any such communications is provided to the Board at the next scheduled meeting. The Chair and Chair of the remuneration committee consulted with a number of shareholders in 2021 to seek views on strategy and remuneration matters. A number of shareholders were also interviewed as part of the materiality assessment on environmental, social and governance (ESG) priorities.

The Group has a dedicated investors section on its website, www.emisgroupplc.com/investors, together with a wide range of information on the Group's activities, including all regulatory announcements.

The Annual General Meeting (AGM) will be held at 9.00 am on Thursday 5 May 2022 at the offices of Pinsent Masons, 1 Park Row, Leeds LS1 5AB. The notice of the AGM is available on the Group's website and sets out the business of the meeting and an explanatory note. In line with good governance, voting on all resolutions at this year's AGM will be conducted by way of a poll.

Corporate governance statement continued

Board leadership and Company purpose continued Workforce engagement

Local and national employee forums continued to operate throughout 2021 with colleagues encouraged to share their views and ideas. Regular updates on engagement are provided to the Board. Jen Byrne was the designated Non-executive Director during the year and attended the national forums, providing updates to the Board. In 2021, the network was extended further with an employee forum set up in India representing employees based in Chennai.

The employee forums continue to be an important channel of communication, with a focus on listening to and learning from employee feedback. The forums also provide a sounding board for new ideas and initiatives, ensuring that the business hears and acts on employee insights and viewpoints.

From 2022 the UK local forums will merge into one national forum, with employees representing each part of the business rather than geographic locations. This new approach reflects both the matrix structure of the Group as well as the new hybrid way of working between home and the EMIS collaboration hubs.

The Group's engagement strategy will be reviewed in early 2022, moving away from a designated Non-executive Director role. Further information on the new approach will be disclosed in the 2022 report.

Further information on workforce engagement can be found in the ESG report on page 46 and more detail on how the Group has engaged with its various different stakeholders can be found in the stakeholder engagement section on pages 12 and 15.

Whistleblowing

A whistleblowing policy is in place where employees can raise concerns to an independent organisation on a confidential basis. Reports on the use of the service, any significant concerns that have been received, details of investigations carried out and any actions arising as a result are reported to the audit committee on a regular basis. No material issues were raised during the year.

Conflicts of interest

Directors have a legal duty to avoid conflicts of interest. Prior to appointment, conflicts of interest are disclosed and assessed to ensure that there are no matters which would prevent that person from taking on the appointment. If any potential conflict arises subsequently, the Articles of Association permit the Board to authorise the conflict, subject to such conditions or limitations as the Board may determine. In situations where a potential conflict arises, the Director concerned will not be permitted to remain present in any meeting or discussion concerning that conflict, and all material in relation to that matter will be restricted, including Board papers and minutes.

Division of responsibilities

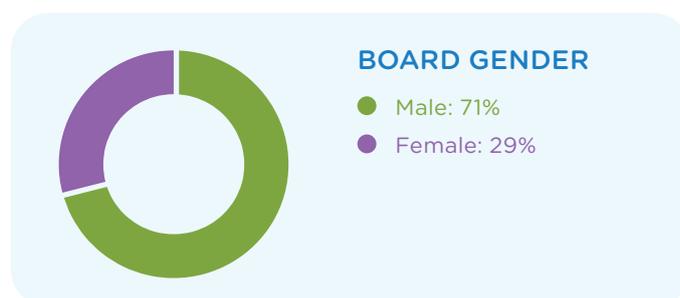
Board structure

JP Rangaswami was appointed to the Board on 1 March 2021 as a Non-executive Director. Denise Collis was appointed to the Board on 1 October 2021 as a Non-executive Director and as Chair of the remuneration committee, taking over the role from Andy McKeon who retired from the Board on 28 February 2022. Biographies of each Director are provided on pages 50 and 51. Their respective Board and committee responsibilities are outlined below and in the committee reports.

Appointments to the Board are led by the nomination committee. Further information on succession planning can be found in the nomination committee's report on pages 64 and 65.

The Board delegates certain responsibilities to the three principal Board committees: the audit committee, the remuneration committee and the nomination committee. These responsibilities are set out in formal terms of reference for each committee, which are available on the Group's website, www.emisgroupplc.com/investors/corporate-governance, and which are reviewed annually.

The Chair of each committee reports to the Board in relation to the committee's activities and recommendations. Members of the Board who are not members of individual committees may be invited to attend meetings of those committees at the discretion of the respective committee's Chair; however, they are not permitted to vote in respect of committee business.



Chair

The roles of the Chair and the Chief Executive Officer are separate and defined in writing. This provides a clear division of responsibilities between the running of the Board and the executive responsibility for running the business. The key responsibilities of the Chair, the Chief Executive Officer and Non-executive Directors are set out below:

Patrick De Smedt, as Chair, is responsible for the leadership and effectiveness of the Board.

The Chair's responsibilities include:

- Chairing the Board, the nomination committee and shareholder meetings (including the AGM);
- Providing leadership of the Board and ensuring the effectiveness of all aspects of the Board's role;
- Offering challenge to the Executive Directors and working closely with the Chief Executive Officer on key strategic decisions;
- Maintaining a dialogue with major shareholders on governance and other strategic matters, as appropriate;
- Setting the Board agenda and ensuring all Directors have the opportunity to maximise their contribution to the Board by encouraging open and honest debate and constructive challenge of the Executive Directors; and
- Undertaking the annual evaluation of the Board and the Directors and building an effective Board.

On his appointment, Patrick De Smedt met the Code's requirement for independence. There have been no significant changes to his other commitments during the year which could impact his ability to perform his duties for the Group.

Chief Executive Officer

The Chief Executive Officer, Andy Thorburn, is responsible for the implementation of the approved strategic and financial objectives of the Group. To assist in this, the Chief Executive Officer leads the GXT, which consists of the Chief Financial Officer, the Group Chief Operating Officer, the Chief Executive Officer of EMIS Health and Enterprise, the Group HR Director, the Group Chief Medical Officer, the Group Chief Technology Officer and the Group Business Development Director. The GXT has a monthly call with a focus on cross-group integration and operational performance. Beneath the GXT is the operational executive team and during 2021 members of the team met regularly to discuss and collaborate on important operational matters arising that week. This included status updates on priority projects and product enhancements, material sales and delivery issues and opportunities, and key people changes. In addition, monthly business reviews were held to discuss performance across all key areas of the Group ensuring everyone was up to date and able to prioritise effectively based on a thorough understanding of the interdependencies and risks between areas. This open and collaborative forum contributed to our success in 2021.

The Chief Executive Officer's responsibilities include:

- Day-to-day running of the business, accountable to the Board for the Group's financial and operational performance;
- Developing and reviewing the Group strategy;
- With the Chief Financial Officer, maintaining close contact with the UK government, shareholders and major customers;
- With the Chief Financial Officer, approving the divisional budgets;
- Chairing the GXT to direct and co-ordinate the management of the Group's business generally;
- Monitoring the performance of senior managers; and
- Monitoring the Group's principal risks.

Senior Independent Director

The Senior Independent Director acts as a sounding board for the other Directors and conducts the Chair's annual evaluation. He is also available to Directors and shareholders should a situation arise where it is necessary for concerns to be referred to the Board other than through the Chair or the Chief Executive Officer. Andy McKeon was the Senior Independent Director during 2021 but retired from the Board on 28 February 2022, having served nine years. Kevin Boyd took on the role of Senior Independent Director upon Andy McKeon's retirement.

Non-executive Directors

The Non-executive Directors provide independent, constructive challenge and insight to the executive team forming an integral part of the Board's decision-making process together with the monitoring of management and business performance.

The Non-executive Directors play a key role in developing and reviewing proposals on strategy, actively participating in the annual strategy forum. They strengthen governance through leading and participating in the Board committees, providing a wide range of experience and independence. This aids the Board in developing a broader understanding and in evaluating the implications, risks and consequences of decisions.



Independence

Patrick De Smedt, Kevin Boyd, Jen Byrne, JP Rangaswami and Denise Collis were considered by the Board to be independent at the time of their appointments. Each Non-executive Director is considered to be independent as to character and judgement and to be free of relationships and other circumstances that might impact their independence. The Chair and Non-executive Directors meet at least annually without the Executive Directors present.

Appointments of Non-executive Directors are for specific terms (initially for three years) and are subject to statutory provisions relating to the removal of a Director.

Time commitments

The amount of time that Non-executive Directors are expected to commit to discharge their duties is agreed on an individual basis at the time of appointment and reviewed periodically thereafter. The time commitment agreed takes into account whether the appointee is the Chair or a member of a Board committee and whether the Director has any external executive responsibilities. Typically this equates to circa two days per month for a Non-executive Director and four days per month for the Chair. As part of the Chair's annual review of Directors' performance it was confirmed that each of the Non-executive Directors continues to allocate sufficient time to discharge responsibilities effectively and did so throughout the year.

Composition, succession and evaluation Nomination committee and diversity

The nomination committee is responsible for leading the Board appointments process and for considering the size, structure and composition of the Board. Full details of the work of the committee are set out in the nomination committee report on pages 64 and 65.

The Board is satisfied that the size of the Board and its committees and the balance of Executive and Non-executive members is such that no individual or small group of individuals can unduly influence its decisions. The Board is made up of a majority of independent Non-executive Directors. As at the date of this report, the Board comprised the Chair, four independent Non-executive Directors and two Executive Directors who collectively possess an appropriate balance of expertise appropriate to lead the Group's business. The Non-executive Directors have a broad range of UK and international business knowledge and experience, as well as specific skills in the areas of the NHS, healthcare, digital technology, finance, corporate transactions and risk management.

The Executive Directors do not hold any external directorships.

Corporate governance statement continued

Composition, succession and evaluation continued

Annual re-election of Directors

Directors are subject to election or re-election by shareholders at each AGM. The nomination committee considers that all the Directors continue to be effective and demonstrate an appropriate commitment to their roles. As Denise Collis joined the Board on 1 October 2021, she will stand for election at the AGM on 5 May 2022.

Board and committee effectiveness

The Board has extensive operational experience and many years of detailed knowledge of the healthcare sector, both in the UK and overseas. The Board also benefits from significant financial, transactional, risk management and public company expertise.

When considering Board appointments, a wide variety of factors is taken into account, including the balance of skills, experience, independence, knowledge of the Group and diversity, including gender.

The 2021 Board evaluation was conducted by way of an internal evaluation. A tailored questionnaire was circulated for completion by members and regular attendees of the board and of each principal committee, covering all aspects of good governance. Directors were required to assess their satisfaction with the operation of the Board and its committees, as well as effectiveness of these bodies in fulfilling the key responsibilities set out in their respective terms of reference. The findings of the evaluation were discussed by the Board and it was concluded that the Board meets its regulatory requirements and that appropriate processes are in place for setting the strategic direction of the Group. Board discussions are open and constructive, and members are encouraged to express their views in an independent fashion.

Each committee also concluded that it continued to be effective and all members are considered to have made valuable contributions.

Further details of the effectiveness of each committee are outlined in their individual reports.

Appointment and induction

The process for the appointment of new Directors is rigorous and transparent. All new Directors undergo a comprehensive induction and development programme which is designed to help Directors to contribute effectively to the Board as quickly as possible. Further information on appointments and induction is contained in the report of the nomination committee on pages 64 and 65.

Audit, risk and internal control

Audit, risk and internal control are addressed separately in the principal risks and uncertainties on pages 32 to 37 and in the report of the audit committee on pages 59 to 63.

Remuneration

Remuneration is addressed separately in the report of the remuneration committee and the Directors' remuneration report on pages 66 to 81.

Christine Benson Company Secretary

24 March 2022