

CORPORATE GOVERNANCE



DR PETER FELLNER CHAIRMAN

Dear Shareholders

On behalf of the Board, I am pleased to present Consort Medical's Corporate Governance Report for the year ended 30 April 2018.

Governance highlights

The Board takes governance seriously, recognising that good governance is important to long-term success and having due regard to our stakeholders including our employees, suppliers and the communities in which we operate. During the year, we have reviewed our governance framework through updating the Company's Articles of Association and the annual review of our Committee's terms of reference which can be found on the Company's website. Details of our stakeholder engagement can be found within our corporate responsibility report.

The Board has also approved a formal Group-wide Equality, Diversity and Inclusion Policy which will apply to the Board, as we recognise that diversity in all its forms is key to the successful delivery of our strategy.

Board membership and support

At the beginning of the year Paul Hayes joined the Board as Chief Financial Officer and I am delighted to say that the Board has worked well as a team throughout the year. This was substantiated by the responses given in our annual Board evaluation review. As required by the Corporate Governance Code, Paul undertook an in-depth induction which has enabled him to effectively contribute to the leadership of the Company. More details on his induction are included in the report that follows.

Although there were no further Board changes in the year, our General Counsel and Company Secretary, John Ilett left the Company in February 2018 to take up a new role. We thank John for his contribution and commitment during his time with the Company and wish him well in his future career. While we are conducting the search for his successor, Paul Hayes is undertaking the role of Company Secretary, supported by Iain Lindsay who has joined as interim General Counsel.

While reviewing succession planning with the Board earlier in the year, I considered that the time was right to develop more detailed plans for my own succession. I have now notified the Board of my intention to step down as Chairman, and the search to appoint my successor has commenced. I am grateful to William Jenkins, our Senior Independent Director, for leading a rigorous process in this regard and I look forward to sharing further details with you as soon as a successor is appointed.

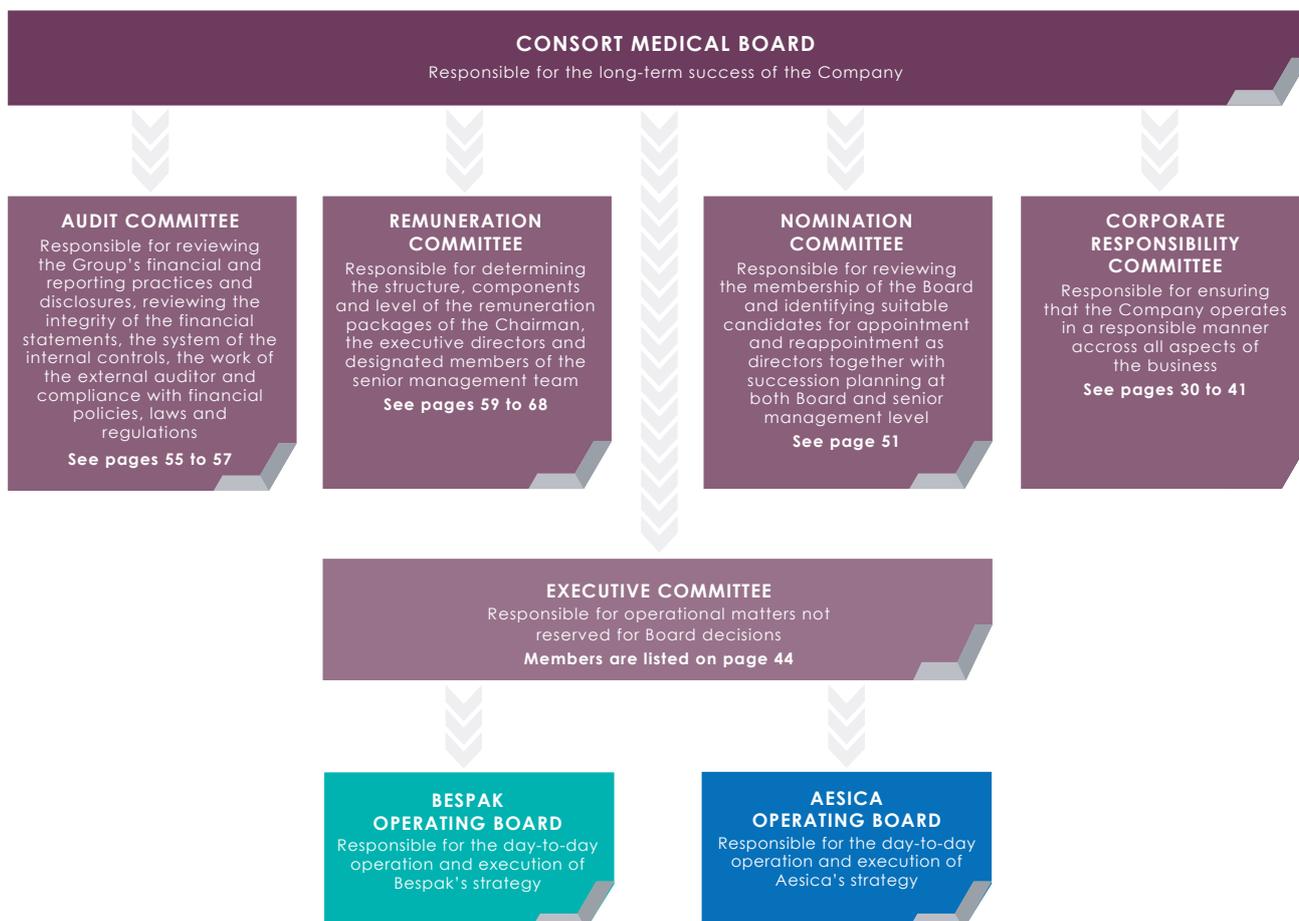
Looking forward, succession planning will continue to be a key area of focus for the Board, to ensure that we have the most appropriate team in place to lead the business. We will also monitor and review our governance framework in light of any revisions to the Corporate Governance Code.

2018 Annual General Meeting (AGM)

Our AGM will be held on 5 September 2018 at our registered office, and as always, I look forward to meeting you and answering any questions that you may have.

DR PETER FELLNER
CHAIRMAN

CORPORATE GOVERNANCE CONTINUED



The UK Corporate Governance Code

The Group is committed to practising good corporate governance of its affairs as part of its management of relationships with its shareholders and other stakeholders. The Group seeks to uphold and to report on compliance in accordance with best practice in corporate governance.

Compliance statement

The directors are satisfied that the Group has complied with the relevant principles and provisions set out in the UK Corporate Governance Code (the "Code") which was published in April 2016 (available from www.frc.org.uk) as updated and was compliant throughout the financial year under review.

The principles of the Code cover five areas: leadership, effectiveness, accountability, remuneration and relations with shareholders. With the exception of the directors' remuneration (which is dealt with separately in the Remuneration Report), the following sets out how the Board has applied these principles.

The Board is committed to establishing and maintaining high standards of corporate governance. Its policy is to appoint directors with appropriate skills who have sufficient time to carry out their duties adequately. The Board provides opportunities through site visits and regular access to senior management to permit directors to familiarise themselves with the Company and the markets in which it operates.

Leadership

The role of the Board

The Board is responsible for the long-term success of the Company. Individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans.

Division of responsibilities

There is a clear division of responsibilities between the role of the Chairman and that of the Chief Executive and the roles are clearly set out in writing and regularly reviewed by the Board.

Board responsibilities

ROLE	NAME	RESPONSIBILITY
Chairman	Dr Peter Fellner Appointed Chairman on 1 May 2009	<ul style="list-style-type: none"> • Leadership of the Board • Setting the Board's agenda, style and tone of discussions • Ensuring the Board's effectiveness in all aspects of its role • Facilitating active engagement by all members • Participating in shareholder communications • Promoting high standards of corporate governance
Chief Executive	Jonathan Glenn	<ul style="list-style-type: none"> • Developing Group strategy for consideration and approval by the Board • Leading the senior management team in delivering the Group's strategic and day-to-day operational objectives • Leading and maintaining communications with all stakeholders
Non-executive directors	Steve Crummett Charlotta Ginman Dr Andrew Hosty Ian Nicholson	<ul style="list-style-type: none"> • Constructively challenging and contributing to the development of Group strategy • Monitoring the integrity of financial information, financial controls and systems of risk management to ensure they are robust • Reviewing the performance of executive management • Formulating executive director remuneration
Senior Independent Director	Dr William Jenkins Appointed Senior Independent Director on 1 September 2011	<ul style="list-style-type: none"> • Acting as an intermediary for other directors when necessary • Available to meet with shareholders and aid communication of shareholder concerns when normal channels of communication are inappropriate • Holding meetings with other non-executive directors without the Chairman present to appraise the Chairman's performance

The non-executive directors

Independence

The Board has reviewed the independence of each of the Company's non-executive directors as part of the annual Board evaluation, including a particularly rigorous review of those serving beyond six years (Dr William Jenkins, Mr Ian Nicholson and Mr Steve Crummett). The Board considers that all of the non-executive directors are independent directors, in both character and judgement, in accordance with the recommendations of the Code. This includes:

- Mr Ian Nicholson, who previously acted as a consultant in addition to his role as a non-executive director. The consultancy role has now ceased. The Board has determined that Mr Nicholson continues to be independent, noting, in particular, his continued substantial contribution to the Board, utilising his extensive business development and acquisition experience to provide independent challenge in all Board discussions

- Dr William Jenkins, who has served the Board since 2009. In light of Dr Jenkins' length of service, the Board has undertaken a particularly rigorous review of his performance, including his independence, in order to evaluate his contribution to the Board and to the committees on which he sits. Following this review, the Board has concluded that Dr Jenkins continues to be independent, as evidenced by his significant contribution to the Board in his roles as Senior Independent Director and Remuneration Committee Chairman using his extensive pharmaceutical experience and management skills to challenge and guide as appropriate. Dr Jenkins retains his role as Senior Independent Director, and is recommended for re-election by shareholders at the AGM

The Chairman, Dr Peter Fellner, who has now served on the Board for 13 years and has been Chairman of the Board for nine years, was considered independent on his appointment as Chairman.

CORPORATE GOVERNANCE CONTINUED

The operation of the Board

Reserved matters and delegated authorities

The Board has the authority for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets. To achieve this, the Board reserves certain matters for its own determination which were revised in March 2018, including matters relating to:

- Group strategy
- approval of interim and annual financial results
- dividend policy
- major capital expenditure
- treasury policy
- risk management
- the effectiveness of the systems of internal control
- shareholder communications
- changes to the Group's management and control structure
- any business acquisition or disposal
- amendments to the structure and capital of the Group

The full schedule of matters reserved to the Board is published on the Company's website.

The Board performs its responsibilities through an annual programme of meetings, and by continuous monitoring of the performance of the Group as a whole.

Matters considered by the Board in FY2018 include:

- health, safety and well-being
- reports from the Chief Executive and CFO on the Group's actual and forecasted operational and financial performance
- the annual budget
- annual and interim results
- new Articles of Association
- new Save As You Earn Schemes
- the Defined Benefit Pension Scheme investment strategy
- the annual Board evaluation review
- renewal of the Group's insurance programme
- presentations from senior divisional management
- strategic plans
- strategic business opportunities
- senior executive recruitment

- dividend declarations and policy
- investor relations activities
- renewal of Board appointments
- approval of Board Committee membership
- Modern Slavery statement
- appointment of a joint broker
- gender pay gap
- review and approval of Equality, Diversity and Inclusion Policy

The Board also delegates a number of its responsibilities to committees and management as described below.

Board meetings and attendance

The Board has eight scheduled meetings per year, with other meetings convened for specific matters. The attendance of each of the directors, whether in person or by telephone, at the scheduled Board meetings, is shown below:

Name	Board meetings
P. Fellner ¹	8/8
W. Jenkins	8/8
C. Ginman	8/8
S. Crummett	8/8
I. Nicholson	8/8
A. Hosty	8/8
J. Glenn	8/8
P Hayes	8/8

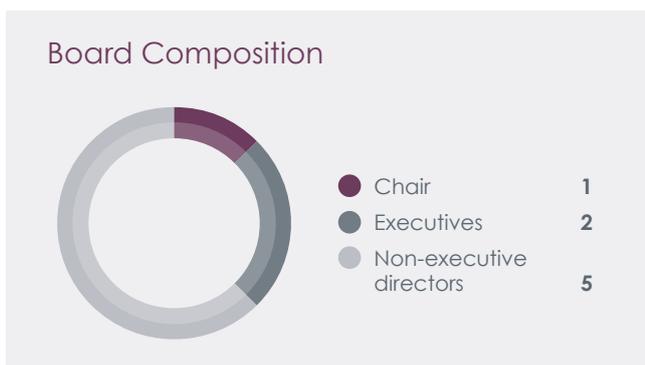
¹ As Chairman, Dr Peter Fellner has attended all of the Board's meetings and continues to commit substantial time to fulfilling his role. His other significant commitments are listed in his biography on page 42.

In addition, the Board held an annual two day Strategy review meeting attended by members of the Executive Committee and senior divisional management team. This included a review of each division's strategic plans and the consolidated Group strategic plan.

Effectiveness

The Board's composition

As at 30 April 2018, the Board of the Company consisted of the non-executive Chairman, two executive directors and five non-executive directors. The profiles of the Board members are set out on pages 42 and 43. No individual or group of individuals dominates the Board's decision-making process. The non-executive directors occupy, or have occupied, senior positions in industry and together they constitute a valuable body of relevant industry experience and expertise.



The Board has always recognised the importance of diversity and during the year the Board has approved a formal Equality, Diversity and Inclusion Policy which has been implemented across the Group. This sets out our commitment to promoting equality of opportunity and ensures that a range of candidates is taken into account when drawing up long and shortlists throughout the Group.

All aspects of diversity including but not limited to age, gender, marital status, race, disability, nationality, ethnic or national origin, sexual orientation, religious belief or political views are considered at every level of recruitment. All appointments to the Board and elsewhere are made on merit against objective criteria with the principal consideration being whether or not the appointee can add or complement to the existing range of skills and experience.

Although no new appointments were made to the Board during the year, the Board and the Nomination Committee continue to discuss the successional needs of the Board and consider the diversity of its membership in line with the adopted Equality, Diversity and Inclusion Policy.

At the March Board meeting the Board reviewed the results of the Group's gender pay gap, which are available on the Company's website.

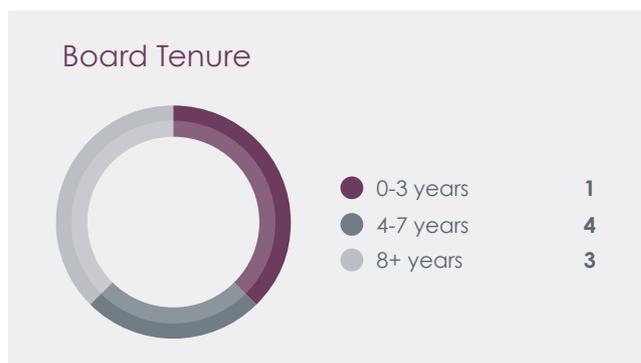
The Group's diversity metrics for employees, senior management, the executive and the Board can be found in the Corporate Responsibility Report. Female representation on the Board constitutes 12.5%.

Appointment of non-executive directors

Non-executive directors are appointed to the Board following a formal, rigorous and transparent process, involving external recruitment agencies, to select individuals who have a depth and breadth of relevant experience. This ensures that the selected candidates will be capable of making an effective and relevant contribution to the Board. The process for the appointment of non-executive directors is managed by the Nomination Committee, whose responsibilities are outlined on page 51.

Terms of appointment and time commitment

All non-executive directors are appointed for an initial term of three years subject to satisfactory performance. After this time they typically may serve additional three-year terms following review by the Board. All non-executive directors are expected to devote such time as is necessary for the proper performance of their duties. Directors are expected to attend all Board meetings and committee meetings of which they are members and any additional meetings as required. Further details of their terms and conditions are summarised in the Remuneration Report and the terms and conditions of appointment of the non-executive directors are available at the Company's registered office.



Induction and professional development

Upon joining the Board, newly appointed directors receive a tailored induction comprising site visits, background information on the operation and activities of the Group, the role of the Board and its committees and those matters reserved for the Board's decision, and the latest financial information on the Group. Training and development needs of directors are reviewed regularly. The directors are kept apprised of developments in legal, regulatory and financial matters affecting the Group from the Chief Financial Officer, the Company Secretary, and the Group's external auditors and advisers.

CORPORATE GOVERNANCE CONTINUED

PAUL HAYES

INDUCTION CASE STUDY



Name: Paul Hayes
Role: Chief Financial Officer

During the year we welcomed Paul Hayes to the Board. A detailed induction took place to ensure that Paul had a thorough understanding of the Group, its businesses and operations. It comprised a governance information pack which includes Group policies, structure charts, matters reserved for the Board, committee Terms of Reference and the Company's Share Dealing Policy. Face-to-face meetings with members of the senior management team and employees to understand the culture, values, and strategy of the Company and meetings with shareholders and advisers to gain an understanding of investor concerns and market issues. He also undertook site visits to gain further knowledge of the Group's operations.

Information and support

Board members are provided with all relevant documentation in advance of each Board and committee meeting. Senior executives are invited to attend Board meetings periodically for the purpose of making presentations on their areas of responsibility. During the year presentations were given by the newly appointed Managing Director of Aesica, the Managing Director of Bepak and also by the Aesica Operations Director to ensure that the Board was aware of the division's operations.

In addition to formal Board meetings, the Chairman and Chief Executive meet frequently and make regular contact with other Board members. The Board and the senior executives meet formally once during each financial year to discuss, debate, review and agree corporate strategy.

Independent professional advice

The Board has approved a procedure whereby directors may consult the Company's advisers and, if necessary, take independent professional advice at the Company's expense, although not in respect of a director's personal interests. Before seeking advice, the director concerned must notify the Chairman, or in his absence, the Senior Independent Director. No such advice was sought by any director during the year.

Company Secretary

Board members have access to the Company Secretary, who attends all Board meetings. It is the responsibility of the Company Secretary to ensure effective communication within the Board and committees and between the executive team and the non-executive directors. The appointment and removal of the Company Secretary is subject to the approval of the Board.

Annual Board evaluation

The annual evaluation of the Board was carried out during the year ended 30 April 2018 and the process allowed the Board to assess how effectively it sets the tone from the top. A rigorous and formal review required completion of a questionnaire relating to the performance of the Board and its committees and with regard to compliance with the Code. The evaluation was wide-ranging and focused on the various aspects of the Code. The results of the questionnaire were reported to the Board in a manner that did not identify any individual responses. The evaluation concluded that there were no areas of significant weakness and that overall the Board, its committees and individual directors were operating effectively.

Election and re-election of directors

The Company's Articles of Association require all directors to retire and submit themselves for re-election at the first AGM after appointment and thereafter at least every three years. The Notice of AGM will give details of those directors seeking re-election.

Meetings of non-executive directors

Led by the Senior Independent Director, the non-executive directors meet informally, without the Chairman being present, principally to appraise the Chairman's performance and to review his remuneration. The Chairman holds meetings at least annually with the non-executive directors without the executive directors present.

Board committees

The Board has the three principal committees listed below. The current terms of reference of each committee may be obtained from the Company's website.

Remuneration Committee

During the year, members of the Remuneration Committee were:

Dr William Jenkins (Chairman)
 Steve Crummett (until April 2018)
 Dr Andrew Hosty
 Charlotta Ginman (with effect from April 2018)
 Ian Nicholson (with effect from April 2018)

The Chairman is invited to attend all meetings, but does not attend any part of any meeting at which his own terms of appointment are discussed. The Chief Executive attends by invitation where appropriate except where his own remuneration is being considered.

The Remuneration Committee is primarily responsible for determining the structure, components (including pension rights and compensation payments) and level of the remuneration packages of the Chairman, the executive directors and designated members of the senior management team. Details of the role of the Remuneration Committee are set out on page 67. The Remuneration Committee met four times during the year and members' attendance at the meetings is shown below:

Name	Remuneration Committee meetings
W. Jenkins	4/4
S. Crummett ¹	3/4
A. Hosty	4/4
C. Ginman ²	1/4
I. Nicholson ²	1/4

¹ Mr Crummett attended all meetings up to his resignation from the Remuneration Committee.

² Ms Ginman and Mr Nicholson have attended all meetings since their appointment to the Remuneration Committee.

The activities of the Committee during the year are set out in the separate Remuneration Report on pages 59 to 68.

Nomination Committee

During the year, members of the Nomination Committee were:

Dr Peter Fellner (Chairman)
 Steve Crummett
 Charlotta Ginman
 Jonathan Glenn
 Dr Andrew Hosty
 Dr William Jenkins
 Ian Nicholson

The Nomination Committee is primarily responsible for reviewing the membership of the Board and identifying suitable candidates for appointment and reappointment as directors. In addition, the Board has delegated responsibility to the Nomination Committee for succession planning both at Board and senior management level. The inclusion of the Chief Executive in the membership of the Nomination Committee ensures that a balanced view is taken regarding the needs of the Group as a whole.

The Committee ensures that the search for Board members is undertaken against objective criteria and with due regard to the benefits of diversity, including gender. Appointments continue to be made on merit, taking into account the importance of maintaining a balance of skills, experience, independence and knowledge.

During the year the Nomination Committee considered the appointment process for the Group General Counsel and Company Secretary. Using the services of Spencer Stuart, a number of potential candidates were identified for the position and we are delighted that Andrew Jackson will be joining the Company in early September. In addition, the Committee has received an update on senior management talent and succession planning for both the Board and the senior management team.

The focus for the forthcoming year will be the search for a new Chairman and, in due course, succession planning for the Senior Independent Director. Dr Fellner has indicated his intention to stand down and Dr Jenkins completed nine years of service on the Board in May 2018. In light of Dr Jenkins' performance and that, as the Senior Independent Director, he has been asked to lead the search for a Chairman Designate, the Board has recommended that Dr Jenkins' tenure should be extended by one year and accordingly, he will stand for re-election by shareholders at the AGM in September. To assist with the Chairman's appointment process the Company has engaged Ridgeway Partners.

Neither Spencer Stuart nor Ridgeway Partners have any other connection with the Company.

CORPORATE GOVERNANCE CONTINUED

The Committee's main activities during the year were:

- A review of the Board and committee membership
- Succession planning
- Overseeing the process and appointment of the General Counsel

The Nomination Committee met twice during the year and members' attendance is shown below:

Name	Nomination Committee Meetings
P. Fellner	2/2
S. Crummett	2/2
C. Ginman	2/2
J. Glenn	2/2
A. Hosty	2/2
W. Jenkins	2/2
I. Nicholson	2/2

Audit Committee

The Audit Committee is comprised entirely of independent non-executive directors. Members during the year were:

Steve Crummett (Chairman)
Charlotta Ginman
Dr Andrew Hosty

Both Steve Crummett and Charlotta Ginman are considered by the Board to have recent and relevant financial experience. Both are qualified Chartered Accountants.

The external auditor's lead partner and the Chief Financial Officer attend each meeting as requested by the Committee. The Chief Executive attends the interim and year end meetings.

The Audit Committee met three times during the year. At each meeting the members of the Committee took the opportunity of meeting the external auditor without management being present. Members' attendance at the meetings is shown below:

Name	Audit Committee meetings
S. Crummett	3/3
C. Ginman	3/3
A. Hosty	3/3

The activities of the Committee during the year are set out in the separate Audit Committee Report on pages 55 to 57.

Other committees

The Executive Committee

This Committee is responsible for the executive management of the Group. It comprises the Chief Executive, the Chief Financial Officer, the Group General Counsel, the Managing Director of Bepak, the Managing Director of Aesica and the Director of Human Resources. This Committee currently meets eight times during the year to review and make decisions on operational matters not reserved for Board decisions.

The Corporate Responsibility Committee

The Corporate Responsibility Committee is responsible for reviewing and prioritising the Group's corporate responsibility activities, further details of which can be found in the Corporate Responsibility review on pages 30 to 41 of this report. The Committee is chaired by non-executive director, Ian Nicholson. Other members include the Chief Executive, the Managing Director and Operations Director of Bepak, the Managing Director and Quality Director of Aesica, and the Director of Human Resources. The Company Secretary acts as secretary to the Committee.

Risk Committee

The role and responsibilities of the Risk Committee are outlined in the Risk management section.

Accountability

Risk management

The Board accepts responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.

Further information on how we manage our business risks is set out in the Risk section on pages 26 to 29, which contains a list of the principal risks and uncertainties.

Internal controls review

The Board acknowledges that it is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance, against material misstatement or loss. The Board has received regular reports on areas of any significant risk and on the related internal controls. The Board reviews the framework of internal controls annually and has reviewed the effectiveness of its internal systems of control as they have been operated within the year in accordance with relevant guidance. This system has been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

The review covers all material controls including financial and financial reporting processes, operational, compliance and risk management systems. Controls over the financial reporting process and preparation of the consolidated accounts consist of extensive reviews by qualified and experienced individuals that ensure that all elements of the financial statements and appropriate disclosure are considered and accurately stated.

Control procedures

Annual budgets are prepared by each of the operating divisions of the Group and these are consolidated into an overall Group budget, which is reviewed and approved by the Board. Progress against these budgets is monitored at operating business and Group level throughout the year via monthly reporting of actual financial performance against both budget and prior period. The Executive Committee also reviews the key measures of operating performance.

The Group has clear authority limits deriving from the list of matters reserved for decision by the Board, including capital expenditure approval procedures.

Viability statement

In accordance with provision C2.2 of the Code, the directors have assessed the viability of the Company over the three-year period to 30 April 2021. The directors have determined that a three-year period constitutes an appropriate period over which to provide its Viability statement as this is the period focused on during the strategic planning process (see Risk management section above) and is appropriate for the Group's business cycle. The Group's strategic plan considers the Group's results, cash flows, debt and other key financial ratios over the three-year period.

The viability assessment takes into account the Group's current position, its future prospects, the strategic plan, the Group's principal risks and the mitigating actions to address these as set out on pages 26 to 29. Stress testing has been carried out by determining the impact of each of the principal risks on the Group's results, borrowing facilities and covenant commitments. This stress testing also considered severe but plausible scenarios which illustrate the potential impact of a combination of these risks crystallising during the period. A number of reasonable assumptions are included within these assessments including:

- that funding facilities will continue to be available and that the facility which expires in September 2019 will be renewed on a broadly similar basis;
- that in the event of several risks occurring simultaneously and having a severe impact on the Group, all potential mitigating actions including adjusting capital management to preserve cash would be taken on a timely basis; and
- that implausible scenarios where multiple risks occur all at the same time, or are unable to be appropriately mitigated, do not occur.

The Board has concluded that the Group has adequate resilience due to its diversified product portfolio and product development portfolio expertise, regulatory expertise, a strong balance sheet, healthy cash generation and access to external financing, which includes committed facilities.

Therefore the directors have a reasonable expectation that the Company and Group will be able to continue in operation and to meet their liabilities as they fall due over the three-year period of assessment to 30 April 2021.

CORPORATE GOVERNANCE CONTINUED

Financial reporting

The directors' responsibility for preparing the accounts is set out in the Statement of Directors' Responsibilities on page 85.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future and to meet their obligations as they fall due. As at 30 April 2018, the Group reported net debt of £95.5m (2017: £92.6m), which compared with total committed banking facilities of £168.6m (at year end exchange rates) leaving £51.3m of headroom undrawn. The Group's primary committed financing facility is available to September 2019. Accordingly these financial statements have been prepared on a going concern basis.

Remuneration

Our Remuneration Report, which describes the level and components of the remuneration of the directors, is set out on pages 59 to 68.

Relations with shareholders

The Board regards relationships with shareholders as very important and it aims to encourage open dialogue with them through regular meetings with the Group's institutional shareholders, including meetings following the announcement of the Company's interim and annual results and at other times with institutional investors and other shareholders at their request. Shareholders may meet with any new non-executive director if they wish. The Chairman ensures that views expressed at these meetings are reported to the Board as a whole. The Company's brokers also attend Board meetings at the request of the Chairman to provide feedback on shareholder opinion.

Presentations given to analysts are available on the Company's website.

The Senior Independent Director is available to meet with shareholders as required.

Shareholder meeting – the Annual General Meeting (AGM)

All shareholders have the opportunity of discussing the Group's performance and development at its AGM, which provides a forum for shareholders to raise issues with the Board. Members of the Remuneration, Nomination, Audit and Corporate Responsibility Committees will also be available at the AGM so that shareholders may discuss any queries they may have.

Our previous AGM was held on 6 September 2017 and the full voting results on each of the resolutions are published on our website. Our 2018 AGM will be held on 5 September 2018 at the Company's registered office in Hemel Hempstead. The Notice of the Meeting sets out each of the resolutions to be proposed and a copy of the Notice can be downloaded from the Company's website at www.consortmedical.com.