

Corporate Governance

THE QUOTED COMPANY ALLIANCE (QCA) CODE

During the past year, the listing rules for the Alternative Investment Market ("AIM"), of which the Group is a member, were updated. Effective 28 September 2018, AIM listed companies are required to 'comply or explain' against a recognised corporate governance code. The board is committed to adhering to high standards of corporate governance and, as such, welcomed this change. The Group has elected to apply the principles of corporate governance contained in the QCA Corporate Governance Code, as issued by the Quoted Companies Alliance in April 2018 ("the Code"). Throughout the financial year, and up to the date of the report, the Group was fully compliant with all sections of the Code.

John Hennessy, Non-Executive Chairman

This disclosure was last reviewed and updated on 27 September 2018.

SECTION1 - DELIVER GROWTH

QCA Code Principle	Application (as set out by QCA)	What we do and why
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the Company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Company from unnecessary risk and securing its long-term future.	<p>Cpl's strategy is explained within the Strategy Report section on pages 14 & 15 of our Annual Report and Accounts for the year ended 30 June 2018.</p> <p>Our vision is ultimately to be the world's best at transforming our clients through total talent solutions and experiences. At our core are three fundamental islands of focus and activity that will help guide us to the future and create new forms of competitive differentiation:</p> <ol style="list-style-type: none"> Future Ready - to continue be at the leading edge of the future of work, so we can enable our clients, candidates and consultants to be future ready. Client First - to continue to adopt a people centred, strategic approach to how we deal with our clients, called 'the Cpl Way'. Total Solutions - to continue to design and deploy real world ready integrated solutions that will create transformational value appropriate to the needs of our clients and our candidates. <p>The key challenges to the business and how these are mitigated are detailed on pages 30 & 31 of our Annual Report and Accounts for the year ended 30 June 2018.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base.</p> <p>The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>In deciding how best to use our free cash flow, the board continues to prioritise the maintenance of a strong balance sheet, to allow us to take advantage of opportunities to invest in future growth, both organically and through acquisition. The Group also has a progressive dividend policy which reflects the underlying earnings growth and continued financial strength of Cpl.</p> <p>There are regular meetings between the representatives of the Group and representatives of its principal investors. Announcements of interim and annual results are communicated promptly to all shareholders and presentations by the executive team are made to discuss the Group's results and any key developments.</p> <p>All shareholders are welcome at the Annual General Meeting where they have the opportunity to ask questions of the board. All Directors normally attend the Annual General Meeting. The Non-Executive Chairman also gives a statement on the current trading conditions at the Annual General Meeting.</p> <p>The Chairman and the Executive Directors are ultimately responsible for shareholder liaison and make themselves available to shareholders as required. The views of shareholders and market perceptions are regularly communicated to the board.</p> <p>Where voting decisions are not in line with the company's expectations the board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.</p>

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>Long-term success relies upon good relations with a range of different stakeholder Groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the Company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the Company's impact on society, the communities within which it operates or the environment have the potential to affect the Company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder Groups.</p>	<p>The Company has a range of stakeholder Groups both internal (our employees) and external (suppliers, customers, regulators and others) whose good relations its long term success relies upon. The board is firmly aware that stakeholder views can be hugely informative in terms of operational effectiveness and strategy development. The Company's strategy takes into account the needs of each stakeholder Group and where applicable seeks feedback from these stakeholders directly.</p> <p>CSR initiatives and activities are of real importance to our people, our clients, our values and our culture. To reinforce our people's connection with giving back we enable our staff to choose the charities we support and how we support them in four main ways:</p> <ol style="list-style-type: none"> 1) Volunteering of staff time 2) Community Involvement & Skill Sharing 3) Using Digital for Good 4) Philanthropy <p>We value and regularly act on feedback from our people. In our internal CSR survey, we asked our people if they were happy with our CSR approach for '17/18' and 95% of those who responded said they were. In our Great Place To Work survey in 2017, 86% of our people said "I feel good about the way we contribute to the community".</p> <p>For more information please see the Corporate Social Responsibility section on page 24 & 25 of our Annual Report and Accounts for the year ended 30 June 2018.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the Company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the Company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>The Directors are responsible for ensuring that the Group maintains a system of internal control and risk management.</p> <p>Key elements of this control system, including internal financial control, are:</p> <ol style="list-style-type: none"> 1) An organisation structure with defined lines of responsibility and delegation of authority. 2) A budgeting system with actual performance being measured against budget on a regular basis. 3) Regular reviews of the key business risks relevant to the Group's operations. These risks are reviewed annually for the purpose of ensuring that they remain appropriate to the business and the current trading environment. 4) Control procedures to address the key business risks, including policies and procedures appropriate to the operations of the business. The Board considers the adequacy of the control procedures at the same time as it reviews the key business risks. In addition, certain prescribed matters are reserved for Board approval. <p>The board actively monitors the continued adequacy of the Group's risk management and control system to ensure that as the Group develops and delivers on its strategic objectives, appropriate resources are available for this purpose.</p> <p>The key risks to the business and how they are mitigated are detailed on pages 30 & 31 of our Annual Report and Accounts for the year ended 30 June 2018.</p>

SECTION2 - MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p>5. Maintain the board as a well- functioning, balanced team led by the chair</p>	<p>The board members have a collective responsibility and legal obligation to promote the interests of the Company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non- executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfill their roles.</p>	<p>The Group is controlled by its board of Directors. The board’s primary roles are to create value for shareholders, to provide leadership to the Group, to approve the Group’s strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives. The board is also responsible for developing and promoting the Group’s purpose together with the values, culture and behaviours needed to conduct business and to achieve its strategic objectives.</p> <p>Specific responsibilities reserved to the board include: setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major acquisitions, divestments and capital expenditure; reviewing the Group’s systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; approving appointments of Directors and Company Secretary; approving policies relating to Directors’ remuneration and the severance of Directors’ contracts; and ensuring that a satisfactory dialogue takes place with shareholders.</p> <p>The board has delegated the following responsibilities to the executive management team: the development and recommendation of operational plans for consideration by the board that reflect the longer-term objectives and priorities established by the board; implementation of the strategies and policies of the Group as determined by the board; monitoring the operating and financial results against plans and budgets; monitoring the quality of the investment process against objectives; prioritising the allocation of capital, technical and human resources; monitoring the composition and terms of reference of divisional management teams; and developing and implementing risk management systems.</p> <p>Each Director retires by rotation every 3 years and no specific term of appointment is prescribed. The board meets at least eight times each year and has a fixed schedule for reviewing the Group’s operating performance. Additional meetings are arranged as required to deal with specific issues or transactions. There is a schedule of formal matters specifically reserved for board approval. Outside of this, the Chairman and Non-Executive Directors make themselves available for consultation with the executive team as often as necessary.</p> <p>All Directors have access to advice from the Company Secretary and from independent professional advisors at the Group’s expense.</p> <p>The board currently comprises the Non-Executive Chairman, four Executive Directors and three other Non-Executive Directors, which includes the Senior Independent Director, Breffni Byrne. The board considers all of its Non-Executive Directors to be independent in character and judgement and each has wide ranging business skills and commercial acumen. The board has determined that there are no relationships or circumstances that are likely to affect, or could appear to affect, the independent judgement of any of the Non-Executive Directors.</p>

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<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The board should not be dominated by one person or a Group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	<p>The Nomination and Remuneration Committee of the board oversees this process and makes recommendations to the board on all new board appointments.</p> <p>In respect of potential nominations to the board, the Committee meets at least once a year. Annually, the Committee considers the mix of skills and experience that the board requires and seeks to propose the appointment of Directors to meet its assessment of what is required to ensure that the board continues to operate effectively in discharging its responsibilities.</p> <p>On appointment, the Directors receive relevant information about the Group, the role of the board and the matters reserved for its decision-making, the terms of reference and membership of the principal board Committees and the powers delegated to those Committees, the Group's corporate governance policies and procedures and the latest financial information about the Group. Throughout their period in office, the Directors are regularly updated on the Group's business and the environment in which it operates, by written briefings and by meetings with senior management, who are invited to attend and present at board meetings from time to time.</p> <p>They are also updated on any changes to the legal and governance requirements of the Group and those which affect them as Directors and are able to obtain training, at the Group's expense, to ensure they are kept up to date on relevant new legislation and changing commercial risks.</p>

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>Boards should continuously challenge themselves and regularly consider whether they are effective. In order to ensure the board continues to operate effectively, it recognises the importance of continuing evaluation of its performance and the performance of its Committees.</p> <p>Such a review of the operation and performance of the board and its Committees is undertaken annually. During the past financial year, this review was conducted internally by the Chairman in the form of one-to-one meetings where the Chairman assessed any training and development needs in respect of individual Directors and any skillset gaps at board unit level.</p> <p>The Chairman also considers feedback from Directors and, where appropriate, acts upon that feedback. The evaluation of the Chairman's performance is led by the Senior Independent Director. In line with best practice corporate governance principles, it is the board's intention to facilitate an external evaluation at least every three years.</p> <p>The Committee considers succession plans for the Group board and other senior managers over the short and longer-term, keeping in mind the balance of skills and experience required to ensure that the Group's commitment to deliver sustainable shareholder value is met. A clear career progression for employees and a talent pipeline is key to the Group's growth and helps to attract and retain talented individuals. The Group is committed to maximising career opportunities through significant investment in training and professional development at all levels. The Committee supports internal development programmes to build the skills required of future leaders amongst relevant employees.</p> <p>The board are very aware of the benefits of periodic refreshment of its membership, which fosters the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. As part of our commitment to board refreshment, the board will appoint a further Non-Executive to the board later this year. This appointment will follow the recent appointments to the board of Colm Long, in March 2017, and Lorna Conn, Chief Financial Officer, in July 2018. Oliver Tattan and Breffni Byrne will retire from the board in the 2019 and 2020 financial years, respectively, and the Chairs of the Audit and Nomination and Remuneration Committees will rotate accordingly.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team.</p> <p>Corporate values should guide the objectives and strategy of the Company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Company.</p>	<p>Our talented and experienced people are central to Cpl's success. They are committed to our core values of accountability, respect, customer focus, effective communication and empowerment. By holding ourselves to these values, we have created a culture in Cpl that is engaging and motivating for our people. In 2018, Cpl was recognised in the Great Place to Work program's large category for the fourth consecutive year. This recognition is of great value to Cpl, as attracting and retaining the best talent is key to our continued operational excellence.</p> <p>The board is also responsible for developing and promoting the Group's purpose together with the values, culture and behaviours needed to conduct business and to achieve its strategic objectives.</p>

QCA Code Principle	Application (as set out by QCA)	What we do and why
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.</p>	<p>The Corporate Governance Statement on pages 33 - 36 of our Annual Report & Accounts for the year ended 30 June 2018 details the Company's governance structures and why they are appropriate and suitable for the Company.</p>

SECTION 3 - BUILD TRUST

QCA Code Principle	Application (as set out by QCA)	What we do and why
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company.</p> <p>In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ol style="list-style-type: none"> 1) The communication of shareholders' views to the board; and 2) The shareholders' understanding of the unique circumstances and constraints faced by the Company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>There are regular meetings between the representatives of the Group and representatives of its principal investors. Announcements of interim and annual results are communicated promptly to all shareholders and presentations by the executive team are made to discuss the Group's results and any key developments. All shareholders are welcome at the Annual General Meeting where they have the opportunity to ask questions of the Board. All Directors normally attend the Annual General Meeting.</p> <p>The Non-Executive Chairman also gives a statement on the current trading conditions at the Annual General Meeting. The Chairman and the Executive Directors are ultimately responsible for shareholder liaison and make themselves available to shareholders as required. The views of shareholders and market perceptions are regularly communicated to the Board.</p> <p>The Company has a range of stakeholder groups both internal (our employees) and external (suppliers, customers, regulators and others) whose good relations its long term success relies upon. The Board is firmly aware that stakeholder views can be hugely informative in terms of operational effectiveness and strategy development. The Company's strategy takes into account the needs of each stakeholder group and where applicable seeks feedback from these stakeholders directly.</p>