

Shareholder Engagement Follow Up Report – Connect Group PLC

At the Company's 2020 Annual General Meeting (AGM) the Board acknowledged the failure to pass the following resolutions, primarily as a result of the votes cast by two of the Company's shareholders:

- resolution 15 (disapplication of pre-emption rights); and
- resolution 16 (disapplication of further pre-emption rights).

The Board indicated its disappointment with the outcome given that each of the resolutions followed the provisions of the Pre-emption Group's Statement of Principles for the disapplication of pre-emption rights and reflected UK listed company market practice. The Board went on to confirm that it considered the flexibility afforded by these authorities to be in the best interests of the Company and shareholders and noted that these resolutions have each previously received support at past AGMs.

The Board acknowledged that certain shareholders have a policy of not supporting such resolutions and, through further shareholder engagement, have sought to understand the rationale behind such policy and its impact on the Company.

Engagement with one shareholder indicated that their decision to vote against each of the pre-emption resolutions was significantly rooted in a changing institutional approach within the jurisdiction in which that shareholder is based rather than a reflection of their attitude towards the Company and its management. Following assurances from the Company that, at such time, the directors had no present intention of exercising these authorities and, if ever it sought to do so, the Board would look to canvass the views of its largest shareholders at that time, the shareholder has since indicated that it may be supportive of future resolutions of up to 10% of the share capital being issued without pre-emption rights (in the manner as had originally been proposed).

The other major shareholder indicated in the follow-up engagement that their main concern was around resolution 14, which confers authority on the directors to allot up to $\frac{1}{3}$ of the issued share capital (ISC) as the directors see fit and a second $\frac{1}{3}$ on a rights issue basis. The shareholder expressed its view that this authority (combined with the pre-emption resolutions) could give rise to a significant risk of shareholder dilution from future capital raisings. While the shareholder confirmed its intention to vote against any 'authority to allot' resolution where this exceeds 10% of ISC, they have since indicated that they could support all three resolutions if the general authority to allot resolution was limited to 10%.

Accordingly, the Board considers that such engagement has been positive and welcomes the candid responses from its shareholders. The Board remains committed to continuing an open and transparent dialogue and will take any further input received into consideration in its future deliberations, specifically the formulation of shareholder resolutions to be presented at the 2021 AGM and the level of share capital that may be issued without pre-emptive rights which would be most acceptable across the majority of the shareholder body.

Finally, pursuant to the 2018 Corporate Governance Code, the Board will set out further detail of this dialogue and interaction within the Company's 2020 Annual Report & Accounts.

Investor Contact

For all enquiries concerning Investor Relations, please use the contact details below:

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AGM Information

Information for the Annual General Meeting held on 31 January 2020 and all previous AGMs is available for download <https://www.connectgroupplc.com/investors/shareholder-centre/agm>