

Corporate Governance Statement

Dear Shareholder

Introduction

On behalf of the Board of Directors of Redhall (the Board), I am pleased to make this Corporate Governance Statement.

As Chairman, I work with my Board colleagues to ensure that the Group's key strategic objectives are met and that Shareholder value can be created over the longer term.

The Board supports good corporate governance and considers that the Group's success is enhanced by the imposition of a strong corporate governance framework. I have overall responsibility for ensuring that this framework is established and maintained.

Whilst the Board considers that Redhall has previously maintained appropriate corporate governance processes and procedures for a company of its size, in accordance with AIM Rules for Companies, the Board formally adopted the 2018 QCA Corporate Governance Code (the Code) with effect from 25th September 2018.

The Code is constructed around 10 broad principles of good corporate governance, aimed at delivering growth, maintaining a dynamic management framework and building trust. The application of the Code requires the Group to apply these ten principles and also to publish certain related disclosures.

A summary of how the Company has applied the principles of the Code is included below.

Summary

The Board considers that the Group has in place strong corporate governance procedures, including appropriate mechanisms for Board reporting, for managing the Group's businesses and for reporting to Shareholders. The Board sets the Group's operating culture and strategy and is responsible for cascading that strategy to the Group's operational management, such that management behaviours reflect the Group's culture and values.

The Board's objectives, strategy and business model (as set out in the Annual Report), as well as its approach to the principal risks and uncertainties facing the Group, are reinforced consistently by the Executive Directors and other senior management in their day-to-day interactions. The Board encourages an open, consultative culture where the health and safety of the Group's employees and the end users of the Group's products (in hazardous and security environments) are extremely important. The Board believes that individuals should be rewarded appropriately for their contribution, including with regard to bonuses and long-term incentives. The Board, in particular, will not tolerate any form of work place discrimination.

There are clear lines of distinction between Executive Management, led by the Chief Executive Officer who has responsibility for running the business on a day-to-day basis, and the Board, which provides constructive challenge to management in the discharge of their duties. The Group maintains and review its systems, processes and policies on an ongoing basis. It is my responsibility, as Chairman, to ensure that the effectiveness of the Board and its Committees is regularly assessed.

There have been no significant changes in the Group's governance processes during the year although there were a number of changes to the Board. Russ Haworth succeeded Wayne Pearson as Interim Chief Executive Officer on 25 October 2018. Wayne Pearson had previously succeeded Phil Brierley as Chief Executive Officer on 1 April 2018. Simon Comer joined the Board as Chief Financial Officer on 2 July 2018, replacing Chris Kelly. Both executives have received induction and training, including regarding corporate governance, appropriate for the roles they have assumed. In addition, Joe Oatley

joined the Board as Senior Independent Non-Executive Director in May 2018, bringing with him a wealth of experience of working for manufacturing businesses in the public company environment. Phillip Hilling, Non-Executive Director, stepped down from the board in June 2018.

In addition to myself, the Group has one other independent non-executive director, Joe Oatley. The Board considers that the independent representation on the Board is appropriate for Redhall, taking into account its size and shareholder base.

All relevant information, including company announcements, reports and circulars are posted on the Group website.

The Board encourages strong lines of communication with the Shareholders. Details of Redhall's next Annual General Meeting, to be held on 30 January 2019, will be included in the Annual Report for the year to 30 September 2018 and I and my fellow Board members look forward to meeting you there.

Martyn Everett
Chairman

The 10 Corporate Governance Principles of the Code

Principle 1 - Establish a strategy and business model which promote long-term value for shareholders

Application

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.

Compliance

The Group is a leading manufacturing and services provider in demanding high hazard and security environments. Its key markets include nuclear defence, decommissioning and new build, as well as mobile telecommunications and food processing. The Group's businesses work on a number of high profile infrastructure projects in the UK. The Group is focussed on becoming a global business by providing high integrity products and services in demanding environments that consistently exceed customers' expectation of quality, service and delivery.

Shareholder value in the medium-term to long-term is intended to be delivered by driving operational excellence across the Group and growing within its chosen markets, both organically and by selective acquisition, to extend its capabilities and reach.

The Group is committed to protecting the health and safety of its employees at all times and to developing its people's skills and capabilities over time through initiatives such as the Redhall Academy.

Further information on the Group's strategy and business model is provided each year within the Annual Report.

Principle 2 - Seek to understand and meet shareholder needs and expectations

Application

Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base.

The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

Compliance

The Board regularly reviews the Group's shareholder base to understand more fully the variety of interests represented within it. The Board meets regularly with the Group's major shareholders and may also consult with them prior to the implementation of proposals which are outside of the ordinary course of business. Jamie Brooke, Non-Executive Director, is a representative of Lombard Odier Investment Management (LOIM), which is interested in 27.8% of the Company's issued ordinary shares. A relationship agreement is in place between the Company and LOIM to ensure that the Group is capable at all times of carrying on its business independently of LOIM.

The Board is also aware of its obligations to protect the interests of minority shareholders. Joe Oatley, the Senior Independent Non-Executive Director, not only provides an independent view of the Company's activities, but also a route of access for shareholders, particularly on matters the Chairman or Chief Executive Officer are unable to resolve.

The Annual Report and the Half Year Accounts and related announcements are made available promptly on the Company's website, along with any presentations given to analysts and other market commentators. All relevant information, including Company announcements, reports and circulars are posted on the Group website in accordance with the AIM Rules for Companies.

All shareholders are invited to attend the Company's Annual General Meeting (AGM). The AGM includes a question and answer session and the Directors make themselves available to meet with shareholders following the meeting.

Principle 3 - Take into account wider stakeholder and social responsibilities and their implications for long-term success

Application

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.

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.

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.

Compliance

The Board recognises the importance of fruitful and ongoing relationships with all stakeholders in the Group, whether internal or external. To this end, members of the senior executive management team meet regularly with representatives of the Group's workforce to discuss operational matters. Matters

arising from these meetings requiring Board attention are raised at regular Board meetings. In addition, the Board considers that regular engagement with the Group's external stakeholders, in particular its customers, to understand their requirements is key to the long-term success of the Group and is a key objective.

The Board takes the Group's social responsibilities seriously. The nature of the Group's activities in high hazard and security environments requires that its impact on society and the environment is carefully considered and all relevant legal requirements are complied with.

Many of the Group's businesses are large employers in the local communities in which they operate and employees are encouraged to participate in activities that benefit the wider community.

Principle 4 - Embed effective risk management, considering both opportunities and threats, throughout the organisation

Application

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.

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).

Compliance

The Board considers carefully the key risks impacting upon the business based on the information presented to it and makes key decisions taking into account a range of risks, both internal and external to the Group, including its supply chain. Both the setting and execution of strategy are assessed by the Board and risks are assessed within its risk tolerance and appetite.

The Board has established an Audit Committee, further details of which are set out below and in the Annual Report. The Audit Committee considers risk and internal control as a fundamental part of its responsibilities.

Principle 5 - Maintain the Board as a well-functioning, balanced team led by the chair

Application

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.

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.

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.

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.

Directors must commit the time necessary to fulfil their roles.

Compliance

The Board is committed to high levels of corporate governance and has established an appropriate framework within which to operate. The corporate culture is open and reflects the short lines of communication between the Executive Directors and key operational management.

The Board is responsible for creating value for shareholders, determining strategy, investment and acquisition policy, approving significant items of expenditure and for the consideration of significant financing and legal matters.

The Group is currently led and controlled by the Board which comprises the Non-Executive Chairman, Martyn Everett, two Executive Directors, Russ Haworth (Interim CEO) and Simon Comer (CFO) and two Non-Executive Directors, Jamie Brooke and Joe Oatley, of who, Joe Oatley is considered to be independent.

The roles of Chairman and Chief Executive Officer are held by separate Directors and there is a clear division of responsibilities between them. The Chairman leads the Board and ensures its effectiveness. He sets the Board agenda and ensures that all Directors make an effective contribution. The Chief Executive Officer has responsibility for all operational matters and the development and implementation of the Group's Strategy as approved by the Board. The Non-Executive Directors have particular responsibility in ensuring that the strategies proposed by the Executive Directors are fully challenged.

The Executive Directors work full time in the business and are contracted to make such contribution and time commitment as is required for the fulfilment of their duties. The Non-Executive Directors are required to prepare for and to attend Board meetings and meetings of such Board committees of which they are members. They are expected to commit sufficient time to enable them to fulfil their duties. Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings. Where appropriate, Directors are able to take independent advice.

The Board considers that there is an appropriate balance of Executive and Non-Executive Directors and that the Non-Executive Directors each have specific expertise and experience to contribute to the oversight of Executive Management and the performance of the Board.

Under the Company's articles of association, all Directors must offer themselves for re-election at least once every three years and at least one third of the Directors must offer themselves for re-election each year.

The Board has established three committees to assist in managing specific aspects of its responsibilities.

The Audit Committee currently comprises the Company's Non-Executive Directors: Martyn Everett (Chairman), Joe Oatley and Jamie Brooke.

The committee, and other Board members by invitation, meets with the independent external auditor to review the Group's annual accounts and at other times, as appropriate, during the year. The committee keeps under review the nature and extent of non-audit work carried out by the external auditor with a view to maintaining the auditor's objectivity and independence.

The Remuneration Committee currently comprises the Company's Non-Executive Directors: Joe Oatley (Chairman), Martyn Everett and Jamie Brooke.

The committee determines the remuneration and terms of service of the Executive Directors including incentive arrangements and duration of notice periods. No Director participates in the discussions regarding their own compensation.

The Nominations Committee currently comprises the Company's independent Non-Executive Directors: Martyn Everett (Chairman) and Joe Oatley. The committee is responsible for proposing candidates for appointment to the Board, having regard to the balance of skills, experience, independence and knowledge required for the Group. It also considers the benefits of diversity, including gender diversity, when making appointments. In appropriate cases, recruitment consultants are used to assist the process.

Principle 6 - Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Application

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.

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.

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.

Compliance

The Board is considered to comprise individuals with a good blend of relevant experience in the manufacturing sector, the financial and the public markets and with the necessary experience and strategic and operational skills required to drive the Group forward. The Nominations Committee of the Board ensures that new Board members are selected through a rigorous recruitment process based upon specific criteria targeted at complementing the strengths of the Board as a whole.

The Chairman reviews the composition of the Board from time to time and assesses the contribution of each Board member to the overall strategic goals of the business. This review considers the balance of the Board, individual's previous experience in public markets, whether individuals remain motivated and committed to the achievement of the Group's objectives and their objectivity.

The Board considers that it has the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long-term. Recent Board changes reflect the focus of the Group on high integrity manufacturing activities. The related focus on operational improvement and longer-term growth were key considerations of the Executive and Non-Executive Director changes during 2018.

The biographies of the Directors can be found on the website.

Principle 7 - Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Application

The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual Directors.

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.

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.

Compliance

The Chairman annually reviews the performance of the Chief Executive Officer and Chief Finance Officer.

The Board is provided with regular updates on the performance of other key senior management and their effectiveness and performance. Succession and recruitment are reviewed as part of the agenda at each Board meeting.

Board and senior management appointments are managed through rigorous recruitment processes and are overseen by the Nominations Committee of the Board with appropriate involvement of other Board members.

The Board, its committees and Board members are assessed based upon their contribution to the achievement of the Group's strategies and goals.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

Application

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.

The policy set by the Board should be visible in the actions and decisions of the Chief Executive Officer and the rest of the management team. Corporate values should guide the objectives and strategy of the Company.

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.

The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Company.

Compliance

The Board is committed to a strong corporate culture with sound ethical values and behaviours and communicates this down the Group.

The Board, in particular, recognises the importance of a strong Health & Safety culture in its manufacturing facilities. Education, such as external presentations and regular tool box talks, are utilised to educate employees and highlight their responsibility in this regard.

The Company has strong operational governance rules which define the parameters within which senior management are able to operate. The Board believes that individuals should be rewarded appropriately for their contribution including bonus and long-term incentives. The Board, in particular does not accept any form of work place discrimination.

The Chief Executive Officer executes the strategy set by the Board with the full commitment and contribution of the leadership team across the Group. The Group's culture is determined by reference to the strong commitment to quality shown by the work force which produces products for high hazard and security environments.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Application

The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.

Compliance

This summary sets out the Board's high level application of the Code. It explains the roles and responsibilities of the Chairman and Chief Executive Officer and also the role of the Senior Independent Non-Executive Director in managing shareholder concerns not resolved by the Chairman or Chief Executive Officer.

The structure of the Group Board is reviewed from time to time to ensure appropriate levels of skill and expertise relevant to the Group's needs is maintained at Board level. The Board meets at least eight times each year and has an agenda specifically tailored to the requirements of the Group. The Non-Executive Directors challenge strategies proposed by the Executive Directors to ensure the business objectives of the Group are met.

Key decisions impacting upon the Group strategically and operationally are discussed by the full Board to ensure that clear and efficient decision making processes are operated. Appropriately qualified professional advisors are engaged by the Board, where appropriate, to assist with key strategic and operational matters.

The Board communicates through the Group's Annual Report and website, which includes information on how its Corporate Governance is operated and maintained. Certain key performance indicators are published in the Annual Report including details of the order book and key operating ratios.

Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application

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.

In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the Board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the Company.

It should be clear where these communication practices are described (annual report or website).

Compliance

The Board promotes dialogue with the Group's shareholders and seeks to engage with them following regular results announcements and when the Group undertakes activities initiating significant change e.g. the 2017 fundraising.

The Chairman and the Chief Executive Officer manage the day-to-day relationship with major shareholders, and the Senior Non-Executive Director is also available to discuss matters with shareholders who would prefer to speak to him.

The results of votes at General Meetings are announced to the market following the relevant meeting, although the numbers of votes cast are not disclosed other than at the General Meeting itself. In the event that a significant proportion (>20% including proxies) of independent votes are cast against a resolution at a General Meeting of the Company, the Board intends, on a timely basis, to explain any action it has taken or will take as a result of that vote.

The Company publishes its Annual Report (including Notices of General Meetings) on its website and maintains copies of reports published since 2014.