

Chairman's Statement

The Board is committed to the principles of good corporate governance and believes that an effective corporate governance framework is essential to underpin the success of the Group's business. The Board is committed to achieving the highest standards of integrity, ethics, professionalism and business practice throughout the Group's operations. Therefore, the Company has adopted the Quoted Companies Alliance Corporate Governance Code (the "**QCA Code**"), in line with the AIM Rules for Companies, which requires all AIM-quoted companies to adopt a recognised corporate governance code and to explain how the company complies with and where it departs from the chosen code.

Listed below are the 2023 QCA Code's principles and a description of how the Company complies with them.

This information was last updated on 5 February 2025.

1. Establish a purpose, strategy and business model which promotes long-term value for shareholders

RC Fornax is an established, highly accredited engineering consultancy, formed to define and execute engineering design projects under Statements of Work ("**SoW**"), enhancing and augmenting customer capabilities while improving project efficiency. As a veteran founded SME, primarily focussed on supporting the UK defence industry, the Company seeks to drive long-term relationships and repeat business.

RC Fornax is a challenger to the industry and aims to become a best-in-class provider of services to the UK defence industry, by offering a wide range of expertise and capabilities, with an initial focus on systems, software and hardware engineering. Specifically, RC Fornax builds bespoke project teams, from an associate community of expert consultants to ramp up at pace, against specific customer requirements. As opposed to a simple outsourced recruitment style model, RC Fornax does not act as an intermediary and does not simply supply labour. Instead, it works with its clients to define their specific needs and takes full responsibility for delivering the SoW, with clear deliverables, so that the focus is always on engineering outcomes.

RC Fornax has established relationships and provides services to 10 direct tier 1 defence industry customers. The Company believes it is well placed to expand its offering with existing clients and win new clients while submitting bids on competitive frameworks. Over 2025, the consultants booking to project is also expected to grow to over 100 consultants. The Company aims to achieve this primarily through focus on larger, embedded teams by supporting existing clients on more sites, more projects and more business areas.

The Company also intends to develop an automated SoW tool, called the Fornax Automated Statement of work Generator or Project FAS-G, capable of analysing a project schedule for unallocated tasks and skills demand, taking account of critical path activities and inter-team dependencies, to produce a Statement of Work that will be contractable.

The Board believes that RC Fornax has established itself as an effective enabler for large defence organisations, and the Company intends to continue to grow its market share. RC Fornax also intends to expand its business model to position itself as an SME integrator, harnessing the capabilities of SMEs with the ultimate aim of supporting the MoD deliver on its SME action plan. Specifically, the Company plans to lead joint bids for new MoD procurements and act as the prime SME for holistic product development programmes, offering a further differentiated solution to the status quo to challenge the tier 1 companies.

2. Promote a corporate culture that is based on ethical values and behaviours

The Board is committed to ensuring that RC Fornax operates according to the highest ethical standards and the Board has primary responsibility for achieving this. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its employees. The Board, together with the Group's HR function, takes great care to ensure that all individuals employed by the Group demonstrate the required high levels of integrity and are aligned with the corporate values and culture.

To assist with the implementation of these values, the Board has also established the following policies and guidelines: an Anti-Bribery and Anti-Corruption Policy; a Data Protection Policy; a Whistleblowing Policy; and a Social Media Policy. The Group fully endorses the aims of the Modern Slavery Act 2015 and take a zero-tolerance approach to slavery and human trafficking within the Group and supply chain.

The Company's Co-Founders established the business in 2020 seeking to solve market inefficiencies in the UK defence industry with a clear set of values and a corporate culture that they believed would be key to RC Fornax's success. The Company continues to place a particular focus on fostering a culture of innovation, collaboration, and integrity, ensuring that every project aligns with its founding principles. By prioritising transparency, adaptability, and a commitment to excellence, RC Fornax remains dedicated to delivering cutting-edge solutions that address the evolving needs of the UK defence industry.

3. Seek to understand and meet shareholder needs and expectations

RC Fornax endeavours to engage in clear and consistent dialogue with both existing and potential shareholders to understand their expectations, and to ensure that the Company's strategy, business model and progress are clearly understood. The Board also maintains regular contact with its advisers in order to ensure that the Board develops an understanding of the views of the investor community about the Company.

The Board will communicate with shareholders through:

- the Company's annual report and accounts;
- the Company's interim and full-year results announcements;
- trading updates (where required or appropriate) and other RNS announcements;
- the Company's annual general meetings;
- live presentations and Q&A sessions; and
- the investor relations section of the Company's website.

Unpublished price sensitive information is disclosed when appropriate and in accordance with regulatory requirements via the Regulatory News Service.

The Board views the Company's annual general meeting as an important forum for communication between the Company and its shareholders and encourages shareholders to express their views on the Company's business activities and performance. The Board intends to engage with shareholders where a significant percentage do not vote in favour of resolutions at annual general meetings to understand their motivation.

Regular meetings will be held between the CEO, CFO and institutional investors and analysts to ensure that the Company's strategy, financials and business developments are communicated effectively.

Investor relations queries should be directed to the Company's Financial Public Relations adviser at: rcfornax@blytheray.com.

The Company's Co-Founders, Paul Reeves and Daniel Clarke, are interested in approximately 39.7% and 26.4% of RC Fornax's issued share capital, respectively. The Co-Founders have each entered into a market-standard relationship agreement with the Company, its Nominated Adviser and Broker to, *inter alia*, protect minority shareholders.

4. Take into accounts wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success

The Board recognises the importance of corporate social responsibility and seeks to take account of the interests and feedback from all the Company's stakeholders, including its investors, consultants/associates, customers and employees, when operating its business. The Board assesses who its key stakeholders are to consider the impact of and risks associated with the relationship, and the potential influence they may have on the Company's success.

The Board believes that fostering an environment in which employees and associates act in an ethical, socially and environmentally responsible fashion is an important factor for the Group's long-term success.

A key component of RC Fornax's business model is its established community of over 3,000 associates, who will form the Company's bespoke project teams implemented to deliver on a SoW for a client. The associate community benefits from: invitations to community events; access to forums for technical reach back and work discussion; a detailed digital profile allowing for a selection of work-based status and reputation IR35 determinations, evidence gathering and investigation protection; visibility of internal R&D projects for additional earning opportunities; and performance-based payments for early deliverable and client feedback.

Client satisfaction and feedback is crucial to the success of the Company's business and the Board encourages senior management to engage proactively with senior members of each client team before, during and after engagements to assess the Company's delivery on its established work programmes. These learnings are fed back to the operational team and senior management to ensure a high level of service at each stage of a Statement of Work.

As a relatively small consultancy-focused business, the Company's operations have limited environmental impact relative to other industries; however, the Board actively considers the Company's responsibilities with regard to the environment, which will be included in its annual report and accounts.

The Company seeks to ensure continued engagement with the its employees, clients, consultants/associates, shareholders and the wider public via:

- having processes in place designed to ensure regular dialogue between employees and senior management; and
- technological means, using the functionality of its associate community and software to gain insights and feedback from its clients, partners and the public.

Together with the Company's PR adviser and the CEO, Rob Shepherd takes primary responsibility for public stakeholder matters and Daniel Clarke takes primary responsibility for operational matters, each with the support of the Board and management team.

5. Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

RC Fornax has an experienced Board of both Executive and Non-Executive Directors and is supported by qualified professional advisers. The Board aims to set policies that seek to limit and mitigate ongoing risk as much as possible, without unduly affecting the Company's core values,

competitiveness and flexibility as a challenger in the industry. This approach is intended to serve the interests of creating lasting shareholder value while also protecting RC Fornax's corporate culture and business as a whole.

RC Fornax manages risk in order to limit potential adverse effects on the implementation of its growth strategy, its performance and the interests of its stakeholders. It does this by actively promoting the identification and management of risk at its leadership meetings with the management team and Board. The Board has established a Risk Register which will be monitored quarterly to identify new risks (and consider their materiality) and adapt the Risk Register to the changing risk profile of the Company over time. The Company has, to date, grown organically; however, any potential acquisition opportunities will be assessed in detail by the management team, Board and advisers (as required) from a risk perspective.

The Board is mindful that the Company's business is focused on the UK defence industry, which has certain higher-risk attributes, which are considered by the Board as part of its approach to risk management. The Board further considers the nature of its customers largely comprising tier 1 defence companies and its associate community being a key component of its business model in its assessment of overall corporate risk.

Management of the core risks to the business is fostered in the key commercial processes and the regular activities of the management team. The Executive Directors are integrated in the daily operations of the Group and represent the day-to-day functioning of the business to the Board.

The Company also has an Audit Committee which manages and reports on the risks associated with the Company, as well as overseeing the Company's compliance with the AIM Rules and UK MAR concerning disclosure of inside information.

Each year, the Company's annual report and accounts will contain a section setting out what the Board considers to be the main risks faced by the Group. The Company's auditor is independent of management.

6. Establish and maintain the Board as a well-functioning, balanced team led by the Chair

The Board is responsible to RC Fornax shareholders for the effective oversight, corporate governance arrangements and long-term success of the Company.

The Chair is responsible for leading the Board and ensuring that it remains effective in fulfilling this role. The Chair sets the Board's agenda and ensures that there is appropriate focus on strategic issues and the monitoring of performance and risks. The Chair promotes openness and debate within the Board, whereby all Directors can discuss and challenge the actions of the executive management, promoting effective and balanced decision making, and ultimately supporting the Company's long-term, sustainable success.

The Board consists of five Directors: three Non-Executive Directors and two Executive Directors. The three Non-Executive Directors are considered to be independent, in line with QCA Code's guidance, and the Board believes that the structure and balance of the Board is suitable for the current size of the Company.

The Board members are as follows:

- Mark Fahy (Independent Non-Executive Chairman);
- Paul Reeves (Chief Executive Officer);
- Rob Shepherd (Chief Financial officer);
- Kiri Cavill (Independent Non-Executive Director); and

- David Hitchcock OBE (Independent Non-Executive Director).

To fulfil their obligations, the Board is satisfied that each of the Directors has enough time to commit to the Group's business.

The Non-Executive Directors of the Board have been selected with the objective to further support the breadth of skills and experience of the Board and bring constructive challenge to the Executive Directors. The Non-Executive Directors are also responsible for the effective running of the Board's committees and ensuring that the committees support the strategic priorities of the Board. The Company has not appointed a Senior Independent Director in light of the current size and nature of the business, and the balance of the Board.

The committees put in place include an Audit Committee, a Remuneration Committee and a Nomination Committee. Details about these committees and the formal terms of reference can be found on the Company's website. The Audit Committee, Remuneration Committee and Nomination Committee are all chaired by an independent Non-Executive Director, and all members of each committee comprise independent Non-Executive Directors.

The Board believes that its composition and its committees provide a desirable range of skills, personal qualities and experience for delivering the strategy of RC Fornax. The Company will, however, keep under review the composition of the Board as the business develops and in light of any changes to the complexity of the Company and/or its risk profile.

7. Maintain appropriate governance structures and ensure that, individually and collectively, Directors have the necessary up-to-date experience, skills and capabilities

RC Fornax requires a broad range of capabilities, skills and competencies to be recognised on its Board. The Board believes that its members have a suitable combination of backgrounds, knowledge and personal qualities to meet this requirement and deliver high quality service centred on its core objectives, which reflect the size and nature of the Company.

Biographical details of the Directors, outlining their relevant experiences, are provided in the directors' section of the website. The Board's collective experience covers industry, operational, risk management, financial and regulatory aspects, including public company experience. It is noted that no Director is a chartered accountant, however the Company's CFO and Executive Director, Rob Shepherd, is an experienced public company Finance Director with the necessary skills to fulfil the CFO role of RC Fornax. The Company currently outsources certain finance functions and will keep under review the composition of its finance team as the business grows.

The Directors are provided with updates on market and regulatory developments, and are provided training, as required, to ensure that their skills and experience are kept up to date. Regular updates, briefings and/or refresher trainings from the Company's Nominated Adviser and legal counsel will be provided on relevant matters, as required, including compliance with the Companies Act 2006, AIM Rules, the QCA Code and Market Abuse Regulation.

The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee, details of which can be found on the Company's website.

8. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Company's process for evaluating the performance of the Board, its committees and individual Directors, will primarily be undertaken by the Nomination Committee on, at least, an annual basis. The Nomination Committee regularly reviews the structure, size and composition

(including the skills, knowledge, experience and diversity) of the Board and makes recommendations and reviews the results of any Board performance evaluation process that relate to the composition of the Board. The views of major shareholders will be considered by the Nomination Committee.

Personal objectives/targets will be determined each year for each of the Executive Directors and leadership team, and performance will be measured against these metrics.

The Nomination Committee, over the course of time, will make recommendations to the Board concerning plans for succession for both Executive and Non-Executive Directors and any matters relating to the continuation in office of any Director at any time. The Company has not commissioned third-party review of the Board performance but the Nomination Committee will keep this under review.

9. Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The Board will prepare a remuneration report as part of the corporate governance section of the Company's annual report and accounts.

The Remuneration Committee will ensure that Board remuneration is structured to link rewards to corporate and individual performance and is designed to promote the long-term success of the Company. Further information on the Remuneration Committee can be found on the Company's website. The Company does not currently have any share-based incentive plan in place but this is intended to be implemented during 2025.

The Group aims to provide salaries that attract and retain skilled individuals with the appropriate experience, including those who can add value to the Board. The Board's fees will be reviewed on an annual basis to ensure they remain competitive and aligned with market rates, and adequately reflect the time commitments and overall contribution to the role.

The Company will put its annual remuneration report to an advisory shareholder vote at its general meetings.

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board recognises that it is accountable to shareholders for the performance and activities of the Group and, to this end, is committed to maintaining good communication and having constructive dialogue with its shareholders.

The Board communicates with shareholders in a number of ways, including via:

- the Company's annual report and accounts;
- the Company's interim and full-year results announcements;
- trading updates (where required or appropriate) and other RNS announcements;
- the Company's annual general meetings;
- live presentations and Q&A sessions; and
- the investor relations section of the Company's website.

The Board considers the Company's annual general meetings to be an important forum for communication between the Company and its shareholders and encourages shareholders to express their views on the Company's business activities and performance. Details of all shareholder votes shall be published by the Company. The Board will consider and report on, as appropriate, where any resolution receives a significant number of votes against.

A range of corporate information, including annual reports, notices of general meetings and other regulatory announcements, is available on the Company's website.