

PENNANT INTERNATIONAL GROUP PLC

(the “**Company**”)

**Corporate Governance Statement**

**1 THE BOARD OF DIRECTORS**

- 1.1 The Company (and thereby its group (the “**Group**”)) is ultimately managed by the directors of the Company (the “**Directors**”), who (individually and as a group) are responsible for running the Company for the benefit of its shareholders in accordance with their fiduciary and statutory duties.
- 1.2 The Board of Directors (the “**Board**”) currently comprises five Directors, three Non-Executive Directors (including the Chairman of the Board) and two executive Directors (being the Chief Executive Officer (“**CEO**”) and the Commercial & Risk Director). The roles of the Chairman and the CEO are undertaken by separate individuals.
- 1.3 The Board has two standing committees (the “**Committees**”): the Audit Committee and the Remuneration Committee. The Terms of Reference for each of the Committees are available on the Company’s website.
- 1.4 The Board does not have a nominations committee and any nominations for appointment to the Board are considered by the full Board (and are subject to a shareholder vote at the next Annual General Meeting).

**2 CHAIRMAN**

Simon Moore is the Chairman and, in his role as Chairman, is responsible for:

- 2.1.1 leading the Board and ensuring that all members are able to contribute to Board discussions and the wider running of the Group;
- 2.1.2 ensuring that the Company acts in the best interests of shareholders and other stakeholders; and
- 2.1.3 the Group’s corporate governance arrangements.

**3 CEO AND EXECUTIVE DIRECTORS**

3.1 Philip Walker is the CEO and in that role he is responsible for:

- 3.1.1 leading and managing the business of the Company;
- 3.1.2 proposing and implementing strategy for the success of the Company’s business; and



3.1.3 leading and maintaining the Company's investor relations activities.

3.2 David Clements is the Commercial & Risk Director and is responsible for the Group's commercial and risk management functions and for supporting the CEO in his role.

#### 4 **NON-EXECUTIVES**

In addition to the Chairman, the other Non-Executive Directors are Christopher Powell and Timothy Rice.

#### 5 **THE COMPANY SECRETARY**

The Company Secretary is David Clements and, in conjunction with the Chairman, he ensures that accurate, timely and clear information is provided to the Board in order for informed decisions and discussions to take place. The Company Secretary is responsible for advising the Board on governance matters and regulatory requirements. The appointment and removal of the Company Secretary is a matter reserved to the Board. All Directors have direct access to the Company Secretary and to independent professional advice at the Company's expense as required.

#### 6 **FREQUENCY OF MEETINGS**

6.1 The Board meets at least ten times a year and relevant information is distributed to Directors in advance of the meetings. The Board makes decisions on all material matters including long term and commercial strategy, annual operating and capital budgets, capital structure and financial and internal controls.

6.2 The Group does not have a formal schedule of matters reserved to the Board but does maintain a delegated authority framework which is periodically reviewed and approved by the Board.

#### 7 **EVALUATING BOARD PERFORMANCE**

7.1 The Board has a number of sources of information from which it judges its own performance and that of the individual Directors, these include but are not limited to:

- (i) financial performance indicators including, revenue, order book, gross margin, net margin, earnings per share and cash flow;
- (ii) the Company's share price;
- (iii) reports from external auditors;
- (iv) shareholder feedback;
- (v) customer feedback; and
- (vi) employee feedback.

7.2 All these factors are considered and action taken to improve performance as appropriate.



## 8 **COMMUNICATION WITH SHAREHOLDERS**

The Board attaches a high priority to communication with shareholders having regard to its obligations as a quoted public company and the AIM Rules. The Group liaises regularly with major shareholders and there is an opportunity for individual shareholders to question the management of the Company through the Chairman at the Annual General Meeting.

## 9 **FINANCIAL GOVERNANCE**

- 9.1 The Head of Finance (“**HOF**”) is the executive within the Group responsible for day-to-day financial management of the Group’s affairs and its internal accounting. Gary Barnes is the HOF.
- 9.2 The HOF attends Board meetings to report to the Board on the monthly management accounts and the internal Group Finance Report.
- 9.3 Operationally, the HOF reports to the CEO and the CEO is ultimately accountable at Board level for the Group’s financial performance.
- 9.4 All Directors have direct access to the HOF and he is empowered to provide assistance and information to any Director on request.
- 9.5 The HOF also participates in and provides information and support to the Audit Committee as and when the Committee so requests.

## 10 **RISK MANAGEMENT AND INTERNAL CONTROLS**

- 10.1 The Board seeks to understand and manage the various risks that arise from its operations which include:
  - a) reputational risk;
  - b) contractual risk;
  - c) technical risk;
  - d) resourcing and infrastructure;
  - e) anti-corruption and compliance;
  - f) board and management succession; and
  - g) price and margin.
- 10.2 The Board has overall responsibility for risk management and the Group’s systems of internal controls. Responsibility for implementing sound and effective systems of internal control has been delegated to the Executive Directors and senior management. The Commercial & Risk Director takes responsibility for operational oversight of Group-wide risk management (other than financial risk) and the HOF oversees day-to-day financial risk management.
- 10.3 Key risks to the Group’s business are recorded in a Group Risk Register and mitigants, controls and corrective actions are reviewed regularly by the Executive Directors and the Board. Risk is a standing agenda item for the Board.



10.4 An organisational structure with clear operating procedures, lines of responsibility and delegated authority has been established and is kept under review. The purpose of the systems of internal control is to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable, but no absolute, assurance against material misstatement or loss.

11 **CITY CODE ON TAKEOVERS AND MERGERS**

The Company is subject to the City Code on Takeovers and Mergers.

12 **QCA CORPORATE GOVERNANCE CODE**

As an AIM company, the Company is not required to comply with the Financial Reporting Council's UK Corporate Governance Code (the "Code"). Notwithstanding that, the Board seeks to achieve compliance with the Code wherever appropriate and proportionate, having regard to the size of the Group and the resources available to it.

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