

PENNANT INTERNATIONAL GROUP PLC

(the “Company”)

Corporate Governance Statement

1 INTRODUCTION

- 1.1 This statement is made by me, Simon Moore, as the Company’s Chairman and explains the Company’s present corporate governance arrangements and the standards with which the Company complies.
- 1.2 The Company has elected to adopt and comply with the QCA Corporate Governance Code (the “**QCA Code**”). This statement reflects the structures that the Company has adopted in order to achieve compliance with the QCA Code. The Company’s website (the “**Website**”) provides further explanation as to the Company’s compliance with the ten key principles of the QCA Code.

2 THE BOARD OF DIRECTORS

- 2.1 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.
- 2.2 The Board of Directors (the “**Board**”) currently comprises six Directors: three Non-Executive Directors (including the Chairman) and three Executive Directors (being the Chief Executive Officer (“**CEO**”), the Commercial & Risk Director and the Finance Director). The roles of the Chairman and the CEO are undertaken by separate individuals.
- 2.3 The Board has three standing committees (the “**Committees**”): the Audit Committee, the Remuneration Committee and the Strategy Committee. The Terms of Reference for each of the Committees are available on the Website.
- 2.4 The Board does not have a formally-established nominations committee. All matters concerning the appointment and removal of Directors, and for Executive and Non-Executive Director succession planning are considered by the full Board (with any appointments subject to a shareholder vote at the next Annual General Meeting).

3 CHAIRMAN

In my role as Chairman, I am responsible for:

- 3.1.1 leading the Board and ensuring that all members are able to contribute to Board discussions and the wider running of the Group as appropriate;
- 3.1.2 ensuring that the Company acts in the best interests of shareholders and other stakeholders; and



3.1.3 the Group's corporate governance arrangements.

4 **CEO AND EXECUTIVE DIRECTORS**

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

4.1.1 leading and managing the business of the Company;

4.1.2 proposing and implementing strategy for the success of the Company's business; and

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

4.2 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.

4.3 Gary Barnes is the Finance Director and is responsible for the operational oversight of all financial matters within the Group.

5 **NON-EXECUTIVES**

5.1 In addition to the Chairman, the other Non-Executive Directors are Christopher Powell and John Ponsonby.

5.2 The Non-Executive Directors challenge and scrutinise the performance of the Executive Directors, while supporting them in their delivery of the Company's strategy and management of the Group's risks.

6 **THE COMPANY SECRETARY**

6.1 The Company Secretary is David Clements and, in conjunction with me, he ensures that accurate, timely and clear information is provided to the Board in order for informed decisions and discussions to take place.

6.2 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.

6.3 The Board acknowledges that ideally the office of Company Secretary would not be held by an Executive Director. At the present time, it is considered (given available resources and taking a proportionate approach) that it is in the best interests of the Board's efficient and proper operation that Mr Clements (as a qualified solicitor with significant company law and regulatory experience) holds the office. This is kept under review and, if and when the appropriate time arises, the roles will be separated.

7 **FREQUENCY OF MEETINGS**

The Board typically meets at least ten times a year and relevant information is distributed to Directors in advance of the meetings.



8 EVALUATING BOARD PERFORMANCE

8.1 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;
- (vi) formal and informal reviews of its effectiveness by the Company's nominated adviser; and
- (vii) employee feedback.

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

8.3 The Board will formally evaluate its own performance (whether itself, through its retained advisers, or by engaging external consultants) not less than once a year.

9 COMMUNICATION WITH SHAREHOLDERS

The Board attaches a high priority to communication with shareholders having regard to its obligations as a quoted public company including 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.

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 Finance Director oversees 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.
- 10.4 The Company's annual report and accounts (available on the Website) provide further details as to the Group's key risks (and the mitigants and controls deployed by the Group).
- 10.5 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.
- 10.6 The Group maintains a schedule of matters reserved to the Board (which underpins its delegated authority framework) and this is periodically reviewed and approved by the Board. The Board makes decisions on all reserved matters including strategy (as may be recommended by the Strategy Committee), annual operating and capital budgets, capital structure and financial and internal controls.

11 **WHISTLEBLOWING**

- 11.1 The Company is committed to legal compliance and ethical behaviour and the Board is at the forefront of this effort.
- 11.2 Any worker wishing to raise concerns about wrongdoing within the Company is encouraged to do so in accordance with the Company's Whistleblowing Policy from time to time and John Ponsonby has been nominated as the Non-Executive Director to whom any such concerns may be raised in confidence.

12 **CITY CODE ON TAKEOVERS AND MERGERS**

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

Simon Moore

Chairman

14 September 2018