

## Compliance Statement – QCA Corporate Governance Code

This document sets out how Pennant International Group Plc (the “**Company**”) complies with the ten principles of the QCA Corporate Governance Code. It was approved by the Board on, and is dated, 14 September 2018.

Principle	How the Company complies...
<p>1. Establish a strategy and business model which promote long-term value for shareholders</p>	<p>Details of the Company’s business are contained on the Company’s website, <a href="http://www.pennantplc.co.uk">www.pennantplc.co.uk</a> (the “<b>Website</b>”). The strength of the Company’s business is based on its status as a long-term, trusted supplier to its global customers.</p> <p>The Company has a written strategic plan which focuses on expanding the business with a view to growth in shareholder value; a summary of the strategy is available on the Website and, in essence, the strategy focuses on four core themes: making innovative, world-class products; providing excellent customer service (before and after sale); diversifying into regulated civilian markets; and corporate development (exploring partnerships, acquisitions and other ways to grow the business).</p> <p>The strategy is kept under review by, and evolves under the guidance of, the Company’s Strategy Committee. The Terms of Reference for the Strategy Committee are available on the Website.</p>
<p>2. Seek to understand and meet shareholder needs and expectations</p>	<p>The Company is committed to engaging with shareholders and this effort is led by the Chairman and the Chief Executive Officer.</p> <p>In order to gauge shareholder sentiment, the Company meets with key institutional shareholders typically every six months and when necessary solicits feedback from its larger shareholders via its nominated adviser.</p> <p>The Company holds an open Q&amp;A session at every Annual General Meeting and attends investor events to engage with retail shareholders. From time to time, the Company holds investor days at its sites.</p>



	<p>In its decision-making, the Board will have regard to the ascertained expectations and needs of its shareholders (as appropriate in accordance with its statutory and fiduciary duties).</p> <p>The Company welcomes shareholder contact at any time and communications should be sent in the first instance to the Company Secretary at <a href="mailto:cosec@pennantplc.co.uk">cosec@pennantplc.co.uk</a>.</p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.</p>	<p>The Company has identified its key customers, suppliers and other advisers and recognises that its staff are critical to the delivery of the Company's business objectives.</p> <p>The Company regularly holds review meetings with its key customers and suppliers and reacts as appropriate.</p> <p>A high priority is placed on employee engagement (through periodic staff briefings, regular meetings and opinion surveys).</p> <p>The Company is committed to engaging with the communities in which it operates and supports local educational trusts, science groups and sports teams. Staff are encouraged to support local charities through the Company's developing Corporate Social Responsibility policy.</p> <p>The Company considers that its operations have minimal environmental impact and is committed to reducing that impact as far as reasonably possible through full regulatory compliance, recycling programmes and other initiatives.</p> <p>The Board has regard to the feedback of relevant stakeholders in its decision-making and the formulation of strategy.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.</p>	<p>The Company has a well-established risk management framework which involves risks being identified, recorded, monitored and addressed at programme, department and Group level and subject to regular review.</p> <p>Matters arising under this risk management framework are reported at every Board meeting. At Board level, the Commercial &amp; Risk Director is accountable for operational risk management and the Finance Director for financial risk management. The key risks to the Company's enterprise are set out in detail (along with</p>



	<p>explanations as to how they are addressed) in the Company's annual report and accounts, which are available on the Website.</p> <p>The Company has clear, documented procedures in place to assess and progress opportunities arising, whether for process improvement, product enhancement, new business or any other matter.</p>
<p>5. Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The Board has three Executive Directors and three Non-Executive Directors (including the Chairman).</p> <p>The Board considers that of its three Non-Executive Directors, two of those (Simon Moore and John Ponsonby) are independent, giving an appropriate balance between Executive Directors and independent Directors.</p> <p>The Board has an established committee structure, with an Audit Committee, Remuneration Committee and Strategy Committee. The Audit and Remuneration Committees are comprised solely of Non-Executive Directors.</p> <p>The Company's Corporate Governance Statement (available on the Website) provides further details, including how the Board evaluates its own performance. The annual report and accounts (available on the Website) also explain the governance framework and provide data on the number of Board and Committee meetings (and Director attendance at the same).</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The Board has a broad range of skills appropriate to the Company's business and status (including chartered accountants, a qualified solicitor and former military officers) and a wealth of experience, with many years' aggregate service in aerospace and training.</p> <p>Those members of the Board with professional qualifications keep up-to-date in accordance with the relevant 'continuing professional development' regimes and the Board engages with various industry bodies and associations and obtains regular advice from subject matter experts (both internal and external) as to changes to good practice and regulatory environments.</p> <p>The Board recognises that it needs to improve its diversity and this will be addressed through succession planning and future appointments.</p>



	<p>The Website contains a profile for each Director and the Corporate Governance Statement and the annual report and accounts (both available on the Website) provide further explanation as to internal advisory roles and retained external advisers.</p>
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvements</p>	<p>At the highest level, the Board judges its own performance by reference to the Company's progress against the targets set out in the Company's strategic plan.</p> <p>The Corporate Governance Statement (available on the Website) explains in more detail the other metrics against which the Board reviews its collective performance.</p> <p>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.</p> <p>The performance of individual Executive Directors is reviewed formally not less than once a year by the Remuneration Committee (by reference to general contribution and performance against specific targets as set by the Chief Executive Officer, in the case of the Commercial &amp; Risk Director, or the Chairman, in the case of the CEO).</p> <p>The Chairman monitors the performance of individual Non-Executive Directors, who themselves may feed back to the CEO or the Company Secretary with any concerns regarding the Chairman. Throughout, each Director has access to the Company's nominated adviser (who in turn may provide feedback on the Board as a whole or individual Directors).</p> <p>Regard is also given to the views of key shareholders and other stakeholders as appropriate.</p>
<p>8. Promote a culture that is based on ethical values and behaviours</p>	<p>The Board is committed to embodying and promoting a sound corporate culture and has endorsed various policies which require ethical behavior of staff and relevant counterparties (such as those mandating anti-corruption, anti-counterfeiting, fair treatment and equality of opportunity).</p> <p>The Directors are overseeing ongoing work to establish a clear set of 'Core Values' for the Company which will clearly set down the ethical and cultural expectations of the Company, which will guide and inform the actions of the Company (and to which its staff can be held accountable).</p>



<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The Company's Corporate Governance Statement (available on the Website) explains the structures which are in place at Board and Committee level and how these interact, including the roles which individual Directors fulfil on the Board.</p> <p>Beneath the Board, there is an operational governance framework which facilitates the effective management of the business by the Executive Directors. Further details are contained in the annual report and accounts (available on the Website). This organisational structure is kept under continual review and evolves as the needs of the business change as it grows and develops.</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>The Company's governance structure (as a whole) is explained through the Corporate Governance Statement and the Terms of Reference which accompany it, all of which are available on the Website, and is supplemented by the disclosures provided in this compliance statement and the explanations set out in the 'Governance &amp; Risks' section of the report and accounts (as signposted in this document). The channels for communication between the Company and its shareholders are explained in the disclosure above against principle 2.</p> <p>A report from the Remuneration Committee is contained in the annual report and accounts. An Audit Committee report is not currently included so one will be introduced in the annual report and accounts for the 2018 financial year. Historic reports and accounts, along with all notices and circulars for the last five years, are available on the Website.</p>
<p><b>Reference documents</b></p>	<p>Corporate Governance Statement: <a href="http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Corporate-Governance-Statement-September-2018-FINAL_PDF.pdf">http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Corporate-Governance-Statement-September-2018-FINAL_PDF.pdf</a></p> <p>Audit Committee Terms of Reference: <a href="http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Terms-of-Reference-Audit-Committee-April-2018-FINAL.pdf">http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Terms-of-Reference-Audit-Committee-April-2018-FINAL.pdf</a></p> <p>Remuneration Committee Terms of Reference: <a href="http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Terms-of-Reference-RemCom-September-2018-FINAL.pdf">http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Terms-of-Reference-RemCom-September-2018-FINAL.pdf</a></p>



	<p>Strategy Committee Terms of Reference: <a href="http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Terms-of-Reference-StratCom-April-2018-FINAL.pdf">http://www.pennantplc.co.uk/wp-content/uploads/2018/09/Terms-of-Reference-StratCom-April-2018-FINAL.pdf</a></p> <p>2017 Annual Report and Accounts: <a href="http://www.pennantplc.co.uk/wp-content/uploads/2018/03/Annual-Report-2017.pdf">http://www.pennantplc.co.uk/wp-content/uploads/2018/03/Annual-Report-2017.pdf</a></p>
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