

# Corporate Governance Statement

## Role of the Board

The Board comprises a Non-executive Chairman, three Non-executive Directors and two Executive Directors, who are equally and collectively responsible for the proper stewardship and leadership of the Company. Their biographical details are set out on pages 40 and 41.

The Code recommends that for companies beneath the FTSE 350, the Board should comprise at least two Non-executive Directors, who are determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, this judgement. The Company regards Martyn Coffey and Frank Nelson as 'independent Non-executive Directors' within the meaning of the Code.

The formal schedule of matters reserved for the Board's consideration includes the following:

- Approval of the Group's strategy, long-term objectives, annual operating budgets and capital expenditure plans.
- Approving transactions of significant value or major strategic importance, including acquisitions.
- Approving significant changes to the Group's capital, corporate or management structure.
- Monitoring and assessing the overall effectiveness of the Group's risk management processes and internal control systems, including those related to health and safety, financial controls and anti-bribery policies and procedures.
- Approving the Annual and Half-Year Reports, including Financial Statements.
- Approving other corporate communications related to matters decided by the Board.
- Board appointments and succession planning and setting terms of reference for Board Committees.
- Remuneration matters, including the general framework for remuneration and share and incentive schemes.

The Board has delegated specific responsibilities to the Nomination, Audit and Risk and Remuneration Committees.

The Nomination Committee Report on page 46 explains how the Board and senior management appointments, succession planning and development are being addressed.

The Audit and Risk Committee Report on pages 47 to 49 provides details of how the Board applies the Code in relation to financial reporting, risk management and internal controls.

The Remuneration Committee Report on pages 50 to 64 gives details of Directors' remuneration and policy.

Day-to-day management and the implementation of strategies agreed by the Board are delegated to the Executive Directors. The Board meets regularly to discuss key operational issues and prescribe actions as appropriate. The Group's reporting structure below Board level is designed so that all decisions are made by those most qualified to do so in a timely manner.

Key to the structure is the Executive Committee (the 'Steering Group'), comprising nine senior managers, including the two Executive Directors. Management teams report to members of the Steering Group, which meets each month.

The Board receives regular updates from the Steering Group in relation to business issues and developments.

This structure enables the Board to make informed decisions on a range of key issues including strategy and risk management.

## Role of the Chairman

The Board has concluded that the Chairman has met the independence criteria of the Code since appointment.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer.

The Chairman is responsible for ensuring that the Board functions effectively. He sets the agenda for Board meetings and ensures that adequate time is devoted to discussion of all agenda items, particularly strategic issues, facilitating the effective contribution of all Directors and ensuring that the Board as a whole is involved in the decision-making process.

## Role of the Chief Executive Officer

The Chief Executive Officer has principal responsibility for all operational activities and the day-to-day management of the business, in accordance with the strategies and policies approved by the Board. The Chief Executive also has responsibility for communicating to the Group's employees the expectations of the Board in relation to culture, values and behaviours.

## Role of the Senior Independent Director and Non-executive Directors

The Senior Independent Director has an important role on the Board, providing a sounding board for the Chairman, leading on corporate governance issues and serving as an intermediary for the other Non-executive Directors. He is available to Shareholders if they have concerns which contact through the normal channels of the Chairman, Chief Executive Officer or other Executive Directors has failed to resolve, or for which such contact is not appropriate.

All Non-executive Directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively. The Non-executive Directors act in a way they consider will promote the long-term success of the Group for the benefit of, and with regard to the interests of its Shareholders.

## Board composition, commitment and election of Directors

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. On appointment, Board members, in particular the Chairman and the Non-executive Directors, disclose their other commitments and agree to allocate sufficient time to the Company to discharge their duties effectively and ensure that these other commitments do not affect their contribution.

The current Board commitments of all Directors are shown on pages 40 and 41. Their terms of appointment are reported on page 57. Directors' length of service on the Board is set out in the table below.

## Corporate Governance Statement continued

**Length of service**

	Date joined Eurocell	Date joined the Board
Bob Lawson	1 January 2015	4 February 2015
Mark Kelly	29 March 2016	29 March 2016
Michael Scott	1 September 2016	1 September 2016
Patrick Kalverboer	16 August 2013	16 August 2013
Frank Nelson	1 January 2015	4 February 2015
Martyn Coffey	1 January 2015	4 February 2015

The Company's Articles of Association contain powers of removal, appointment, election and re-election of Directors and provide that all of the Directors must retire and may offer themselves for re-election at each Annual General Meeting ('AGM').

At the upcoming AGM, all the Directors intend to offer themselves for re-election. We consider all the Directors to be effective, committed to their roles and to have sufficient time available to perform their duties.

**Board evaluation and effectiveness**

It is the Group's intention that a performance evaluation of the Board and its Committees is undertaken on a periodic basis. Such a review considers the following:

- Effectiveness of the Board's decision-making.
- Strategy development process.
- Board composition.
- Succession planning.
- Risk and risk management systems.
- Culture.

The evaluation process is designed to stimulate thought and discussion, and includes consideration over the effectiveness of Executive Directors, Non-executive Directors and the Chairman. The Senior Independent Director separately reviews the Chairman's performance with the other Non-executive Directors. The results of the evaluation are considered by the Chairman and discussed by the Board.

The Board believes that the evaluation process described above is thorough, robust and works well. All Directors are expected to engage fully, with a genuine desire to enhance overall Board performance. The process includes sufficient objectivity and confidentiality to ensure that challenge is acknowledged and acted upon.

The first internal evaluation was undertaken in 2015 as part of the Group's IPO process. In the light of changes to the Board post IPO, with a new Chief Executive Officer and Chief Financial Officer joining the Group in 2016, no review was carried out in 2017. However, in accordance with the Code, an external evaluation of the Board will be carried out every three years by an independent third-party facilitator. Such an external evaluation is currently in progress and the results will be included in next year's Annual Report.

Taking all of the above into account, the Board is satisfied that the composition of the Board and its Committees provides an appropriate balance of skills, experience, independence and knowledge to allow the Board and its Committees to discharge their duties and responsibilities effectively and in line with the Code.

**Board meetings and attendance**

There were six regular Board meetings scheduled during 2017, four meetings of the Audit and Risk Committee, two meetings of the Remuneration Committee and two meetings of the Nomination Committee. Non-executive Directors also attended site visits.

The Chief Executive and Chief Financial Officer are usually invited to attend Audit and Risk Committee meetings, although the Audit and Risk Committee also meets with the external auditor without any Executive Director being present. The Chief Executive is invited to attend Remuneration Committee meetings when appropriate. The Company Secretary is also Secretary to the Remuneration Committee and the Audit and Risk Committee, and attends meetings for this purpose.

Number of meetings attended	Audit and Risk Committee			
	Board	Risk Committee	Remuneration Committee	Nomination Committee
Bob Lawson	6/6	–	2/2	2/2
Frank Nelson	6/6	4/4	2/2	2/2
Martyn Coffey	6/6	4/4	2/2	2/2
Patrick Kalverboer	5/6	–	–	2/2
Mark Kelly	6/6	–	–	2/2
Michael Scott	6/6	–	–	–

**The Company Secretary**

All the Directors have access to the advice and services of the Company Secretary. The Company Secretary has responsibility for ensuring that all Board procedures are followed and for advising the Board, through the Chairman, on governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation, and Directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

Whenever necessary, Directors may take independent professional advice at the Company's expense. Board Committees are provided with sufficient resources to undertake their duties, including the option to appoint external advisers when they deem it appropriate.

**Board induction, development and support**

New Directors receive a formal induction on joining the Board, which covers Group policies and other key information. Tailored training may be arranged to meet individual needs, for example to refresh knowledge of the Listing Rules and regulatory compliance. Typically, a new Director will meet the Chairman and other Non-executive Directors in one-on-one sessions; he or she will have meetings with key management, briefings with external advisers and Shareholders, and a programme of site visits will be arranged at which the Director meets site-based staff to gain a full understanding of the business.

Looking forward, it is the Company's expectation that training will be built in to the annual Board programme, designed to incorporate a range of in-depth topics of particular relevance to the business. Training needs will be identified through the Board evaluation process and through individual reviews between the Directors and the Chairman. Directors are expected to attend external courses and seminars as appropriate to maintain and develop their Board competencies.

During 2017, there were Board briefings relating to changes to financial reporting and corporate governance (including health and safety regulations and business continuity planning). There were also individual meetings between Non-executive Directors and senior managers relating to areas of particular interest.

### Engagement with Shareholders

The Board considers that communications with Shareholders are extremely important. Now in our third year as a listed business, we have developed open and frequent dialogue with investors. The Chief Executive and Chief Financial Officer meet regularly with major Shareholders and potential investors to discuss the Group's performance, strategic issues and Shareholder investment objectives. We also periodically arrange site visits for investors.

Alongside the Annual and Half-Year Results, the Group follows a regular reporting and announcement schedule to ensure that matters of importance affecting the Group are communicated to investors. In addition, in 2017 the Group launched a much improved investor website: [investors.eurocell.co.uk](http://investors.eurocell.co.uk)

During 2017, a total of approximately 87 investor meetings were held, at which at least 57 institutions were represented. Feedback from these meetings and other Shareholder communications are provided to the Board. The Board also receives copies of analysts' and brokers' briefings.

The Chairman is available to meet with institutional Shareholders to discuss governance and strategy and gain an understanding of Shareholder views and concerns. The Chairman ensures that the views of Shareholders are communicated to the Board as a whole. The Senior Independent Director and other Non-executive Directors are also available to meet Shareholders separately if requested.

### Risk management and internal control

The Board acknowledges its responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and for the Group's system of internal control.

The Board has carried out a review of the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, for the period covered by this Annual Report.

The Strategic Report comments in detail (pages 34 to 38) on the nature of the principal risks and uncertainties facing the Group; in particular those that would threaten our business model, future performance, solvency or liquidity and the measures in

place to mitigate them. In conducting its review, the Board has included a robust assessment of these risks, and the effectiveness of mitigating controls.

The Audit and Risk Committee Report on pages 47 to 49 describes the internal control system and how it is managed and monitored.

The Board confirms that no significant failings or weaknesses were identified in relation to the review. The Board also acknowledges that such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

### Statement of compliance with the Code

This Corporate Governance Statement, together with the Nominations Committee Report, the Audit and Risk Committee Report and the Remuneration Committee Report, provide a description of how the main principles of the Code have been applied within Eurocell during 2017.

It is the Board's view that Eurocell was in compliance with the relevant provisions set out in the Code in all material respects.

This statement complies with sub sections 2.1, 2.2(1), 2.3(1), 2.5, 2.7 and 2.10 of Rule 7 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority. The information required to be disclosed by sub-section 2.60 of Rule 7 is shown on pages 65 to 67.

### Annual General Meeting

Our AGM will be held at Fairbrook House on 18 May 2018.

The notice of our AGM, together with the Directors' voting recommendations on the resolutions to be proposed, is included on a separate circular to Shareholders and will be dispatched at least 20 working days before the meeting. The notice will be available to view at [investors.eurocell.co.uk](http://investors.eurocell.co.uk).

All Directors attend the AGM, including the Chairs of the Audit and Risk, Remuneration and Nomination Committees, who are available to answer questions. The Board welcomes questions from Shareholders who have an opportunity to raise issues informally or formally before or during the meeting.

For each proposed resolution, the proxy appointment forms provide Shareholders with the option to direct their proxy vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

All valid proxy appointments are properly recorded and counted by Equiniti, the Company Registrars. Information on the number of shares represented by proxy, the proxy votes for and against each resolution, and the number of shares in respect of which the vote was withheld for each resolution, together with the proxy voting result, are given at the AGM. The total votes cast, including those at the AGM are published on our website ([investors.eurocell.co.uk](http://investors.eurocell.co.uk)) immediately after the meeting.