

## **CORPORATE GOVERNANCE STATEMENT**

*As Chairman, it remains my responsibility, working with my fellow board colleagues, to ensure that good standards of corporate governance are embraced throughout the group. As a board, we set clear expectations concerning the group's culture, values and behaviours. We firmly believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced, enabling us to conduct business sustainably and responsibly, drive our premium, client-focussed, people-led strategy and deliver value for our shareholders.*

*It is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.*

John Foley  
Non-Executive Chairman  
27 September 2018

## 1. STRATEGY & BUSINESS MODEL

Porta was established to become a market-leading international communications and marketing group.

Our Strategy	Our Values	Our Purpose	Our Vision
<ul style="list-style-type: none"> <li>• Attract and develop people with the strategic and executional skills to respond to ever-rapid change</li> <li>• Help companies achieve their business objectives through strategic communications</li> <li>• Target ambitious companies that are challenging the status-quo and transforming their industries</li> <li>• Increase opportunities with our client base by cross-selling regionally, internationally and across disciplines</li> </ul>	<ul style="list-style-type: none"> <li>• Integrity, respect and fair treatment</li> <li>• Working together as one team effectively, sharing responsibility, accountability and reward</li> <li>• Building relationships with all stakeholders</li> <li>• Fostering and strengthening long-term strategic alliances with key partners</li> </ul>	<ul style="list-style-type: none"> <li>• Bringing good people together:</li> <li>• to meet our clients demands and global ambitions</li> <li>• to build a world class business</li> <li>• to deliver maximum shareholder value</li> </ul>	<p>Attract and develop the best talent, building a world-class marketing services platform offering clients integrated communications solutions globally</p>

The Board sets the Company's strategy and monitors its implementation through management and financial performance reviews. It also works to ensure that adequate resources are available to implement the strategy in a timely manner. The Company has set out a strategy and business model to promote long-term value for shareholders and will update all shareholders on this in the annual report for each year.

The Board of Directors meet on a regular basis to discuss the strategic direction of the Company and any significant deviation or change will be highlighted promptly should this occur.

Further information on the performance of the Group's businesses is provided in the Business Performance Review (p.12-23) of the Annual Report, which is available on Porta's website. The Board has conducted a review of the business to identify the principal risks to the Group and this together with the mitigants and management controls the Group has put in place is summarized in the Annual Report (p.30-34).

## 2. UNDERSTANDING AND MEETING SHAREHOLDER NEEDS AND EXPECTATIONS

Company progress on achieving its key targets are regularly communicated to investors via presentations and through stock exchange announcements which can be found [here](#). The Company also utilises other professional advisors such as the Company's NOMAD, Broker, Auditor, Solicitor and the Company Secretary who provide advice and recommendations on shareholder communication.

The Company regards the annual general meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

Contact details are provided within public documents and included in all regulatory announcements should shareholders wish to communicate with the Company.

Emma Kane, Brian Tyson and Rhydian Bankes attend investor meetings. In addition, the Company has designated Gene Golembiewski, Executive Director, as its investor relations contact.

## 3. TAKING INTO ACCOUNT WIDER STAKEHOLDER & SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

The Board of Directors recognise their responsibilities to stakeholders including staff, suppliers and customers and those within the community in which it operates. Contact details are included within public documents and regulatory announcements should stakeholders wish to communicate with the Company.

The Group's responsibilities to stakeholders, including staff, suppliers and customers and wider society are also recognised. This is supported by our Code of Business Conduct and Ethics (the "Code") included in our employee handbook which governs how members of staff are expected to behave towards our stakeholders and the communities within which we operate. Alongside this, the Company actively seeks feedback from its customers on its performance.

### **Employee Involvement**

The Directors are committed to employee involvement throughout the business. Employees are kept informed of the performance and strategy of the Group through divisional and personal briefings, regular meetings, electronic correspondence, broadcasts and in-house presentations by the Joint Chief Executives, members of the Board and other members of the executive management team(s) organised at key points in the year.

The managing executives from each operating unit across the Group are committed to encourage staff to engage proactively in gathering ideas and initiatives on a number of areas including how we can better serve our clients and operate more efficiently. Share options are an important part of our reward package,

encouraging and supporting employees share ownership. Full details of the current schemes are given in note 22 to the Annual Report.

Wellbeing information is provided by the administration team of every Group office in staff-dedicated 'break out' areas. Information on topics such as healthy eating and exercise are provided as well as how to seek help for issues such as stress, financial challenges or achieving a positive work-life balance. The Group also welcomes staff wellbeing initiatives and encourages a number of sport activities to take place during the lunch hours. Through our involvement with Heart UK, the Group offered cholesterol testing to employees in its London office.

### **Communities**

We recognise our responsibility towards the communities in which our businesses operate. In support of our communities, we organise fundraising and volunteering activities for staff to raise money for charity as well as offering pro bono support to non-profit projects, helping to raise money and awareness for good causes. Details of some of the pro-bono work undertaken by Porta companies can be found in the Business Performance Review in our Annual Report.

We support our employees in participating in volunteering and fundraising activities. Our businesses have supported a wide range of charities through the year through organising and participating in events. We have identified two charities where we believe we can make a difference: Centre Point (a charity supporting homeless young people) and Heart UK. We believe that by working with these charities we can use our skills and talented people to make a difference. We also have an ongoing objective to support more industry initiatives and projects alongside our clients.

Stakeholders can contact the Company at [info@portacomms.com](mailto:info@portacomms.com). More information can be found on the Group's news page which can be found [here](#).

## **4. EMBEDDING EFFECTIVE RISK MANAGEMENT**

The Board regularly reviews the risks facing the business and the internal controls which are in place to address risks. In order to support its duties and responsibilities the Board implements control procedures that assess and manage risk and ensure robust financial and operational management within the Company. A more detail analysis of the principal risks can be found within the Company's annual report.

Although there is no specific committee tasked with identifying, analysing and reporting on risk during the financial period, it is nevertheless part of the everyday function of the Directors and is managed at Board level. However, no system of control or mitigation can completely eliminate the risks inherent in achieving the Group's business objectives. The existing risk management process adopted by the Board of Directors can therefore provide only reasonable and not absolute assurance against material misstatement or potential loss.

The Board has conducted a review of the business to identify the principal risks to the Group and this together with the mitigants and management controls the Group has put in place is summarized in the Annual Report (p.30-34) and, in respect of Financial Risk Management, in Note 7 of the Annual Report on (p.73-77)

## 5. MAINTAINING A BALANCED AND WELL-FUNCTIONING BOARD

The Board's primary objective is to focus on adding value to the assets of the Group by assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. The Board acknowledge their responsibility for, and recognise the importance of implementing and maintaining, high standards of corporate governance. The Board is responsible for establishing and maintaining the system of internal controls. The Company subscribes to the values of good corporate governance at all levels and is committed to conduct business with discipline, integrity and social responsibility.

The Board is responsible for effective control over the affairs of the Company, including: strategic and policy decision-making financial control; risk management; communication with stakeholders; internal controls; and the asset management process.

The Board is currently comprised of an Independent Non-Executive Chairman, a Non-Executive Deputy Chairman, two joint Chief Executive Officers and two Executive Directors (Gene Golembiewski and Rhydian Bankes). John Foley acts as Chairman. During 2017, an independent Non-Executive Director stepped down and the Company is looking to appoint a further independent Non-Executive Director to the Board. At present, the Company consequently has only one independent Non-Executive Director, John Foley. Fiorenzo Tagliabue, who serves as Deputy Chairman, is founder and controlling shareholder of SEC, a significant shareholder of the Company. Gene Golembiewski also acts as Company Secretary.

All Board members ensure that appropriate governance procedures are adhered to and there is a clear division of responsibilities at Board level to ensure a balance of power and authority so that no one individual has unfettered powers of decision making. The Board has a formal schedule of matters specifically reserved to it for decision; other decisions are dealt with as day-to-day matters by management. The Board has an agenda of regular business, financial and operational matters for discussion which is responsible for drafting by the Company Secretary, with input from the Chairman. The agenda is included in the Board pack, which is circulated at least 3 days before the meeting.

Group financial performance with comparisons between actual and budget, including balance sheet and cash flow projections, are formally reviewed by the Board on a monthly basis. In addition, the Board reviews the quarterly reforecasts and the Executive Directors monitor cash flows on a weekly basis.

The Non-Executive Directors are expected to have a time commitment to the Company of no less than three days per month.

### **Audit Committee**

The Audit Committee is headed up by John Foley (Chairman) and is made up of John Foley and Fiorenzo Tagliabue. Due to the current constitution of the Board, it is not possible for the Audit Committee to be constituted of wholly independent Non-Executive Directors. The external auditor as well as the Joint Chief Executive Officers, the Chief Financial Officer and other finance staff are invited to attend these meetings as and when required.

The principal duties of the committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the auditors. The Committee also reviews the independence and objectivity of the auditors. The terms of reference of the Committee reflect current best practice, including authority to:

- recommend the appointment, re-appointment and removal of the external auditor;
- ensure the objectivity and independence of the auditors including occasions when non-audit services are provided;
- ensure appropriate 'whistle-blowing' arrangements are in place.

The Non-Executive Directors may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. The committee also reviews compliance with best practice for corporate governance. During 2017, the Audit committee met twice.

#### **Remuneration and Nomination Committee**

The company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration.

The Remuneration and Nomination Committee is headed up by John Foley (Chairman) and is made up of John Foley and Fiorenzo Tagliabue. Due to the current constitution of the board, it is not possible for the Audit Committee to be constituted of wholly independent non-executive directors. The committee considers the employment and performance of individual Executive Directors and determines their terms of service and remuneration. It also has authority to grant options under the Company's Executive Share Option Scheme. The Committee meets at least once a year and in 2017 it met once.

The committee also evaluates the balance of skills, knowledge and experience on the Board and considers all new Board appointments and re-appointments against this evaluation.

Biographical details of the Directors can be found on the company's website [here](#).

## **6. HAVING APPROPRIATE EXPERIENCE, SKILLS AND CAPABILITIES ON THE BOARD**

The Board of Directors has a mix of experience, skills and personal qualities that help deliver the strategy of the Company. The Company will ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities to deliver the Company strategy and targets. Each Director is listed on the website and in the annual report along with a clear description of their role and experience. Directors are, where necessary, able to obtain

independent professional advice at the Company's expense and have access to the services of the Company Secretary. They are given appropriate training and assistance on appointment to the Board and later, if and when required.

The Remuneration and Nomination Committee also evaluates the balance of skills, knowledge and experience on the Board and considers all new Board appointments and re-appointments against this evaluation.

The Company has procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Further information on the Directors can be found in the Annual Report on p.35 and on the website: <https://www.portacomms.com/porta-investors#board-committees>.

## **7. EVALUATING BOARD PERFORMANCE**

Given the Company's current size, the Board has not considered it necessary at present to undertake a formal assessment of the Board performance and effectiveness, however the Chairman does informally measure performance. Board effectiveness reviews will be considered annually.

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and are subject to re-election at least every three years. Non-Executive Directors are appointed for a specific term of office which provides for their removal in certain circumstances, including under section 168 of the Companies Act. The Board does not automatically re-nominate Non-Executive Directors for election by shareholders. The terms of appointment of the Non-Executive Directors can be obtained by request to the Company Secretary.

## **8. ETHICAL VALUES & BEHAVIOURS**

The Company operates a corporate culture that is based on ethical values and behaviours. It will maintain a quality system appropriate to the standards required for a Company of its size. The Executive Directors communicate regularly with staff through meetings and messages.

The Board has implemented a robust governance framework including a Code of Business Conduct and Ethics (the "Code") that is incorporated into our Staff Hand Book and is communicated to all employees. The Code provides clear guidance on how the members of staff are expected to behave towards other colleagues, suppliers, customers, shareholders and on our wider responsibility to the communities within which we operate. All employees are expected to comply with the Code and any violations of it may be reported to local management or the Group HR.

## 9. MAINTAINING GOVERNANCE STRUCTURES AND PROCESSES

### The Board

The Board sets direction for the Company through a formal schedule of matters reserved for its decision. All of the Executive Directors have particular roles and areas of responsibility and continually engage with the group's stakeholders. The Board has a schedule of matters reserved for its review and approval, such items include Group strategy, approval of major capital expenditure projects, approval of the annual and interim results, annual budgets, dividend policy and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The Board delegates day-to-day responsibility for managing the business to the Executive Directors and the senior management team that currently consists of Emma Kane, Brian Tyson, Rhydian Bankes and Gene Golembiewski.

The Board's primary objective is to focus on adding value to the assets of the Group by assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. Matters reserved for Board decisions include strategic long-term objectives and capital structure of major transactions. The implementation of Board decisions and day to day operations of the Group are delegated to Management. In making commercial assessments the Directors review detailed plans including financial viability reports that, among other things, detail the impact of proposals in respect of return on capital, return on cash and the likely impact on the statement of comprehensive income, cash flows and gearing. Strategy is determined after having taken due regard of forecast domestic and international developments.

The Joint Chief Executive Officers are each responsible for the day-to-day management of the Company and for implementing the strategic goals agreed by the Board in specific geographies. Emma Kane is responsible for the Group's operations in EMEA and Brian Tyson is responsible for the Group's operations in Asia Pacific. Rhydian Bankes is responsible for the financial matters within the Group as Chief Financial Officer and Gene Golembiewski is responsible for operational and commercial matters within the Group as an Executive Director. The Executive Directors currently report to the Board.

The board has established an Audit Committee and a Remuneration and Nomination Committee. Further details on these committees are outlined above at Principle 5.

Due to the relatively low number of personnel employed within the Group, the nature of the business and the current control and review systems in place, the Board has decided not to establish a separate internal audit department.

## 10. COMMUNICATING WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

Under AIM rule 26 the Company already publishes historical annual reports, notices of meetings and other publications over the last five years which can be found [here](#).

The Board of Directors have published a remuneration committee report within the annual report and accounts; however, an audit committee report has not been published. The Board feels that this is appropriate given the size and stage of development of the Company.

In regard to a general meeting of the Company, once the meeting has concluded the results of the meeting are released through a regulatory news service and a copy of the announcement is posted on the Company's website. If it became relevant, an explanation of actions where a significant proportion of votes [e.g. 20% of votes received] is cast against a resolution would be provided. The Company monitors the proxy votes received prior to any shareholder meeting and actively follows up on those proxies provided with the shareholders concerned.