



Corporate Governance Statement

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In the knowledge that large private companies would be required to comply with new reporting obligations in the Companies (Miscellaneous Reporting) Regulations 2018 (the “Regulations”) for financial years beginning on or after 1 January 2019, the Board spent time at the end of 2018 and at the beginning of 2019 examining the Company’s existing corporate governance arrangements for adequacy and reviewing the content of various corporate governance codes in order to determine which to apply.

Good governance and responsible business practices are about ensuring that a company is run well, with the new Regulations requiring companies to evidence to key stakeholders that they do operate responsibly. In reviewing the choice of corporate governance codes available, the Board agreed that the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018) (the “Wates Principles”), given its flexible and non-prescriptive approach, would be the most appropriate framework to apply to help achieve and evidence good governance and responsible business practices.

Accordingly, the Wates Principles were adopted as the Company’s corporate governance code for the period ended 31 December 2019.

Similarly, each company in the Group adopted the Wates Principles as its corporate governance code for the period ended 31 December 2019 to ensure consistency. The Board sets out below how the Wates Principles have been applied in the period.

Principle 1: Purpose and Leadership

“The directors should promote a well-developed and defined purpose, leading by example, engaging with stakeholders and setting a tone from the top. They should monitor company culture and articulate the strategy and business model throughout the company.”

The previous year, 2018, was a transformational year due to the acquisition of the Company by Atalian Servest Holdings Limited, an indirect subsidiary of La Financière Atalian S.A.S. (a company incorporated and registered in France), and the subsequent integration of the Group into the global Atalian facilities management group. As a result of that acquisition, the Company experienced a period of change in terms of both purpose and leadership.

In terms of leadership, a new Chief Executive Officer was appointed for the Group and a number of additional changes to the membership of the Board were made in October 2018 and during 2019 (discussed further in relation to Principal 2 below).

In terms of purpose, the Group’s purpose was formalised by the Board during 2019 in order to guide strategy, decisions, behaviours and culture. Whilst it was felt by the Board that the defined purpose was simply an articulation of the pre-existing purpose, the process of formalising it in writing and communicating it to the Group brought clarity and enabled it to act as an anchor for decision-making at all levels. Accordingly, the Group’s purpose - “to appreciate and value our partners, delivering trusted sustainable solutions through responsive, passionate people. A reputation for excellence” – is included in strategy documents, was discussed with senior leaders and has been communicated to the wider workforce by way of an email update from our Chief Executive Officer.

To achieve our purpose, we draw on our corporate values (integrity, entrepreneurial spirit, agility, simplicity and sustainable development), and we encourage behaviours that enhance the working environment we try to create (one that is open, inclusive, professional, fair and safe). Significant effort has been made during 2019 to ensure that the Group’s values are regularly and consistently communicated. For example, the values are visually displayed in our office environments (both via screens and value posters), and new programmes and initiatives are only approved after review of a proposal evidencing how the programme or initiative links to and otherwise supports one or more of the corporate values. The revised induction process also gives new joiners an insight into what the corporate values are and why they are considered important to the business.

The Board plays an active role in embedding the purpose, culture and values in the Group, both in our office and operational environments. Each Board member has a visible presence in the business and regularly engages with different parts of our workforce, whether through monthly business reviews or project meetings or “on the ground” days or otherwise. Success is monitored via the quality and frequency of linking new business initiatives and divisional strategies to the Group’s purpose and values, and via channels of feedback to the Board such as monthly Q&A sessions and employee surveys.

Principle 2: Board Composition

“The company’s board should have an effective chair and a balance of skills, backgrounds, experience and knowledge that promotes diversity. The size of the board should match the scale and complexity of the company, directors should be regularly evaluated, and companies should consider the value of appointing non-executive directors.”

The Board is comprised of the Chief Executive Officer, the Chief Operating Officer, Chief Financial Officer, Chief Marketing & Development Officer, HR Director, Legal Director (also the Company Secretary) and Managing Directors of two of our service lines. Regular guest invites to meetings of the Board are given to other service line Managing Directors.

All Board members were new appointees either in October 2018 or during 2019, and were appointed to ensure a balance of skills, backgrounds, experience and knowledge. Although newly appointed to the Board, many of the Board members have worked for and with the Group for significant periods of time (16 years being the most significant) and so are extremely well acquainted with the business. The composition of the Board is now considered appropriate for the size and complexity of the Group.

The matter of diversity at Board level was consciously addressed during 2019, with the current Board being more reflective of the Group’s diverse workforce. Profiles for each Board member can be found on the Group’s website at <https://www.atalianservest.co.uk>. Diversity and inclusion topics are discussed regularly at Board level. Whilst many initiatives were discussed, agreed and implemented during 2019 to encourage and foster diversity and inclusion, the Board are committed to setting measurable D&I targets during 2020 to drive further commitment and focus.

The Chief Executive Officer is also appointed Chairman of meetings of the Board, and so there is no separation of those roles. However, open debate and constructive discussion is always promoted, often by way of round-table opinion gathering and active requests for challenge. Directors have equal voting rights when making decisions, except the Chairman of the meeting who has a casting vote.

All members of the Board are executive directors. As a subsidiary group of the global Atalian group, and as the ultimate parent company has a number of non-executive directors, the Board considered that the value brought by non-executive directors (with additional experience and skills and an element of independence) was already being received via the parent company appointments. Accordingly, no appointments of non-executive directors have been made by the Group. This will be regularly evaluated.

The duties of the Board are executed partially through committees. The Audit & Risk Committee has delegated powers to oversee the Group’s financial reporting, risk management and internal controls procedures together with responsibility for running the external audit process. The Remuneration Committee is mandated to review, agree and set remuneration and associated remuneration policies for members of the Board and for the wider workforce.

Board members update their skills and knowledge regularly to ensure their effectiveness. For those with a professional specialism (such as finance, legal, human resources and marketing), external training is undertaken each year by way of attendance at seminars, training courses and conferences and via webinars and other online training offered by professional bodies and by practice specialists. For those with an operational focus, familiarity with the Group is kept current by regular visits to sites, meetings with customers and active involvement with the management of the divisional business and workforce. Each Board member received written information about the legal duties and responsibilities of directors when joining the Board in

2018 and 2019, which will be refreshed during 2020 and complemented with a tailored workshop. All Board members also have access to the internal legal team and the global Atalian group's dedicated compliance team for advice on legal, compliance and corporate governance matters. Performance is formally evaluated during annual appraisals, during which individual KPIs are set for the following year.

Principle 3: Director Responsibilities

"Companies should implement policies that clearly set out their directors' authority, accountability, role and conduct. Boards should encourage internal challenge and establish robust internal procedures to ensure systems and controls operate effectively."

Accountability and Responsibilities: Board members have a clear understanding of their role and responsibilities. A programme of 12 Board meetings is set at the beginning of each calendar year to allow the Board regular opportunity to meet and review business matters, together with two strategy planning away days in October to discuss and define the Group's strategy for the following year. Each Board member, as well as the wider senior leadership team and the remainder of the workforce, are expected to comply with the Group's Code of Conduct (which is a code that is applicable throughout the global Atalian group), and is required to complete a declaration of compliance on an annual basis. Additionally, conflicts of interest and details of gifts, entertainment and hospitality received and given are declared in writing on an annual basis and are submitted to the Group's local compliance officer (who discloses the information to the global compliance team).

During 2019 reporting lines for senior management were reviewed by the Chief Executive Officer and revised where appropriate to ensure that there are clear lines of accountability and responsibility within the Group. Senior leadership organisation charts are often communicated to the wider workforce by inclusion on the quarterly email update sent by the Chief Executive Officer.

Approval and authorisation policies were also reviewed during 2019, with changes made to some (for example, the approval process for new business opportunities was amended slightly to formalise the process for signing off lower value opportunities) and with other policies being fully revised (for example, a new process for approving recruitment activity was implemented).

Committees: Whilst retaining responsibility for decision-making, the Board utilises committees to aide with matters such as financial reporting, risk and remuneration. Details of the matters delegated to the Audit & Risk Committee and to the Remuneration Committee are set out against Principle 2 above. Each of these committees has a written mandate that has been approved by the Board and which clearly defines the authority and the terms of reference of such committees.

Integrity of Information: The Board receives regular and timely information by way of a rolling calendar of standing and periodic agenda items. Reports on key aspects of the business such as health and safety, legal and risk, financial performance, operational matters, new business opportunities and marketing activity are delivered as standard at each meeting of the Board. In addition to information delivered at Board meetings, the Board also meets with each divisional senior management team on a monthly basis for an in-depth divisional business review, receiving information specific to the performance, risk, opportunities and activity of that division. During 2019 the Board expanded this pre-existing schedule to include a monthly review of one departmental function (on a cyclical basis), allowing dedicated time for an in-depth review of the performance, risk, opportunities and activity of the Group's support functions.

Emphasis was given to data integrity during 2019, with an interrogation and cleanse of sales activity data carried out to ensure that decisions are made in reference to accurate, reliable data. Additionally, given that the Group comprises of acquired companies that all run on their own systems and processes, correcting the inability to easily access and view data in a consistent format across the Group was a focus for 2019. Resource and time was dedicated to designing and implementing a new Group wide enterprise resource planning system to achieve an integrated system that eliminates data duplication and provides visibility of single origin data. The Board expects the implementation of the new system to be finalised towards the end of 2020.

Principle 4: Opportunity and Risk

“The board should consider how the company creates value over the long term and identifies future opportunities for innovation. It should oversee how risks to the company (including reputational risk) are managed, which should include establishing an internal control framework and may include delegating responsibility to a committee.”

Risk management is a key function of the Board, which involves balancing protection of the Group’s assets on the one hand with taking the opportunities that will maximise the long-term success of the Group on the other. The Board aims to set the right tolerance for risk at any given time to ensure that this balance is achieved.

Opportunities are recognised at all levels and in all business areas and are generally communicated up a reporting line to the appropriate decision maker. Where an opportunity does not fit with the Group’s defined strategy or requires expenditure outside of an approved budget or requires a commitment from the Group to certain terms and conditions then there are set approval processes to follow before the opportunity can be progressed. In particular, new customer contracts above a certain defined value must be formally presented to the Board to enable challenge to the solution and pricing model and allow for acceptance of the commercial terms.

Innovation is encouraged by the Board in all its forms, with particular emphasis given to digital and process innovation in 2019. In order to encourage all members of the workforce to submit ideas for innovation the Board will open a new initiative, the “One”, in 2020 with the aim of identifying new ideas to improve our business and to recognise one of our colleagues as being the entrepreneur behind the idea.

The Group’s risk management practices were reviewed and amended during 2019 to ensure that inherent and emerging risks are being identified, recorded and reported to senior management internally by each of our operating divisions and central function departments. A greater emphasis was placed on the importance of the requirement of each division and each department to maintain a local risk register (with the support of the central risk management function) to encourage a risk-aware culture across the whole business. Key risks from the local risk registers are fed into the Board’s risk register that is presented to the Board on a monthly basis for review and consideration. Risks with the highest residual risk rating (after taking account current mitigating actions) have written action plans against which the Board monitors progress. On a quarterly basis the Board and the Audit & Risk Committee receive written analysis of the key risks on each divisional and departmental risk register to aide them in managing risk and to identify themes and common issues affecting different business areas.

Principle 5: Remuneration

“Director and senior manager remuneration should be aligned with performance, behaviours and achieving the company’s purpose and values. There should be clear policies to enable accountability to shareholders, and some boards may wish to create a remuneration committee to design executive remuneration structures.”

In reviewing and setting remuneration levels, the Remuneration Committee’s main objective is to attract and retain talent at rates that are at least consistent with market standards. With clear terms of reference, the Remuneration Committee is responsible for making recommendations concerning pay for the Group’s workforce to the Board. In doing so, it benchmarks against competitors and other businesses in the sectors in which the Group operates. It also takes into account any instructions received from its parent group and any considerations imposed by customer contracts.

In relation to the wider workforce, the Group has a high level of TUPE activity (activity to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 applies), as is usual in the industry as service provision changes occur as and when contracts for the delivery of outsourced facilities management services are won and lost. That being so, a large majority of the workforce transfer into the Group under TUPE with pre-existing terms and conditions of employment and levels of pay. To a large extent the terms of the commercial contract with the Group’s customer will determine any flexibility the Group has to amend levels of remuneration in respect of colleagues assigned to that contract.

The Board and the wider senior management team all have elements of their remuneration packages that relate to and depend upon realising set key performance indicators. The key performance indicators are set annually and concentrate efforts on matters of strategic importance to the Group.

In 2019 the Group reported under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 for the first time, disclosing that for 2018 the average gender pay gap across the Group was 2.13% (significantly below the UK's national median gender pay gap at the time of 17.9%). Whilst the Board were pleased with the relatively low rate of disparity in pay, it is committed to reducing that gap. The report highlighted that whilst the Group employs more women than it does men, more of the Group's most senior (and therefore highest-paid) people are men. Senior roles are generally the roles that carry an entitlement to a bonus as part of the remuneration package, and it is this bonus data that drives the pay gap. It is hoped that the Group's focus on diversity and inclusion during 2019 will work to change this in the future.

Principle 6: Stakeholders

"Directors should foster effective dialogue with stakeholders to understand the effect of the company's practices and re-align strategy. These stakeholders will include the company's workforce, customers and suppliers, but may also include regulators, governments, pensioners, creditors and community groups. In particular, the company should establish a range of formal and informal channels for communicating with its workforce."

Building strong relationships with key stakeholders is imperative to the long-term success of the Group, and the Board recognises that it is only by engaging with stakeholders that it can understand the issues that matter to them and make responsible, sustainable decisions that have regard for their interests.

In the opinion of the Board, the Group's key stakeholders are its workforce, its customers, its suppliers, local communities and the environment, governments, regulators and other authorities, and its banking partners and shareholders. The section 172(1) statement in the strategic report sets out in detail how the Company and the Group has engaged with its stakeholders and how it has considered the interests of stakeholders in decision-making.