



## **CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT**

**Updated: 24 September 2018**

### **Overview**

As Chairman of the Board of Directors of Filta Group Holdings plc (**Filta, We,** or the **Company/Group** as the context requires), it is my responsibility to ensure that Filta has both sound corporate governance and an effective Board. Filta has decided to adopt the Quoted Companies Alliance Corporate Governance (**QCA Code**) in line with the London Stock Exchange's recent changes to the AIM Rules, requiring all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. This report follows the structure of these guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code in all respects, and details of same can be seen below.

The Board believes that application of the QCA Code supports the Company's medium to long-term success whilst managing risks, as well as providing an underlying framework of commitment and transparent communications with stakeholders. It also seeks to develop the knowledge shared between the Company and its stakeholders.

Following its adoption of the QCA Code, the Company has changed the composition of the Remuneration Committee so that all members are Independent Non-executive Directors.

### **QCA Principles**

#### **1. Establish a strategy and business model which promotes long-term value for shareholders**

The Board considers that the greatest medium and long-term value can be delivered to its shareholders through the Company's objective of delivering sustainable, predictable and profitable growth, which is founded upon the Company's strategic operational pillars:

1. Recruit the best franchise owners possible;
2. Drive and support the growth of the franchise owners;
3. Grow key and national accounts;
4. Increase the Group's range of products and services;
5. Attract and develop the best people; and
6. Increase the use of technology to improve the Group's offering.

An overview of the Group's business model and the strategy to provide for long-term growth are outlined on pages 5-13 of the 2017 Annual Report.

The Company endeavours to deliver shareholder returns through both capital appreciation and dividend distributions. Challenges to pursuing the stated strategy and achieving long-term goals arise from uncertainty in relation to organisational, operational, financial and strategic risks, all of which are outlined on pages 21-22 of the 2017 Annual Report and in the Risk Management section below



along with steps the Board takes to protect the Company, mitigate these risks and secure a long-term future for the Company.

## **2. Seek to understand and meet shareholder needs and expectations**

Filta recognises the importance of communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to be aware of and understand their views. The Company seeks to provide effective communication through its Interim and Annual Reports as well as through Regulatory News Service announcements.

Filta also encourages a dialogue with shareholders through formal meetings such as the AGM, which provides an opportunity to meet, listen and present to shareholders and which shareholders are encouraged to attend. The Company presents to its institutional shareholders, typically by the Group's Chief Executive and the Chief Financial Officer, following the full year and interim results. The main purpose of such meetings is to enhance investors' understanding of the Company's strategy and how that strategy is being implemented as well as to hear views and expectations from shareholders. The views of the shareholders expressed during these meetings are reported to the Board, ensuring that all members of the Board are fully aware of the thoughts and opinions of major shareholders.

Information on the Investor Relations section of the Group's website ([www.filtapl.com](http://www.filtapl.com)) is kept updated and contains details of relevant developments, regulatory announcements, financial reports and results presentations.

## **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, contractors, suppliers, regulators and many other stakeholders. It welcomes feedback from all key stakeholders and takes account of such, where appropriate. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company has and continually updates its strategic objectives and prepares annual detailed budgets which take into account the needs and circumstances of a wide range of key resources including staffing, customers, franchisees and suppliers.

All employees within the Group are valued members of the team and the Company seeks to implement provisions to retain and incentivise all its employees. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. The Group has recently implemented Perform Yard, software that aims to harmonise management and employee communication by providing the ability to manage employee goals and performance, and encourages continuous dialogue and feedback between employees and the Company.

The Company has close and long-standing relationships with many of its stakeholders which provide a strong base for honest and valued feedback to the Company. The Company conducts end-user surveys, which broaden communication and provide the opportunity to help franchise owners to improve their service offerings.



The Filta Brand Advisory Council was established in 2009 by the Company and is comprised of franchise owners elected by their peers. The Company works with the Council to support the Filta brand and promote candid and open communication with the franchise network.

Filta's business is built around sustainability and commitment to the community and it is proud that it provides clear benefits to the public and the environment. We are constantly in search of ways to be green internally and externally and, every day, we do our part to preserve the environment. Every product and service we offer goes through rigorous testing to ensure that we are increasing sustainability while saving our customers money. We believe it is our responsibility to keep customers aware of what they can do to contribute.

Filta is always looking at helping and contributing to the local community, and, since 2014, has sponsored The Oceans of Hope Foundation with corporate volunteers and through ongoing charitable giving.

**4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms. The 2017 Annual Report, on pages 21-22, outlines the key risks to the business.

The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment and monitoring of Filta's principal risks. The Audit Committee has delegated responsibility for the oversight of the Company's risk management and internal controls and procedures, as well as determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts an annual review, when it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report.

In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite.

The risk assessment matrix below sets out and categorises key risks, and outlines the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them, and the Board reviews risks on a regular basis. The following principal risks and controls to mitigate them, have been identified:



Activity	Risk	Impact	Control(s)
Organisational	Failure to attract new franchisees in line with the strategic targets	This may prevent the Group from achieving its operating targets	In the USA, which represents approximately 70% of the franchised operations, we have an increasing number of franchisees who are multiunit operators, a trend which we are endeavouring to develop. Thus, there is an increasing number of our new MFUs which are being taken up by existing franchisees.
Organisational	Failure of a major franchisee	Loss of revenue and/or a bad debt	We now have 192 franchisees, and this is increasing each year, with no franchisee accounting for more than 1% of the Group's revenues, thus mitigating our business risk.
Operational	An incident involving an employee or franchisee in the operation of an MFU	Fatal or serious injury	We provide regular and comprehensive training to employees and franchisees in the operation of MFU's and other equipment supplied or used in the Group's business and the procedures are reviewed regularly to ensure the highest safety levels.
Operational	Loss of key people	The Group may not be able to operate effectively	We have widely spread knowledge of the Group's operational systems and procedures, thereby ensuring that there is not over-dependence on any single person. We also have continuous monitoring systems for the identification and progress with new business opportunities, ensuring that there is a broad knowledge of such opportunities.



Financial	Exchange rate fluctuations	A significant fall in the value of the US Dollar (which accounts for approximately 70% of the Group's earnings) against £ sterling may have an adverse impact on the reported profits of the Group	The Group's activities are such that, the US Dollar costs are covered by US Dollar revenues and, similarly, sterling costs are covered by sterling revenues. Furthermore, any third-party debt is able to be serviced by earnings in the currency of the debt and secured by appropriately denominated assets.
Strategic	Competition	Competition from new entrants to the market may create margin pressure or loss of customers	We have established a market-leading position amongst the third-party providers of our services and we continually seek to improve our service offering to ensure that we have the best option available.

An internal audit function is not yet considered necessary as day to day control is sufficiently exercised by the Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

**5. Maintain the Board as a well-functioning, balanced team led by the Chair**

The Board comprises the CEO, Jason Sayers, the CFO Brian Hogan, two Executive Directors, Victor Clewes and JIubomir Urosevic, one Non-independent Non-executive Director, Roy Sayers, and two Independent Non-executive Directors, Tim Worlledge and Graham Woolfman. Tim Worlledge is the Company's Chairman. Roy Sayers, as a significant shareholder and being related to the Group Chief Executive, is not considered to be independent.

Meetings are open and constructive, with every Director participating fully. Senior management are invited to meetings from time to time, providing the whole Board with the opportunity for direct enquiry and a thorough overview of the Company. The Board has 10 scheduled meetings in the year. The calendar of meetings and principal matters to be discussed is agreed at the beginning of each year, with the meetings being held in person and by telephone, according to the location of the directors. Board papers are collated, compiled into a Board Pack, and circulated at least one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. The Board also uses an online portal, which allows for the provision of timely and efficient distribution of Board papers.

Additionally, the Chairman and Chief Executive have a scheduled weekly telephone call to update on all key matters, including trading performance, customer wins and opportunities, staffing changes and other significant events.



The Company has Audit and Remuneration Committees. Terms of reference for each of the Company's Committees are published on the Group's website. The Committees have the necessary skills and knowledge to discharge their duties effectively. As with Board papers, Committee papers are drafted and circulated to members of the Committee at least one week before the meeting.

The Directors of the Company are committed to sound governance of the business and each devotes sufficient time to ensure this happens. The table below sets out attendance statistics for each Director at Board and, where relevant, Committee meetings held during the 2017 financial year.

<b>Director</b>	<b>Board attendance 13 meetings held</b>	<b>Audit Committee attendance 3 meetings held</b>	<b>Remuneration Committee attendance 2 meetings held</b>
Tim Worlledge	13	3	2
Graham Woolfman	13	3	2
Roy Sayers	13	3	2
Jason Sayers	13	-	-
Victor Clewes	13	-	-
Jlubomir Urosevic	13	-	-
Brian Hogan	13	-	-

The contracts or letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. All of the Executive Directors work full time for the Company. The Chairman is expected to work not less than 32 days per annum and the Non-executive Directors are each expected to dedicate not less than 18 days per annum.

The Board is satisfied that it has a suitable balance between independence, on the one hand, and knowledge of the Company, on the other. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.

#### Directors' conflict of interest

The Company has effective 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.

#### **6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Directors are satisfied that the balance of Executive and Non-executive Directors is appropriate and that no individual or group may dominate the Board's decisions. The Chairman and Non-executive Directors, together, have a range of experience which enables them to provide the necessary guidance, oversight and advice to enable the Board to operate effectively. The Directors believe that



the current balance of skills in the Board as a whole reflects a very broad range of commercial and professional skills. The Chairman and Non-executive Directors communicate with each other as necessary and meet, informally, without the presence of the Executive Directors from time to time during the year. Additionally, they each maintain ongoing communications with Executives between formal Board meetings.

Biographical details of the Directors can be found on the Company's website.

In addition to their general Board responsibilities, Non-executive Directors are encouraged to participate in meetings or in matters when their individual areas of expertise may be of value.

Brian Hogan is Filta's Company Secretary and is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman to maintain excellent standards of corporate governance. ONE Advisory Limited provides Board support through assistance with Board and shareholder meetings and MAR compliance.

The Directors are entitled to take independent legal advice, if this may be required and if the Board is informed in advance; the cost of the advice would be reimbursed by the Company.

The Company's Nomad supports the Board's development, by providing guidance on corporate governance and other regulatory matters as required. The Chairman and Non-executive Directors also endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences"

Board composition is always a factor for contemplation in relation to succession planning. The Board will consider any Board imbalances for future nominations, including Board independence and gender balance.

## **7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Chairman assesses the individual contributions of each of the members of the team to ensure that:

- Their experience and knowledge is relevant
- Their contribution is effective
- They are committed and remain able to devote the required time commitment
- Where relevant, they have maintained their independence

and the Non-executive Directors carry out a similar assessment of the Chairman.

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner.

Every three years, the Company will appoint an external assessor to conduct an independent evaluation of the Board, including its effectiveness as a unit, that it is operating in accordance with normal practices and standards and identifying where and how its contribution to the Company may be improved.



The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. The Company operates on a retirement by rotation policy, with one third of the Board being subject to re-election at each AGM.

#### **8. Promote a corporate culture that is based on ethical values and behaviours**

The Board recognises that its decisions regarding strategy and risk may impact the corporate culture of the Company as a whole and that this may affect its performance. The Board is also aware that the tone and culture set by the Board can have an impact on the Company as a whole and on the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders are able to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Company operates in a manner that encourages an open and respectful dialogue with employees, customers and other stakeholders and the Board considers that sound ethical values and behaviours are crucial to the ability of the Company to achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors believe that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company conducts annual employee engagement surveys to determine if ethical values and the Company's corporate culture are recognised and respected and seeks to understand any underlying issues or dissatisfactions within the workforce. Additionally, employee-management meetings and the use of Perform Yard provide the Company with the opportunity for continual dialogue with employees. The Company seeks to impart its corporate culture to staff through an employee handbook.

Filta publicises information on its Corporate Social Responsibility and actively seeks to promote ethical corporate culture. Please see our ongoing charitable giving in relation to Oceans of Hope, which can be found on page 25 of the 2017 Annual Report.

The Company has adopted a code for Directors' and relevant employees' dealings in relation to its Ordinary Shares and related securities which is compliant with AIM rule 21, as well as being in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

The Group operates a whistleblowing policy in the US and is in the process of implementing this policy to the rest of the Group in order to facilitate the reporting by employees of suspected misconduct, illegal acts or failure to act within the Group. The aim of this Policy is to encourage employees and others who have serious concerns about any aspect of the Group's work to come forward and voice those concerns.

As described in more detail in relation to principle 3, feedback from all stakeholders assists the Board in its assessment of the Company's corporate culture and ethical behaviours.



## **9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's needs as it grows. The Board delegates responsibilities to Committees and individuals as it sees fit, with the Chairman being responsible for the effectiveness of the Board, and the Executive Directors being accountable for the management of the Company's business and primary contact with shareholders, customers and franchisee owners.

The Chairman's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders. His leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The Group Chief Executive Officer has, through powers delegated by the Board, the responsibility for leadership of the management team in the execution of the Group's strategies and policies and for the day-to-day management of the business.

The Executive Directors, as a whole, are responsible for the general day-to-day running of the business and developing corporate strategy while the Non-executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The Board has adopted appropriate delegations of authority which sets out matters that are reserved to the Board and include:

- responsibility for the overall management of the Group and for its strategic direction, including approval of the Group's strategy;
- annual business plans and budgets;
- interim and full year financial statements and reports;
- dividend proposals;
- accounting policies;
- major capital projects;
- investments or disposals;
- succession plans;
- monitoring of financial performance against budget and forecast; and
- formulation of the Group's risk appetite including the identification, assessment and monitoring of Filta's principal risks.

The matters reserved for the Board are reviewed annually, and any items not included within the policy (such as responsibility for implementing the Board's strategy and day to-day management of the business) are delegated to the management team.



The Board delegates authority to two Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

#### Audit Committee

The Audit Committee has three members, Graham Woolfman (Chairman), Tim Worlledge and Roy Sayers. The Committee is responsible for oversight of the Company's financial statements, risk management, audit and auditor relationship, and internal controls and procedures. The Audit Committee, supported by the Company Secretary, plans appropriately on an annual basis to enable it to discharge its duties as set out in its terms of reference. The Group's external auditors and Executive Directors attend the Committee's meetings by invitation and the Committee ensures that the auditors also have an opportunity to speak to the Committee in the absence of management. The Audit Committee meets at least twice in each financial year.

An Audit Committee Report will be included in the Company's Annual Report, commencing with the 2018 Annual Report.

#### Remuneration Committee

The Remuneration Committee has two members, Tim Worlledge (Chairman) and Graham Woolfman. The Remuneration Committee oversees remuneration policy and determines the remuneration and benefits of the Company's Executive Directors as well as other terms relevant to their appointment. A Remuneration Report from the Chairman of the Remuneration Committee is set out on pages 30-32 of the 2017 Annual Report. The Remuneration Committee meets not less than twice a year.

The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. Therefore, the Board, as a whole, is responsible for reviewing and determining the appropriate Board composition.

Terms of Reference for each of the Committees can be found on the Company's website.

The Chairman and the Board continue to monitor the Company's corporate governance structures and processes, and these will evolve over time, in line with the Company's needs as the Group and its businesses grow.

### **10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations) as well as shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company.

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Details of the latest AGM votes can be found in Appendix 1 below. The Board maintains that, if there is a resolution passed at a general meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.



Information on the Investor Relations section of the Group's website ([www.filtapl.com](http://www.filtapl.com)) is kept updated and contains details of relevant developments, regulatory announcements, results presentations and the latest historic financial reports and shareholder circulars. The Company's latest Annual Report includes the Directors' Remuneration Report and the Independent Auditor's Report.

Shareholders with a specific enquiry can contact us on [enquiries@filtapl.com](mailto:enquiries@filtapl.com).



## Appendix 1

### Filta Group Holdings plc 2018 Annual General Meeting

#### Result of AGM

The Annual General Meeting was held at the Company's registered office, The Locks, Hillmorton, Rugby, Warwickshire, CV21 4PP at 10.00 a.m. on 5 June 2018.

All 9 resolutions put to members were passed on a show of hands. Resolutions 1 to 8 were passed as ordinary resolutions and resolution 9 was passed as a special resolution.

The number of votes lodged by proxy for and against each of the resolutions proposed, and the number of votes withheld were as follows:

Resolution	Votes for	%	Votes against	%	Votes withheld
1. To receive the Company's audited accounts for the financial period ended 31 December 2017.	25,007,185	100.00	-	0	-
2. To approve the Directors' Remuneration Report for the year ended 31 December 2017.	25,007,185	100.00	-	0	-
3. To declare a final dividend for the year ended 31 December 2017 of 0.65 pence per share.	25,007,185	100.00	-	0	-
4. To re-appoint Roy Sayers as a director of the Company.	25,007,185	100.00	-	0	-
5. To re-appoint Brian Hogan as a director of the Company.	25,007,185	100.00	-	0	-
6. To re-appoint Crowe Clark Whitehill LLP as auditor to the Company.	25,007,185	100.00	-	0	-
7. To authorise the Directors of the Company to fix the auditors' remuneration.	25,007,185	100.00	-	0	-
8. To authorise the Directors to allot shares on the terms of Resolution 8 as set out in the Notice of Annual General Meeting.	25,007,185	100.00	-	0	-
9. That, subject to the passing of Resolution 8, the Directors be authorised to allot equity securities on the terms of Resolution 9 as set out in the Notice of Annual General Meeting.	25,007,185	100.00	-	0	-

As at 11 May 2018 the Company's issued share capital comprised 27,143,630 Ordinary Shares. The total number of voting rights in the Company as at 11 May 2018 is 27,143,630. Shareholders are



entitled to one vote per share. Votes withheld are not votes in law and so have not been included in the calculation of the proportion of votes for and against a resolution.