

# Corporate governance

The Board is committed to high standards of corporate governance and believes that it is in the interest of all its stakeholders to detail how the principles of corporate governance are applied within the Group.

## Corporate governance code

The Company has adopted its own corporate governance code (GMG Code) which to a large extent reflects the structure and content of the UK Corporate Governance Code (although, as an unlisted plc, there is no requirement for the Company to comply with the UK Corporate Governance Code). The GMG Code reflects the fact that the Company is unquoted and that 100% of its share capital is held by The Scott Trust Limited (STL). The GMG Code can be viewed [here](#).

## The Board

GMG's Board currently comprises the chair, Neil Berkett, three executive directors – being the chief executive, David Pemsel, editor-in-chief, Katharine Viner, and chief financial officer, Richard Kerr - and eight independent directors. Richard Kerr was appointed to the Board on 18 May 2016, having joined GMG as chief financial officer in April 2016.

Neil Berkett was appointed chair in September 2013. The role of the chair is distinct and separate from that of the chief executive and the division of responsibilities between the chair and the chief executive has been clearly established, set out in writing and agreed by the Board.

Nick Backhouse has been the senior independent director since January 2011.

All of the non-executive directors meet the independence criteria set out in the GMG Code. The chair, on appointment, met the independence criteria, but thereafter the test of independence is not appropriate by virtue of his position as chair.

David Pemsel and Katharine Viner are the only STL directors who are also directors of GMG. The chair of STL attends all Board meetings and there is a reciprocal arrangement whereby the chair of the Board is invited to attend all the STL meetings. All STL directors receive copies of financial reports and Board approved minutes on a regular basis. This results in a close relationship between the GMG Board and STL as its shareholder.

The directors and the company secretary have a wide range of business and other relevant experience and their details can be viewed [here](#).

Non-executive directors are appointed for terms of three years which can be renewed. Under GMG's articles of association directors are subject to re-appointment by STL (as sole shareholder) at the first annual general meeting following their appointment. GMG's articles of association also require that the number of directors closest to, but not exceeding, one-third is subject to re-appointment at each annual general meeting.

A monthly financial report is provided to the directors. Board papers, which include regular and ad hoc reports, are circulated to the directors by the company secretary in advance of Board meetings to ensure Board members are supplied, in a timely manner, with the information they need. There is a written schedule of specific matters reserved for Board consideration which includes setting and monitoring Group strategy, reviewing trading performance and the approval of significant contracts, capital expenditure, acquisitions and disposals. The Board delegates to management the detailed planning and implementation of Group strategic objectives in accordance with appropriate risk parameters. Board meetings are minuted and the minutes circulated to all Board members.

Led by the chair, the independent directors meet formally at intervals during each year without the executive directors being present. Nick Backhouse, as senior independent director, has held a meeting of independent directors, without the chair present, to review the chair's performance. The views of executive directors were taken into account at that meeting.

On appointment to the Board, directors receive appropriate briefings on the Group and its activities and follow a tailored induction programme. They visit the Group's operations and meet local management. It is expected that directors will continually update their skills and the knowledge and familiarity with

the Company required to fulfil their role both on the Board and on Board committees and the Company provides the necessary resources for developing and updating its directors' knowledge and capabilities.

The Board undertakes, normally at intervals not exceeding two years, a formal evaluation of its own performance and that of its committees and individual directors. Evaluation may be by self-evaluation questionnaire, or external evaluation or such other means as the Board determines to be appropriate. The last evaluation exercise was undertaken in April 2015. The chair reviews and agrees with each non-executive director their training and development needs.

All directors have access to the company secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. A procedure exists for directors to take independent professional advice, at the Group's expense, if necessary, in the furtherance of their duties.

The Company maintains an appropriate level of directors' and officers' insurance which was in force throughout the financial year and at the date of approval of the financial statements. In accordance with the Company's articles of association, the directors and officers of the Company are all indemnified out of the assets of the Company, to the extent permitted by law, in respect of liabilities incurred as a result of their office. In addition to this general indemnity, the Company has also put in place a specific deed of indemnity setting out in greater detail the terms and conditions of the Company's indemnity. Neither the Company's indemnities nor directors' and officers' insurance provide cover in the event that a director or officer has acted fraudulently.

### **The Scott Trust Limited (STL)**

In October 2008 STL acquired all the ordinary share capital of GMG from The Scott Trust, which was subsequently wound up. All of the then trustees of The Scott Trust became directors of STL. The shares in STL are held in equal numbers by five of the STL directors. The terms of the articles of association of STL ensure that its shareholders can receive no personal economic benefit from their shareholdings.

STL chooses to ensure that only a minority of its directors are executive directors of GMG. Currently Katharine Viner and David Pemsel are the only directors of STL who are also directors of GMG.

One place on the STL Board is customarily reserved for a Guardian journalist, at present Nils Pratley, who is chosen by the other STL directors in consultation with the body of Guardian journalists.

The normal tenure of all STL directors, except those in executive positions, is limited to five years, with the possibility of extension for up to a further five years following review.

### **Committees**

The Board has a number of committees consisting of independent directors and with executive directors and senior executives in attendance, with the exception of the investment committee which includes independent and executive directors of GMG, as well as directors of STL as members.

Composition of the committees as at 3 April 2016 and frequency of meetings is set out in the table below.

<b>Director</b>	<b>Audit committee</b>	<b>Remuneration committee</b>	<b>Nominations committee</b>	<b>Investment committee</b>
Neil Berkett			Chair	Chair
Nick Backhouse	Member		Member	Member
Ronan Dunne	Chair		Member	Member
Jennifer Duvalier		Member	Member	
Judy Gibbons		Chair	Member	
John Paton	Member			Member
Frequency of meetings per financial year	4	3	3	4

Notes:

1. As chair, Neil Berkett normally attends meetings of the Audit and Remuneration Committees but is not a member of either Committee.
2. The chief executive, David Pemsel, is not a member of any Committees but normally attends their meetings.
3. The chief financial officer, Richard Kerr (who was appointed following the year end) normally attends meetings of the Audit Committee but is not a member of the Committee.

The number of meetings of the Board and committees held in the financial year ended 3 April 2016, with details of individual attendance by directors is set out in the table below.

<b>Director</b>	<b>Board meetings</b>	<b>Audit committee meetings</b>	<b>Remuneration committee meetings</b>	<b>Nominations committee meetings</b>	<b>Investment committee meetings</b>
Neil Berkett	6	3*	4*		3
David Pemsel (appointed 1 July 2015)	6	4*	3*	1*	2, 1*
Andrew Miller (resigned 30 June 2015)	1		1*		
Katharine Viner (appointed 1 June 2015)	7				
Alan Rusbridger (resigned 1 June 2015)					
Darren Singer (resigned 23 Oct 2015)	3	2*			2
Nick Backhouse	6	2		1	2
Ronan Dunne	7	4		1	3
Jennifer Duvalier	6		4		
Judy Gibbons	7		4	1	
Brent Hoberman (resigned 5 Nov 2015)	3		1		
Nigel Morris	5				
John Paton	7	4			3
Gail Rebuck (appointed 27 Jan 2016)	2				
Jimmy Wales (appointed 27 Jan 2016)	2				
Number of meetings held	7	4	4	1	3

\* In attendance

*Notes: During the year, David Pemsel, Katharine Viner, Gail Rebuck and Jimmy Wales were appointed as directors, and Andrew Miller, Alan Rusbridger, Darren Singer and Brent Hoberman ceased to be directors. Following the year end, Richard Kerr was appointed as a director. Following a review, the composition of the Investment committee was changed as from December 2015 so as to comprise the Chair and three other non-executive directors, together with nominated directors of STL (Catherine Howarth, Ole Jacob Sunde and Sushil Wadhvani). The chief executive (David Pemsel) therefore ceased to be a member of the Committee as from December 2015 but continues to attend meetings. The chief financial officer, Richard Kerr (who was appointed following the year end) will also attend meetings.*

*In addition to the regular committees, a sub-committee of the Board was formed to deal with matters relating to the IPO of Ascential plc (formerly Top Right Group) and a number of meetings were held. Membership of that sub-committee comprised the Chair and those non-executive directors who are members of the Investment committee, together with Catherine Howarth, Ole Jacob Sunde and Sushil Wadhvani. The chief executive (David Pemsel) also attended meetings.*

Details of the purposes of the committees is set out below. All the committees have written terms of reference, which are subject to annual review and which are available on request from the company secretary and can be accessed [\[here\]](#).

### **Audit committee**

The audit committee currently comprises three independent non-executive directors, and is chaired by Ronan Dunne, one of its members. In addition, the chair, chief executive, chief financial officer, company secretary, group financial controller and senior representatives of the external auditors normally attend the committee's meetings. More than one member of the committee has recent and relevant finance experience. At least once a year, the committee meets with the external auditors and separately with the outsourced internal audit function, without executive members of the Board present. The committee makes recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and agrees their scope of work and fees prior to the commencement of the annual audit. The committee has a written policy on the engagement of the external auditor to supply non-audit services, which clearly sets out areas where the external auditor cannot provide non-audit services, for example accounting or managing internal audit work, as it could impact on their objectivity and independence. Note 8 to the financial statements (Auditors' remuneration) contains details of the fees payable to the external auditors for audit services, audit-related services and other non-audit services.

The committee considers issues arising from the external audit and reviews the annual financial statements and written reports from the external auditors; it monitors internal financial control procedures and reviews the operation and output of the outsourced internal audit function. The committee reviews arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The committee has an agreed annual calendar of activities.

The committee's proceedings are minuted and circulated to all Board members by the company secretary. The audit committee chair reports to the Board on the outcome of audit committee meetings.

During the financial year ended 3 April 2016, the activities of the audit committee included:

- monitoring the integrity of the Group's financial statements and reviewing the significant and financial reporting judgements they contained
- oversight of the external audit strategy and review of the report by the external auditors
- oversight of the internal audit and tax functions
- receipt and review of periodic reports from the outsourced internal audit function
- consideration of internal and external audit issues
- oversight of risk management and consideration of risk management issues
- consideration of physical security processes
- consideration of issues relating to digital development
- consideration of project governance processes.

### **Remuneration committee**

The remuneration committee currently comprises three independent non-executive directors and is chaired by Judy Gibbons, one of its members. As chair of the Company, Neil Berkett normally attends the committee's meetings. In addition, on matters other than those concerning themselves, the chief executive and group HR director normally attend meetings.

The committee is responsible to the Board for the Group's compensation framework and for determining the remuneration packages of the executive directors and key senior managers. It retains the right to scrutinise and, if necessary, veto proposals for individuals outside this group. It advises on executive remuneration policy issues. Deloitte LLP is retained as independent advisors to the committee and the committee has access to other professional advice where necessary.

The committee's proceedings are minuted and circulated to all Board members by the company secretary. The remuneration committee chair reports to the Board on the outcome of remuneration committee meetings.

Details of Directors' remuneration are set out in the Directors' Remuneration Report which may be viewed [\[here\]](#).

### **Nominations committee**

The committee comprises the chair and four independent non-executive directors. It is chaired by Neil Berkett (as chair of the Board).

The committee deals with the selection of and makes recommendations to the Board on the appointment of Board members, where necessary obtaining advice and assistance from internal or external legal, accounting, or other advisors and with authority to appoint external search consultants. The committee ensures that plans are in place for an orderly succession for appointments to the Board and to senior Group management and monitors senior leadership development.

STL approval is required for the appointment of the chair of the Board and group chief executive, and STL has sole responsibility for the appointment of the editor-in-chief of the Guardian.

External search consultants assist in the appointment of executive and non-executive directors where necessary.

The committee's proceedings are minuted and circulated to all Board members by the company secretary. The nominations committee chair reports to the Board on the outcome of nominations committee meetings.

### **Investment committee**

The investment committee oversees the Group's endowment fund, treasury policy, wholly-owned assets and investments, and joint venture investments. Its functions include defining the financial objectives of the endowment fund, approval of changes to asset allocation and of certain additions or withdrawals from the fund. The committee makes recommendations to the Board on the level of funding and risk allocation and on the advisers to the endowment fund and appoints/dismisses managers in respect of each asset class selected. The committee reports to the Board on the performance of the investment fund and other assets and on other investment-related matters.

The committee currently comprises the GMG chair (who chairs meetings of the committee), three independent non-executive directors and three directors nominated by STL (Catherine Howarth, Ole Jacob Sunde and Sushil Wadhvani). The chief executive, chief financial officer and chief investment officer normally also attend meetings of the committee. The committee usually meets four times per year (more frequently if required). The investment fund advisers, Cambridge Associates, provide regular reports on the performance of the investment fund and attend the committee's meetings at appropriate intervals. The investment fund advisers also attend GMG Board meetings, on invitation, to report on the investment fund performance.

During the year a sub-committee of the Board (the IPO sub-committee) was formed to deal with matters relating to the IPO of Ascential plc and a number of meetings were held. The sub-committee's membership comprised the GMG chair (who chaired its meetings), the same three independent directors and the same three STL directors who are members of the Investment committee. In addition, meetings were attended by GMG's chief executive and chief investment officer.

### **Internal control**

The Board is responsible for the Group's system of internal control. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the system of internal control during the year.

The key features of the internal control system are:

- a clear organisation structure with defined levels of responsibility delegated to operational management
- maintenance of comprehensive risk registers, which identify and evaluate risks and document control procedures and monitoring arrangements. Regular review and update of risk registers is embedded in executive committee and operational reporting procedures including Board review
- certain key Group functions including taxation, treasury, insurance and day-to-day administration of the investment fund are handled centrally with regular reports to the Board through the chief financial officer. The treasury function operates within Board-approved limits
- a structured process for approval of capital projects and significant contracts which includes appropriate authorisation levels
- all significant acquisitions or investments are subject to detailed internal appraisal involving both Group and operating personnel and due diligence procedures, prior to being presented to the Board for approval
- comprehensive business planning procedures which include a rigorous annual budget process, culminating in the budget for the year ahead and plans for subsequent years being approved by the Board. Forecasts are updated quarterly and presented to the Board for review and comment
- monthly management accounts which report on trading performance by operation against budget and previous year, including relevant key performance indicators and latest year-end forecasts, are provided to local and divisional management and the Board
- the outsourced internal audit function delivers independent review and assurance on the management of key business risks and on the effective operation of governance processes and systems of internal control at divisional and Group-wide levels
- regular review of business operations throughout the Group by operating and executive management.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.