

# Corporate governance

The Board is committed to high standards of corporate governance. The Members voluntarily prepare a Corporate Governance Statement to demonstrate compliance with the main principles, where relevant, of the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') in 2016, and the disclosure and transparency provisions of the Listing Rules of the Financial Conduct Authority. Channel 4's status as a statutory corporation without shareholders means those provisions concerning shareholders' interests are not directly applicable.

The Board considers that, throughout the year, it was compliant with the relevant provisions of the UK Corporate Governance Code. The code can be accessed at [www.frc.org.uk](http://www.frc.org.uk). The Board have reviewed the updated UK Corporate Governance Code, published in June 2018 and effective from 2019, and will ensure our 2019 Annual Report and corporate governance framework demonstrate compliance with the revised provisions, where applicable.

## The Board

Channel Four Television Corporation is controlled through its Board of Members. The Board's main role is to discharge Channel 4's statutory functions and ensure the fulfilment of the public service remit in accordance with all applicable laws and regulations.

The Board meets at least nine times a year and has a schedule of matters reserved for its approval as noted in the table below. In addition, as part of its overall responsibility to ensure the fulfilment of Channel 4's statutory duties and functions, the Board continues to focus on ensuring the successful delivery of Channel 4's remit and other public service responsibilities. Content output and plans for future investment of the content budget are regularly discussed as part of the overall Board agenda, as are regular updates on audience reactions to Channel 4's content. The Board also approves Channel 4's proposed Statement of Media Content Policy (incorporating the Statement of Programme Policy and Review) prior to publication.

## Board sub-committees

The Board has an established Audit Committee, Remuneration Committee and Ethics Committee to assist with the discharge of its functions and has delegated each certain responsibilities, as set out below.

## Board nominations

Given its constitution and specific statutory provisions regarding the appointment of Members, Channel 4 does not have a formal Nominations Committee. Instead, there are formal nominations procedures which are described below. However, in 2017, the Chairman set up a temporary Nominations Sub-Committee of the Board to oversee the process of appointing a new Chief Executive following David Abraham's decision to step down. This committee was disbanded in 2018.

The following formal nomination procedures are in place:

- Non-Executive Members are appointed for fixed terms by Ofcom following consultation with Channel 4's Chair and the approval of the Secretary of State for Digital, Culture, Media and Sport
- The Chair is appointed by Ofcom for a fixed term with the approval of the Secretary of State for Digital, Culture, Media and Sport
- The Deputy Chair is appointed by Ofcom
- The Chief Executive is appointed by the Board
- Other Executive Members are appointed to the Board after nomination by the Chief Executive and the Chair acting jointly

We work with Ofcom to ensure that each Board appointment brings to the Board the skills and experience that are required to meet Channel 4's needs and contribute to its long-term success.

The division of responsibilities between the Chair of the Board and the Chief Executive is clearly defined as described on the following page.

# Corporate governance (continued)

## The role of the Chair

The Chair is responsible for:

- Leading the Board in setting the values and standards of Channel 4
- Maintaining a relationship of trust with and between the Executive and Non-Executive Members
- Leadership of the Board, ensuring its effectiveness on all aspects of its role, including the setting of the agenda
- Ensuring that all Members receive accurate, timely and clear information
- Ensuring that all Members continually update their skills and the knowledge and familiarity with Channel 4 required to fulfil their role both on the Board and on committees
- Facilitating the effective contribution of Non-Executive Members and ensuring constructive relations between Executive and Non-Executive Members
- Undertaking an annual evaluation of Board and committee performance

Charles Gurassa was appointed Chair for an initial three-year term from 28 January 2016 and, during 2018, was reappointed for a further three-year term to 27 January 2022.

## The role of the Chief Executive

The role of the Chief Executive is to run the business of Channel 4 under the delegated authority from the Board, to implement the policies and strategy agreed by the Board, and to communicate with Ofcom and other key stakeholders.

During 2018, Alex Mahon continued as Chief Executive.

## Deputy Chair and Senior Independent Member

Lord Chris Holmes was appointed Deputy Chair and Senior Independent Member on 11 June 2018. Following the conclusion of MT Rainey's term as Deputy Chair and Senior Independent Member on 31 December 2017, the roles were vacant until Lord Chris Holmes' appointment.

## Members and Members' independence

The 2018 Board Members and their skills, experience and responsibilities are set out on pages 168 to 171.

The Non-Executive Members constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Non-Executive Members are of sufficient calibre and number that their views carry significant weight in the Board's decision-making. The Members are given access to independent professional advice at the Group's expense when the Members deem it is necessary in order for them to carry out their responsibilities.

Details of the current Chair's professional commitments are included in his biography. These do not adversely affect his role with Channel 4.

The Board considers all its Non-Executive Members to be independent in character and judgement. At the time of this report, no Non-Executive Member:

- Has been an employee of the Group within the past five years

- Has, or has had within the past three years, a material business relationship with the Group (although attention is drawn to the related party transactions on page 172)
- Receives remuneration other than their Member's fee
- Has close family ties with any of the Group's advisers, Members or senior employees
- Holds cross-directorships or has significant links with other Members through involvement in other companies or bodies, with the exception of Charles Gurassa and Fru Hazlitt who are both on the board of Merlin Entertainments plc
- Has served on the Board for more than six years from the date of their first election

## Professional development

On appointment, the Members take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Executive Committees and the powers delegated to those committees, the Group's corporate governance practices and procedures including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. This is supplemented by meetings with members of the senior management team. On appointment, all members are advised that they have access to advice and the services of the Chief of Staff. Throughout their period in office the Members are continually updated on the Group's business and environment and other changes affecting the Group and the industry it operates in as a whole, by written briefings and meetings with senior executives.

A formal Board effectiveness review that uses a detailed questionnaire to allow Board Members to express both qualitative and quantitative views on Board performance is undertaken annually. In 2018, the Board Secretary conducted a review of the Board and of the Audit and Remuneration Committees using the tools and approach designed in 2017 by an independent reviewer, Independent Audit. Findings and analysis were presented to the Board by the Board Secretary and discussed at the February 2018 Board meeting. Committees also held their own discussions on the findings. Overall, the Board and Committees were found to be performing well. Proposals for actions to ensure continuous improvement of the Board and Committees were tabled and agreed. Areas for focus that were identified included reserving time to discuss long-term strategy in the context of a changing market landscape, and increasing opportunity for Non-Executive Members to be engaged with the business and its culture.

## Board information

Regular reports and papers are circulated to the Members before Board and committee meetings. These papers are supplemented by information specifically requested by the Members from time to time. A monthly performance pack is prepared by the Chief Operating Officer covering all key areas of the business and providing a month-by-month report on progress against the main performance indicators set by the Board.

The Chief of Staff's responsibilities include ensuring an effective flow of information within the Board and its committees, and between senior management and Non-Executive Members, induction of new Members and assisting with professional development as required.

The Deputy Controller of Corporate Legal is responsible for advising the Board through the Chair on all governance matters.

## Corporate governance (continued)

Both posts are available to provide advice and services to all Members, as relevant, to ensure compliance with Board procedures.

### Board meetings

The number of full Board meetings and committee meetings attended by each Member during the year is shown in the table below:

Name	Board meetings attended (invited)	Audit Committee meetings attended (invited)	Remuneration Committee meetings attended (invited)	Ethics Committee meetings attended (invited)
Charles Gurassa	13 (13)	3 (4) <sup>1</sup>	5 (6) <sup>1</sup>	-
Lord Chris Holmes	12 (13)	-	6 (6)	-
Simon Bax	13 (13)	4 (4)	-	-
Althea Efunshile	11 (13)	3 (4)	-	-
Paul Geddes	12 (13)	3 (4)	-	-
Uzma Hasan	13 (13)	-	-	-
Fru Hazlitt	12 (13)	-	-	-
Tom Hooper	9 (13)	-	-	-
Roly Keating	12 (13)	-	-	-
Stewart Purvis	13 (13)	-	6 (6)	-
Alex Mahon	12 (12)	4 (4) <sup>1</sup>	5 (5) <sup>1</sup>	-
Jonathan Allan	11 (11)	-	-	-
Ian Katz	11 (11)	-	-	-
Dan Brooke	10 (10)	-	-	-

<sup>1</sup> The Chair and the Chief Executive attended Audit Committee and Remuneration Committee meetings but were not members of those committees.

The Board meets at least nine times a year; four extraordinary sessions were also held in 2018. The Non-Executives meet without management twice a year, and meet with just the Chief Executive present once a year.

The Ethics Committee did not meet in 2018.

### Board diversity

As shown on pages 70 to 77, diversity is at the heart of Channel 4 and this is equally important at the most senior levels of the organisation as at entry-level positions. At March 2019, the Channel 4 Board comprised three Executive Members and ten Non-Executive Members. As stated on page 174, Non-Executive Members are appointed by Ofcom, and Executive Members by the Chief Executive and the Chair.

At 31 December 2018, one of the three Executive Members was a woman (December 2017: one of four). At 31 December 2018, the Board comprised four women and nine men, with the four women making up 31% of the Board membership (December 2017: 29%).

At 31 December 2018, the Board comprised two Members who were from BAME backgrounds (December 2017: two).

### Internal control

In accordance with good corporate governance practice, the Board:

- Is responsible for maintaining sound risk management and internal control systems, ensuring they are effective in identifying key risks and reporting on the adequacy of actions to respond to and manage those risks
- Seeks regular assurance and receives regular reports that enable it to satisfy itself that the system is functioning effectively

- Is responsible for the Group's process for the preparation of the consolidated accounts

The Board is not responsible for the internal control environment or corporate governance for any of the Group's joint ventures or associates.

### Control environment

Clear management responsibilities are established for the Executive Members. The Corporation has a Code of Conduct and a suite of policies and procedures which encompass ethical behaviour, conduct and internal controls.

The Audit Committee satisfies itself that internal controls are operating throughout the year based on a programme of internal audit reviews, which are reported to the Committee at their quarterly meetings.

All expenditure is authorised in line with a delegated authorities framework. An electronic invoice authorisation system is used to further enhance the control environment. Authorisation and payment duties are strictly segregated, and bank signatory limits are clearly defined by bank mandate.

### Risk management

In addition to its requirements under Schedule 9 of the Communications Act 2003 set out below, the Board and management have a clear responsibility for the identification of risks facing the Group and for putting in place procedures to monitor and mitigate such risks. Channel 4 has a high appetite for creative risk-taking, giving rise to potentially litigious content. The Group has a low appetite for operational risks. The Board and Executive team operate a risk management framework for identifying, evaluating and managing (rather than eliminating) significant risks faced by Channel 4. Material controls, including financial, operational and compliance controls, are monitored and reviewed by senior management, Business Assurance and the Audit Committee. Remedial plans are put in place where internal reviews identify control weaknesses or opportunities for improvement. Serious control weakness (if any) are reported to the Board and appropriate actions taken. This framework has been developed in accordance with relevant good practice guidance on internal controls and risk management. A summary of the key risks that the Group faces, together with how those risks are mitigated, is presented in the Strategic Report on pages 165 to 166.

### Editorial and compliance

Channel 4 has a long-established compliance culture, which is fully integrated into its commissioning process and provides clear editorial 'reference-up' to senior executives and appropriate Board oversight. Its importance is widely recognised and understood by independent production companies we work with and they share equal responsibility for ensuring that programmes and online content conform to the compliance culture we work within. The Commissioning team works in close collaboration with the Legal and Compliance department on all significant commissions. There are strong editorial, legal and compliance systems and controls in place over the content commissioned by Channel 4.

## Corporate governance (continued)

These include specific guidance and protocols contained within the Channel 4 Producers' Handbook, which encompasses the Ofcom Broadcasting Code, other relevant regulations, media law and best practice guidelines. This is supported by extensive training for both staff and independent producers. At the heart of Channel 4's creative risk-taking and compliance is the editorial 'reference-up' procedure. The Members are satisfied that Channel 4 has in place suitable procedures to fulfil the requirements of paragraph 3b of the Ofcom licence, which exists to ensure that difficult or fine-cut decisions on editorial and compliance issues are properly considered by the most appropriately experienced and senior editorial executives and programme lawyers within Channel 4.

### Reporting to the Board

Information is provided to the Members in advance of each Board or Committee meeting. The information provided over the course of the year includes strategic plans, detailed annual budgets, reforecasts and key projects and initiatives as well as monthly performance packs. Amongst other things, the monthly performance packs monitor progress against the agreed objectives for the year, and compare actual performance metrics, income and expenditure to date with budget and prior year. Explanations are provided for significant variances to facilitate discussion and review at the Board meetings.

The Members also receive information in between Board meetings as appropriate, including weekly risk and viewing updates. The Board Secretary is responsible for the provision of information to the Members.

### Pension plan

There were six Trustees of the Channel Four Television Staff Pension Plan at 31 December 2018. The Trustees, who meet several times each year, also met the Plan's investment managers: Legal & General Assurance (Pensions Management) Limited, Veritas Asset Management LLP, BMO Global Asset Management, GMO UK Limited, JP Morgan Asset Management, Ruffer LLP, IFM Investors and Just Retirement Limited during the year.

During the year, the Trustees were as follows:

#### Channel 4 Executives

Glyn Isherwood <sup>1</sup>	Group Finance Director
Martin Baker	Director of Commercial Affairs
Keith Underwood <sup>2</sup>	Chief Operating Officer

#### Channel 4 Non-Executive Trustees

Lord Chris Holmes MBE <sup>3</sup>	Non-Executive Member
------------------------------------	----------------------

#### Member-nominated Trustees

Neil Pepin	Deputy Head of Legal & Compliance
Rebecca O'Connor	Senior Production Finance Manager
Dinesh Visavadia, Independent Trustee Services Limited	Independent Corporate Trustee

<sup>1</sup> Resigned as a Trustee on 30 March 2018

<sup>2</sup> Appointed as a Trustee on 31 March 2018

<sup>3</sup> Appointed as a Trustee on 10 September 2018

Further details of the Channel Four Television Staff Pension Plan are provided in note 18 to the financial statements.

### Memorandum of Understanding

During 2018, Channel 4 entered into a Memorandum of Understanding (MoU) with the Department for Digital, Culture, Media & Sport (DCMS). This clarified the requirements for Channel 4 to provide information to DCMS and to secure DCMS approval in certain limited cases outside the normal course of Channel 4's business.

### Requirements of Schedule 9 of the Communications Act 2003 (the 'Act')

The Act requires Channel 4 to submit proposals to Ofcom detailing the arrangements under which it proposes to secure, so far as reasonably practicable, that all significant risks to the primary function are identified, evaluated and properly managed. These proposals are referred to as 'the Arrangements'.

In addition, the Arrangements must include proposals which Channel 4 considers appropriate for securing the transparency objectives as set out in the Act, namely:

- an appropriate financial and organisational separation between the activities of Channel 4 that relate to the carrying out of their primary functions and their other activities; and
- an appropriate degree of transparency in financial and other reporting where resources are shared between separated activities or where there is some other financial or practical connection between otherwise separated activities.

The Act sets out the matters to which the submitted Arrangements may relate. These include the procedures and other practices to be followed by Channel 4 in the case of the initiation and management of new ventures, the exercise of particular powers, the assessment of risks, the imposition of charges and the keeping of records.

The Act requires Channel 4 to put in place regular checks to confirm that Channel 4 is complying with the Arrangements. The Arrangements proposed by Channel 4 must contain provision for compliance, with the Arrangements to be checked regularly by a person (other than Channel 4's auditor) appointed in accordance with that provision. Revised Arrangements came into force on 15 September 2016.

Channel 4 appointed BDO LLP to review compliance with the Arrangements. Copies of the Arrangements are available from the Board Secretary.

## Corporate governance (continued)

### **Independent Reporting Accountant's report to Channel Four Television Corporation ('the Corporation') and the Office of Communications ('Ofcom')**

We have performed a review of the Corporation's compliance during the year ended 31 December 2018 with the arrangements agreed by the Corporation and the Office of Communications ('Ofcom') in 2016 under Section 2 of Schedule 9 of the Communications Act 2003.

This report is made solely to Channel Four Television Corporation and Ofcom in accordance with our letter of engagement dated 21 March 2019 and in order to (a) allow the Corporation to meet its obligations under the Licence and Schedule 9 of the Communications Act 2003 to procure such reports and (b) to facilitate the carrying out by Ofcom of its regulatory functions. Our work has been undertaken so that we might state to the Corporation and Ofcom those matters we are required to state to them in a reporting accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and Ofcom (in accordance with our Regulator's Contract with Ofcom dated 21 March 2019), for our work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Channel Four Television Corporation and reporting accountants**

The Corporation has agreed arrangements with Ofcom to secure the following objectives (the 'Objectives') as set out in Schedule 9 of the Communications Act 2003:

- So far as reasonably practicable, secure that all significant risks that their other activities will have an adverse effect on the carrying out, during the relevant licence period, of their primary functions are:
  - a) identified;
  - b) evaluated; and
  - c) properly managed.
- The transparency objectives of securing:
  - a) An appropriate financial and organisational separation between the activities of the Corporation that relate to the carrying out of their primary functions and their other activities; and
  - b) An appropriate degree of transparency in financial and other reporting where resources are shared between separate activities or where there is some other financial or practical connection between otherwise separated activities.

The arrangements between the Corporation and Ofcom are available from [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0031/88519/Channel-4-Schedule-9-Arrangements.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0031/88519/Channel-4-Schedule-9-Arrangements.pdf). The responsibility of the Corporation in terms of Schedule 9 of the Communications Act 2003 is to act in accordance with these arrangements throughout the review period.

Our responsibility is to check whether the Corporation has complied with these arrangements during the year ended 31 December 2018 and report to you our independent conclusion as to whether they have done so.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

### **Basis of opinion**

We carried out our work in accordance with International Standard on Assurance Engagements 3000 'Assurance Engagements'. Our work consisted of:

- Confirming our understanding of the Corporation and the internal procedures and controls in place made to comply with the arrangements made under Schedule 9 of the Communications Act 2003 through enquiry of senior management and other appropriate personnel; and
- Testing the operation of the relevant internal procedures and controls and examining of the financial records relating to the above.

Our work was carried out based on the internal procedures and controls in place to comply with the arrangements during the year ended 31 December 2018. We are not responsible for concluding whether the arrangements are sufficient and appropriate to achieve the objectives set out above. Any system of internal control can only give reasonable, not absolute, assurance that the objectives will be met.

### **Opinion**

In our opinion, the Corporation has complied with the arrangements under Schedule 9 of the Communications Act 2003, in all material respects for the year ended 31 December 2018.

### **Restriction of use of our report**

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Channel Four Television Corporation and Ofcom, for any purpose or in any context. Any party other than Channel Four Television Corporation and Ofcom who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Channel Four Television Corporation and Ofcom for our work, for this report, or for the conclusions we have reached.

**BDO LLP**  
Chartered Accountants  
London  
3 April 2019

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)