

Corporate governance

The Board is committed to high standards of corporate governance. The Members voluntarily prepare a Corporate Governance Statement to demonstrate that they apply the principles, where relevant, of the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') in 2018, 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.

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 eight 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.

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.

The Board

The following matters must be referred to the full Board:

- Channel 4's annual budget and three-year financial plan and strategy
- The appointment of the Chief Executive
- Confirmation of the appointment of the other Executive Members nominated by the Chief Executive and the Chair acting jointly
- Banking arrangements and loan facilities
- Any significant proposal outside the ordinary course of Channel 4's business
- The appointment and reappointment of the statutory auditor
- The audited Annual Report and financial statements

- The establishment, purchase or acquisition of any qualifying company and the approval or variation of terms of reference for any subsidiary
- Approval of any significant new business investment or programme investment
- Significant proposed changes to Channel 4's headcount
- Such other matters as the Board may from time to time resolve to review or decide upon

The Board has delegated certain responsibilities to the sub-committees below.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the Corporation's financial statements, reviewing the Corporation's internal control and risk management systems and making recommendations to the Board in respect of the external auditor. The Audit Committee Report is set out on pages 160 to 163.

Remuneration Committee

The Remuneration Committee oversees all aspects of pay for Channel 4, reviewing proposals for the annual pay awards and variable pay schemes applicable to all staff. It recommends to the Board remuneration for the Chief Executive and sets remuneration for the rest of the Executive team. The Members' Remuneration Report is set out on page 164 to 172.

Ethics Committee

The Ethics Committee reviews any conflicts of interest that may arise for Channel 4's Board and matters relating to the Code of Conduct as may be referred to it by the Chairman or otherwise and offers advice to the Chairman on conflicts of interest relating to Non-Executive Members and/or Executive Members.

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 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 2019, Alex Mahon continued as Chief Executive.

Members and Members' independence

The 2019 Board Members and their skills, experience and responsibilities are set out on pages 146 to 149.

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 150)
- Receives remuneration from Channel 4 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 both served on the Board of Merlin Entertainments plc during the year
- Has served on the Board for more than nine 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 Head of Corporate Governance. 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 2019, the Corporation 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 Corporation Secretary and discussed at the January 2020 Board meeting. Committees also held their own discussions on the findings. Overall, the Board and Committees were found to be performing well, with a positive culture and good relationships between Non-Executives and management. Proposals for actions to ensure continuous improvement of the Board and Committees were tabled and agreed. Areas for focus that were identified included the potential for increased engagement with the business and its culture, and the continuing importance of long-term thinking and strategic decision-making.

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 Corporation Secretary's responsibilities include ensuring an effective flow of information within the Board and its committees, induction of new Members, assisting with professional development as required, and advising the Board through the Chair on all governance matters.

Corporate governance (continued)

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	9 (9)	4 (4) ¹	5 (5) ¹	-
Lord Chris Holmes	6 (9)	-	2 (5)	-
Simon Bax	8 (9)	4 (4)	-	-
Althea Efunshile	9 (9)	3 (4)	-	-
Paul Geddes	8 (9)	4 (4)	-	-
Uzma Hasan	8 (9)	-	-	-
Fru Hazlitt	9 (9)	-	5 (5)	-
Tom Hooper	5 (9)	-	-	-
Roly Keating	9 (9)	-	-	-
Stewart Purvis	9 (9)	-	5 (5)	-
Alex Mahon	9 (9)	3 (4) ¹	4 (5) ¹	-
Jonathan Allan	9 (9)	-	-	-
Ian Katz	9 (9)	-	-	-

¹ 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 eight times a year; extraordinary sessions were also held in 2019. 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 2019.

Board diversity

As shown on pages 48 to 53, 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 September 2020, the Channel 4 Board comprised three Executive Members and ten Non-Executive Members. As stated on page 152, Non-Executive Members are appointed by Ofcom, and Executive Members by the Chief Executive and the Chair.

At 31 December 2019, one of the three Executive Members was a woman (December 2018: one of three). At 31 December 2019, the Board comprised four women and eight men, with the four women making up 33% of the Board membership (December 2018: 31%).

At 31 December 2019, the Board comprised two Members who were from BAME backgrounds (December 2018: two).

Section 172 statement

In July 2018 a revised version of the UK Corporate Governance Code was published, containing an updated set of principles that emphasise the value of good corporate governance to long-term sustainable success. As stated above, as a statutory corporation without shareholders, Channel 4 voluntarily applies the principles of the Code, where relevant.

The Code requires the Board to assess the basis on which Channel 4 generates and preserves value over the long term. The Board believes that the annual review of Channel 4's performance in relation to its Statement of Media Content Policy (presented on pages 82 to 115 of this Annual Report) represents a strong statement of the value generated by the Group. Our corporate strategy (set out on page 132) is aimed at ensuring we can continue to generate and develop this value over the long term. As a not-for-profit public service broadcaster, our aim is to remain commercially self-sustainable with a strong supporting balance sheet over the long term. A key element of our financial strategy is the way we cross-fund commercially challenging genres with profitable programming. We believe surpluses built up over time should be prudently reinvested back into original content and digital innovation to enhance our commercial business model and to ensure the continuing relevance and reach of our remit.

Some of the ways in which Channel 4's value is measured externally currently remain rooted in a traditional, linear P&L paradigm and do not reflect structural and strategic changes. The number of measures reviewed in relation to our Statement of Media Content Policy also makes our focus and decision-making complex. As a result the Board continues to review how we articulate and measure Channel 4's long-term impact in a changing landscape.

The Code also requires boards of directors to understand the views of their companies' key stakeholders and describe in the annual report how their interests, and the matters set out in section 172 of the Companies Act 2006, have been considered in Board discussions and decision-making. Section 172 deals with the directors' duty to promote the success of the company for the benefit of its shareholders as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term and the entity's wider relationships.

Although provisions around shareholders' interests are not directly applicable to Channel 4, our Board seeks to make decisions remaining mindful of our remit, values and strategy, and taking into account their impact on our key stakeholders. Engagement with these stakeholders is key to maintaining the Corporation's reputation. The Board received an update during 2019 on the Corporation's key stakeholders, how the organisation engages with them, and where challenges in this engagement may arise in future. The table below identifies these stakeholders, outlines how we engage with them, and provides examples of how these relationships have shaped Board decision making during the year.

Corporate governance (continued)

Our stakeholders

Stakeholder	Engagement	Impact on Board agendas and decision making
Viewers (mainstream, youth, BAME and underrepresented, Nations and Regions)	<p>We monitor audience engagement via both proprietary trackers and third-party trackers, bespoke audience studies (pilot testing, biometrics, focus groups, genre and trend studies, behavioural studies) and an annual digital landscape study.</p>	<p>The Board receives regular updates on viewing performance to inform their decision making. This informs Board approvals for commissioning of new and returning content when Board approval is required under Channel 4's delegation of authority.</p> <p>The Board has taken the growing importance of digital viewing into account in approving three-year financial plans and annual budgets. They have also requested further information on trends among younger audiences to inform their decision making in future.</p> <p>The Board has also focused in the year on the growing importance of digital audiences when assessing strategic partnerships on other digital platforms.</p>
Creative partners (production companies, talent)	<p>We engage with creative partners via direct meetings, industry events, talent outreach programmes, partnerships, qualitative and quantitative research (including direct feedback) and third-party industry data.</p> <p>Channel 4's Creative Contract, announced in 2018, sets out our commitments to the independent production community to foster creative partnerships, and maintain our reputation as the best partner for producers.</p>	<p>The Board receives regular updates on Channel 4's creative performance including awards received, to help inform their decision making.</p> <p>They are also updated on the results of stakeholder surveys, and oversee actions to ensure positive relationships with our creative partners are maintained.</p> <p>Members of the Board attended a House of Commons Select Committee during 2019 as part of which they discussed the importance of contributor care in reality television. The Board received an update on the outcomes from this session.</p> <p>The Board also focused on the impact of the 4 All The UK programme on creative relationships, and opportunities to develop new partnerships with producers in the Nations and Regions.</p>
Commercial partners (media agencies, advertisers, trade organisations)	<p>Engagement with commercial partners comes in the form of regular meetings, 4Lives agency takeovers, our Big TV Festival and Up Fronts, as well as sponsorship of industry platforms, insight events and projects. We also carry out an annual reputation survey with commercial stakeholders.</p>	<p>During the year the Board has received regular updates on conditions in the TV advertising market.</p> <p>The Board reviews the success of previous commercial ventures and the stakeholder relationships built to ensure that lessons learned are applied in future.</p> <p>Key stakeholder relationships are carefully considered by the Board when approving major commercial agreements, and they are regularly briefed on the development of existing partnerships as well as new ventures in the pipeline.</p> <p>The Board have also received updates during the year on the reorganisation of the Ad Sales team during 2019 to optimise commercial relationships across linear and digital.</p>

Corporate governance (continued)

Stakeholder	Engagement	Impact on Board agenda and decision making
Employees	<p>Engagement with Channel 4 employees comes in many forms including all-staff sessions, staff forums, regular internal communications, and staff surveys</p>	<p>The Board reviews the results of regular staff surveys, particularly with regard to the Corporation's strategic focus on inclusion and diversity, and assesses whether the right metrics are in place to ensure improvement going forward and inform their future decision making.</p> <p>Althea Efunshile took up a Board employee engagement role on behalf of the Non-Executive Members, to act as the independent link between the Board and employees and report to the Board on themes concerning the Channel 4 workforce.</p> <p>The Board, and in particular the Remuneration Committee, has also received regular updates regarding the impact of the 4 All The UK programme on Channel 4's employees.</p>
Political and regulatory (decision makers, influencers and opinion formers)	<p>We ensure engagement with our political and regulatory stakeholders via one-to-one meetings as well as events including roundtables, screenings and hospitality, constituency-based events, briefings, and quarterly stakeholder meetings.</p> <p>We are in regular contact with our key regulator Ofcom through meetings and reporting. We are also currently engaging with Ofcom's consultation on prominence and its review of the future of public service broadcasting.</p> <p>In 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's engagement with DCMS – to provide information to DCMS and to secure DCMS approval in certain limited cases outside the normal course of Channel 4's business.</p> <p>The Channel 4 Annual Report is laid before Parliament, and members of the Channel 4 Board attend an annual Select Committee session to discuss the report and the Channel's current activities.</p> <p>We also report to regulatory stakeholders via our pay gap and diversity reporting, and carry out an annual reputational survey.</p>	<p>The Board performs an annual review of the effectiveness of the Corporation's compliance activities and agrees action points where necessary.</p> <p>The Board have received updates on potential regulatory changes, including those around HFSS advertising and gambling.</p> <p>They have also received updates on Ofcom consultations on prominence and the future of public service broadcasting.</p> <p>They have also reviewed internal policy in light of any concerns raised by our regulators during the year and proposed actions to address these.</p>

Corporate governance (continued)

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 its 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 weaknesses (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 139 to 143.

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.

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, forecasts 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 2019. The Trustees, who meet several times each year, also meet the Plan's investment managers from time to time: Legal & General Assurance (Pensions Management) Limited, Veritas Asset Management LLP, BMO Global Asset Management, JP Morgan Asset Management, Ruffer LLP, IFM Investors and Just Retirement Limited during the year.

Corporate governance (continued)

During the year, the Trustees were as follows:

Channel 4 Executives

Martin Baker	Director of Commercial Affairs
Keith Underwood ¹	Chief Operating Officer

Channel 4 Non-Executive Trustees

Lord Chris Holmes MBE	Non-Executive Member
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Member-nominated Trustees

Neil Pepin	Deputy Head of Legal & Compliance
Rebecca O'Connor ²	Senior Production Finance Manager
Dinesh Visavadia, Independent Trustee Services Limited	Independent Corporate Trustee

¹ Resigned as a Trustee on 31 January 2020
² Resigned as a Trustee on 14 November 2019

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

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 Corporation Secretary.