



Quality in facilities management,
estates and procurement

AGH SOLUTIONS LIMITED

GOVERNANCE FRAMEWORK

1. INTRODUCTION

Sound corporate governance principles are the foundation upon which the company is built and AGH Solutions Limited ('AGHS') endorses the primary characteristics of corporate governance from UK and best practice standards. Corporate governance facilitates fairness, accountability, responsibility and transparency across organisations. Corporate governance processes protects executives and employees in fulfilling their duties, and good corporate governance instils stakeholder confidence in the organisation.

The overall intention of AGHS's Governance Framework is to ensure continuous performance improvement while meeting its governance obligations and, simultaneously, adhering to legislative requirements.

This Framework summarises the principles, methodologies and procedures used in AGHS to support effective governance and living our values.

This document provides guidance to AGHS staff and stakeholders and is available on the AGHS website.

2. PURPOSE

The purpose of the AGHS Governance Framework ('the Framework') is to provide for the prudent management and oversight of AGHS (and any subsidiaries it may establish), and to adequately protect the interests of all stakeholders. This Framework describes the governance structure and decision making processes applicable to AGH.

The Board of Directors recognises that corporate governance practices must be appropriate and relevant to the size, nature and complexity of the operations, whilst promoting robust practices within the context of commercial performance.

This document only addresses AGHS's overarching structure and decision making principles. Specific policies, terms of reference and other operational decision making processes are set out in separate documents. This document, does not therefore prescribe how these activities are conducted.

3. SCOPE

The Framework applies to AGHS as defined.

4. GOVERNANCE PRINCIPLES

The corporate governance model that AGHS has implemented uses best practice which include the following:

4.1 Three Lines of Defence

There are a number of assurance role players for corporate governance at AGHS. These role players provide different types of assurance and are referred to as the 'three lines of defence'. The key differentiating factor between the three lines of defence are their levels of independence from the entity's operational activities and to the entity itself.

The three lines of defence governance model therefore distinguishes between:

- Functions owning and managing risks as part of the day-to-day activities (first line of defence);
- Functions overseeing risks and providing robust challenge to the management teams (second line of defence); and
- Functions providing independent assurance (third line of defence).

1 ST LINE OF DEFENCE	2 ND LINE OF DEFENCE	3 RD LINE OF DEFENCE
Department Managers Operational Managers Compliance functions	Senior Management Team Board of Directors	Internal Audit External Audit Other independent 3 rd party specialist

4.2 Combined Assurance

AGHS, in its implementation of combined assurance, has identified the components of combined assurance as per Airedale NHS Foundation Trust ('ANHSFT'). These components of combined assurance are to integrate, coordinate and align risk management and assurance processes.

Assurance processes in AGHS include internal and external audit.

4.3 Fit and Proper Person Requirements for Directors

The AGHS Board of Directors is committed to ensuring that AGHS's responsible persons in key positions are fit and proper. Accordingly, AGHS has adopted the same Fit and Proper procedures as its shareholder – ANHSFT, relating to the fitness and propriety of persons who hold positions of responsibility within AGHS.

Implementation of the Fit and Proper Person Procedures will assist in managing the risk that persons who hold positions of responsibility within AGHS might not be fit and proper.

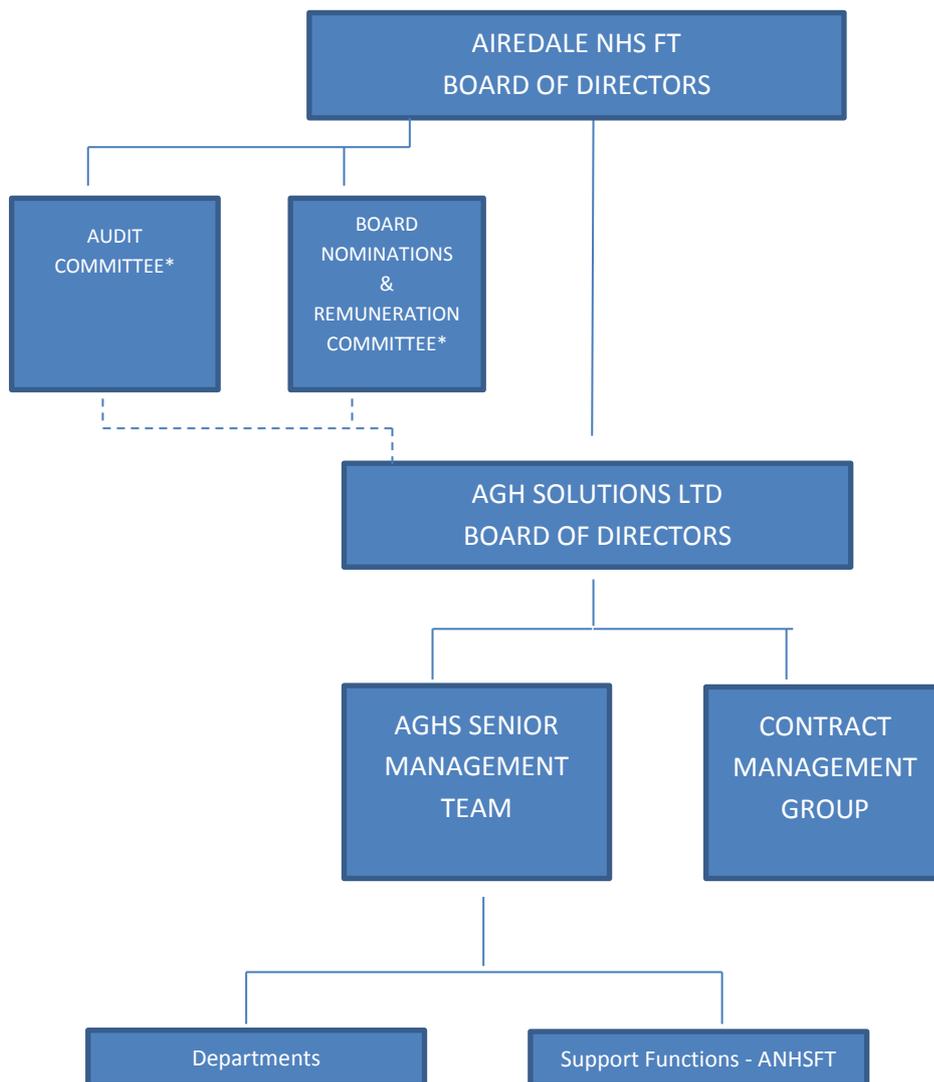
4.4 Principles of Outsourcing and Insourcing

The AGHS Board of Directors has approved implementation of an outsourcing policy and an insourcing policy, which guides the accountability for any activity within AGHS that is either outsourced or insourced.

5. GOVERNANCE STRUCTURE

AGHS recognises the value of implementing a governance structure which supports leadership, sustainability and corporate citizenship. For AGHS, this includes establishing a Board of Directors with appropriate support provided either by the parent company or via Board Committees.

In support of a transparent organisational structure and these lines of responsibility, AGHS has established the governance structure as depicted below:



5.1 Governance Structure

The AGHS Board retains full and effective control of the company and is ultimately accountable and responsible for its performance to the parent company. This includes responsibility for reviewing a guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks faced by the company, determining the risk appetite, tolerance and preferences of the company and the processes to mitigate these.

The AGHS Board has overall responsibility for the management of the company and for maximising shareholder value. In discharging its responsibilities, the AGHS Board is supported by senior management, together with various ANHSFT board committees and other governance groups and forums. These groups and committees have specific terms of reference, appropriately skilled members, senior management participation and access to specialist advice when considered necessary.

Various informal forums may be established for the purpose of gathering information, agreeing and tracking actions, and where necessary, escalating findings or recommendations to decision-making forums.

*AGHS has established the structure as shown above, to assist and support the AGHS Board, in discharging their duties. Through the Scheme of Delegation set out in the Articles of Association and Standing Orders, the parent company retains authority to approve the terms and conditions including the remuneration and nominations to the AGHS Board of Directors. These processes are overseen by the Board Appointments, Remuneration and Terms of Service Committee.

The ANHSFT Audit Committee provides oversight of the audit processes governing AGHS. Matters requiring exception reporting to the parent company are taken to the ANHSFT Audit Committee.

5.1.1 AGHS Board

The AGHS Board acts at all times in the best interests of AGHS and takes ultimate responsibility for AGHS. The AGHS Board has an approved terms of reference, which includes details such as the duties and responsibilities of the Board and the composition of the Board. The roles and responsibilities, authority, operations, functioning and other related matters are defined and set out in the AGHS Standing Orders.

5.1.2 Board Committees/Groups

Board Nominations and Remuneration Committee ('BART')

The ANHSFT BART oversees the process by which suitable Board directors are identified and appointed. The BART also approves changes to director and senior manager remuneration and terms and conditions.

Audit Committee

The Audit Committee of ANHSFT provides oversight of the audit processes governing AGHS on behalf of ANHSFT. The Audit Committee discharges its responsibilities by reviewing the findings of significant assurance functions (including counter-fraud), both internal and external and considering the risk implications for the governance of AGHS.

Contract Management Group

The Contract Management Group comprises AGHS directors and ANHSFT directors. Its main focus is to provide oversight of the performance of AGHS via scrutiny of the key performance indicators. The Contract Management Group assists the respective boards in forming an opinion regarding financial, operational, quality and commercial performance.

5.1.3 Senior Management

Senior management of the AGH Senior Management Team ('SMT') have the responsibility for the day-to-day management of AGHS. The AGHS SMT serves as an executive function and the custodian of the AGH business plan as approved by the AGHS Board and responsible for its execution.

The AGHS SMT provides the AGHS Board with sound information, advice and recommendations on the organisational structure, objectives, plans and policies of AGHS to enable the AGHS Board to make informed decisions.

5.2 Risk Management System

Risk management focusses on the relationship between risk and its impact on achieving objectives.

AGHS's risk management system includes the establishment of various policies, plans, processes and tools for identifying, measuring, monitoring, managing and reporting of all material risks to which AGHS is exposed. At AGHS, risk management is an integral part of the management processes.

5.3 Internal Control System

The internal control system acts as an enabler for the delivery of effective governance and to demonstrate that adequate internal controls are in place and operating effectively.

The AGHS internal control system outlines the various elements influencing and contributing to a sound internal control environment to ensure adequate control over operations, compliance and financial reporting.

The internal control system is designed to assist the AGHS Board, senior management and other management within AGHS, and provides reasonable assurance from a control perspective that the business is being operated consistently within the:

- Risk appetite set;
- Agreed business objectives;
- Agreed policy and processes; and
- Laws and regulations.

AGHS's internal control environment includes three control functions, namely:

- Risk management control function;
- Compliance control function; and
- Internal audit control function.

5.4 Control Functions

AGHS, in supporting the AGHS Board, has established an effective system of risk management and internal control which includes the risk management, compliance and internal audit function.

The authority and responsibility of these functions have been approved and set out in the respective policies or charters. Refer to Risk Management Policy: Roles and responsibilities for the risk management function; Estates Policy: for compliance function; and Internal Audit Charter for the Internal Audit function.

The control functions are subject to periodic internal review by the internal audit function as set out in the annual internal audit workplan.

5.4.1 Risk

The ANHSFT risk management function assists AGHS via the Support Services Agreement in managing and monitoring the risk management system, and maintaining an organisation wide view of the risk profile.

5.4.2 Compliance

The ANHSFT compliance function provides guidance and oversight to AGHS via the Support Services Agreement, on the level of compliance to the AGHS Board and relevant management groups.

5.4.3 Internal Audit

AGHS procures an internal audit function that provides independent, objective assurance to the AGHS Board in respect of its governance, risk management and internal controls. The internal audit function complies with the regulatory compliance standards. It has established and implemented an approved charter. The internal audit function follows a risk based approach and the internal audit plan is informed by the business plan and risks to the company.

6. CODE OF CONDUCT

AGHS has an approved Code of Conduct and a values-based culture has been established in the organisation. The values-based culture represents an explicit set of values that play a key role in shaping the culture of AGHS and all its client-facing brands. Although the explicit values described in the staff handbook give the core elements of the ethical behaviour, they are not exhaustive of all ethical norms that guide the behaviour of staff and the company.

AGHS also subscribes to those generally accepted norms of conduct that apply to society as a whole.

AGHS aims to treat all its stakeholders fairly and will strive to enhance and develop its services and communication channels to meet their expectation.

7. GOVERNANCE OF FRAMEWORKS, POLICIES AND METHODOLOGIES

The development of various other Frameworks, Policies and Methodologies within AGHS are to make clear what their aims are, explain how it will achieve them and contribute to the overall direction of AGHS. In providing for good governance these documents are finalised after consultation with all impacted management. The policy owner will then ensure that any proposed changes to an existing policy will be submitted to the relevant Committee or Group for approval, and ultimately to the AGHS Board.

8. GOVERNANCE OF THIS FRAMEWORK

8.1 Ownership of this Framework

Ownership of this Framework is vested with the Company Secretary.

8.2 Drafting and Amendments

The Company Secretary is responsible for the co-ordination, drafting of, and amendment to, the Framework. Any proposed changes to the Framework will be submitted to the relevant Committee or Group for approval, and ultimately to the AGHS Board, as and when necessary.

8.3 Approval

This Framework must be approved by the AGHS Board.

9. COMPLIANCE

Non-compliance with any AGHS policies, standards, procedures, or the like, will be managed in accordance with the staff disciplinary procedures set out in the Staff Handbook.

10. IMPLEMENTATION

The Senior Management Group and heads of support functions within AGHS are responsible for adherence to and implementation of this Framework in the operational areas.

11. REVIEW

The AGHS Board approved this Framework on 16 July 2018. This Framework will be reviewed in conjunction with the AGHS Standing Orders.