

# Corporate governance statement

## 1 Compliance statement

The Board remains committed to high standards of corporate governance throughout the Group and supports the principles and provisions set out in the revised version of the Combined Code of Corporate Governance. Other than where detailed in this report, the Company has throughout the financial year complied with the provisions of the current Combined Code of Corporate Governance ("the Code").

## 2 Board of Directors

The Board comprises eight Directors: three Executives and five Non-Executives. Three of the Non-Executive Directors, Nick Cosh, Ghislain Lescuyer and Cliff Preddy, are independent and are free from any business or other relationship which could materially interfere with the exercise of their judgement. Nick Cosh is the Senior Independent Non-Executive Director. Ghislain Lescuyer was appointed to the Board on 19 January, 2004.

The Directors' biographies appear on pages 22 to 23.

Ron Sandler, an Executive Director, is Chairman of the Board and Mike Norris is the Chief Executive. There is a clear division of responsibilities between the running of the Board and the management of the Group's day-to-day activities, with the Chairman being responsible for the former and the Chief Executive the latter. No individual has unfettered powers of decision and no one individual or small group of individuals dominates the Board's decision-making processes. The Board believes that it oversees the Group effectively and is led by the Chairman, who is responsible for setting its agenda and ensuring its effectiveness.

An appropriate balance of skills and experience is maintained through the number and calibre of the Non-Executive Directors. The Chairman facilitates the contribution of all Directors and is responsible for ensuring that constructive relations exist between them. The Board sets strategic aims for the Company and makes sure that the necessary financial and human resources are in place to achieve its objectives. It is responsible for reviewing the performance of management.

The Directors set appropriate values and standards, ensuring that obligations to shareholders and others are understood and met and that a satisfactory dialogue with shareholders takes place. A framework of prudent and effective controls exists to enable risk to be assessed and managed.

The Board is aware that Computacenter does not presently comply with provision A.3.2 of the Code, which requires that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors. The Board continues to progress towards compliance on this matter, having appointed three new independent Non-Executive Directors since January 2002.

There were eight scheduled Board meetings during 2003 and further meetings were held as required.

The Board has a documented schedule of matters reserved to it for decision, including the approval of major capital expenditure and the agreement of strategy and budgets. All Directors have access to the services of Alan Pottinger, Company Secretary, who is responsible for ensuring that Board procedures are followed, that applicable rules and regulations are complied with, and that the Board is kept advised of all governance matters. The Chairman ensures that all Directors are properly briefed on issues considered at Board meetings and, to enable them properly to discharge their duties, all Directors receive accurate and clear information in a timely manner. This includes detailed briefings on all matters where the Board is required to make a decision or give its approval, together with regular reports on such issues as the trading performance and outlook. Specific business presentations from senior management and others are given where appropriate, thereby ensuring the Directors continually update their knowledge of and familiarity with the Group. Directors are entitled, at the Company's expense, to obtain independent professional advice where they believe it is important to the furtherance of their duties. Insurance cover is arranged in respect of legal action against the Directors.

The Chairman meets with the Non-Executive Directors without the Executives present at least once a year. The Non-Executives also meet without the Chairman to appraise his performance.

Each year (excluding those Directors retiring and not seeking re-election and those retiring following their appointment during the year), the number nearest to but not exceeding one-third of the Directors retire by rotation. In addition, all Directors must retire by rotation every three years and those Non-Executive Directors who have served for more than nine years are required to offer themselves for re-election annually.

The Board is aware of the requirement, under section A.6 of the Code, to undertake formal performance evaluations of the Board, its committees and individual Directors. Appropriate procedures for such evaluations are presently being assessed and will be introduced during 2004.

## **Principal Board Committees**

The Board has delegated certain duties to three committees, the main responsibilities and composition of which are as follows:

### **Audit Committee**

**(Chairman: Nick Cosh)**

The Audit Committee met four times during 2003. Throughout the year, Peter Ogden, a non-independent Non-Executive Director, served as a member of the Committee and as a result, its composition did not comply with provision C.3.1 of the Code. Ghislain Lescuyer was appointed to the Committee on 19 January 2004 and Peter Ogden will resign on 4 May 2004, at which time the Committee will comprise three independent Non-Executive Directors and will comply with the Code. The Chairman, Group Finance Director and the external auditor attend all meetings. The Committee assists the Board in fulfilling its responsibilities by reviewing a wide range of matters including the Group's annual and interim financial statements and accompanying reports to shareholders, the preliminary announcement of results and any other announcement regarding financial performance. In addition, it reviews and advises the Board on the scope, cost-effectiveness and result of the audit and the external auditor's independence and objectivity. The volume of non-audit services provided by the external auditor is also reviewed in advance by the Committee to ensure objectivity, independence and value for money. The Committee monitors the integrity of internal financial information controls and risk management systems. It also reviews reports presented by the Internal Audit and Risk and Insurance Departments regarding significant operational risks and controls to ensure that the latter are robust. In addition, the Committee reviews arrangements for answering staff concerns, should they arise, over improprieties, ensuring that procedures are in place for appropriate investigation and follow-up.

### **Nomination Committee**

**(Chairman: Ron Sandler)**

The Committee meets as required (during 2003 it met twice) and comprises the independent Non-Executive Directors and the Chairman. Ghislain Lescuyer was appointed to the Committee on 19 January 2004. The Committee's responsibilities include leading the process for Board appointments, reviewing the Board composition, skills, knowledge and experience, and nominating candidates for both Executive and Non-Executive Directors on the basis of merit and objective criteria. It also ensures that the procedures for the appointment of new Directors are formal, rigorous and transparent and that there is an orderly succession for appointments to the Board and senior management. The Committee's Chairman is not an independent Non-Executive Director and as a result this does not comply with provision A.4.1 of the Code.

### **Remuneration Committee**

**(Chairman: Cliff Preddy)**

The Remuneration Committee, which met twice during 2003, comprises the independent Non-Executive Directors. Ghislain Lescuyer was appointed to the Committee on 19 January, 2004. Prior to this appointment the Committee did not include three independent Non-Executive Directors, which is contrary to provision B.2.1 of the Code. Philip Hulme and Peter Ogden attend the Committee meetings as requested. Ron Sandler attends meetings but absents himself when his own remuneration is considered. The Committee determines the Company's general policy on executive remuneration and the specific packages for the Executive Directors. The Committee also monitors and reviews the terms and conditions of the Executive Directors' service agreements, determines the grant of share options to them and senior employees, and appoints any consultants used in assessing their remuneration. The Committee's terms of reference are regularly reviewed by the Board to ensure that its activities comply fully with the provisions of the Code and in particular that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

## **3 Directors' remuneration**

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 28 to 31.

## **4 Relations with shareholders**

The Executive Directors have regular contact with institutional shareholders (except during close periods) and dialogue with shareholders generally is accorded a high priority. The Chairman arranges for the Directors to receive regular reports on shareholders' views to ensure the Board develops an understanding of matters of concern to the major shareholders. Nick Cosh, as Senior Independent Non-Executive Director, is available to answer any shareholder concerns that are unable to be resolved through regular channels. In addition to mandatory information, a full and balanced explanation of the business of all general meetings is sent to shareholders. The Board welcomes the attendance of individual shareholders at general meetings and the opportunity to communicate with investors and address any questions they may have. Resolutions at the Company's general meetings have been passed on a show of hands, and proxies for and against each resolution (together with any abstentions) are announced at such meetings.

## 5 Accountability and audit

The Board has overall responsibility for maintaining and reviewing the Group's systems of internal control, ensuring they are prudent and robust, and enable risks to be assessed and managed. Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The system of internal control is designed to continuously identify, evaluate and manage significant risks faced by the Group. Key elements of the system are as follows:

### Management structure

The Board has overall responsibility for making significant strategic decisions. The Executive Directors, together with a number of senior managers, constitute the Group Executive Committee, which meets on a regular basis to discuss day-to-day operational matters. Separate Executive Committees have been established for each of the Group's operations in the UK, France and Germany. A flat reporting structure is maintained across the Group with clearly defined responsibilities for operational and financial management.

### Control environment

The Group operates authorisation and approval processes that are an integral part of its operations. Access controls exist where processes have been automated to ensure the security of data. Management information systems have been developed to identify risks and to enable assessment of the effectiveness of the system of internal control. Accountability is reinforced, and the further scrutiny of costs and revenues encouraged, by the linking of staff incentives to customer satisfaction and profitability.

### Budgetary process

A comprehensive budgetary process is completed annually and is subject to the approval of the Board. Performance is monitored through a rigorous and detailed reporting system through which monthly results are compared to budgets. The results and explanations for variances are regularly and routinely reported to the Board. Appropriate action is taken where variances arise.

### Risk management

Specialist departments monitor developments and ensure compliance with legislative and regulatory requirements. A comprehensive risk management programme is monitored and developed by the Risk Committee comprising key operational managers. Through a programme of assessment, appropriate measures and systems of control are maintained. Detailed contingency plans are in place or being developed for all key sites.

### Capital expenditure and investments

Procedures exist and authority levels are documented to ensure that capital expenditure is properly appraised and authorised. Cases for all investment projects are reviewed and approved at divisional level. Major investment projects are subject to approval by the Board.

### Centralised treasury function

All cash payments and receipts are managed by centralised accounting functions within each of the operating companies. Weekly reporting of cash balances to the Group Finance Department ensures the position of the Group as a whole is properly controlled.

### Quality and integrity of staff

The suitability of staff is determined through rigorous recruitment procedures. Management continuously monitors training requirements and annual appraisal procedures are in place to ensure that required standards are maintained. Resource requirements are identified by managers and reviewed by the relevant national Executive Committee.

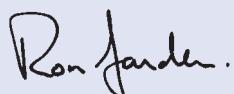
## 6 Board review of internal control

The Directors confirm that a sound system of internal control is maintained and that procedures were in place to identify, evaluate and manage significant risks faced by the Group throughout the year under review and up to the date of approval of the Annual Report and Accounts. These include:

- consideration of regular reports presented by the Internal Audit Department, external audit and operational management;
- regular review of financial and management reports and information;
- consideration of actions taken by management to address any issues identified;
- consideration of the results of reviews on Group risk and control.

The Board, acting through the Audit Committee, has directed the work of Internal Audit towards those areas of the business that are considered to be of the highest risk. The Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed within a three-year period. The programme, and the findings of the reviews are continually assessed to ensure they take account of the latest information and, in particular, the results of the annual review of internal control. The effectiveness of the Internal Audit Department and the Company's risk management programme is reviewed annually by the Audit Committee.

The Board conducts an annual review of the effectiveness of the system of internal control including financial, operational and compliance controls and risk management systems. In addition, all major risks are reviewed by the Risk Committee and by key managers across the Group and are recorded in a risk register, which is updated regularly. Overall, the Board is satisfied that the risks identified by the system of internal control are being managed appropriately.



Ron Sandler  
Chairman