

Corporate Governance

Fiberweb plc is committed to complying with the best practice principles of the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2008 (the "Code"). The Company considers that it has, during the year ended 31 December 2010, complied in full with the provisions set out in Section 1 of the Code, except in respect of Code provision A.4.1, as independent non-executive directors do not form a majority of the members of the Nomination Committee. Details and explanations of the application of the Code are given later in this report.

Incorporated in this report by reference are details of significant holdings of and special rights of control over the Company's share capital, voting rights, rules relating to the appointment and replacement and powers of directors and amendment of the Articles of Association of the Company which are set out on pages 41 and 42. A going concern statement can be found on page 42.

The Role of the Board

The Board as a whole has responsibility for the success of the Company. The Board meets regularly to determine the strategic direction of the Group and to review operating, financial and risk performance. Specific responsibilities are delegated to Board Committees as described later in this report.

There is a formal schedule of matters reserved for the Board that includes approval of the following:

- the Group's long term objectives and strategy;
- acquisitions, disposals and capital expenditure projects above certain thresholds;
- all guarantees and treasury related transactions above certain thresholds;
- the financial statements and assessment of financial performance;
- the Company's dividend policy;
- transactions involving the issue or purchase of Company shares;
- the Group's risk management strategy;
- legal actions brought by or against the Group above certain thresholds;
- appointments to the Board and the appointment of the Company Secretary; and
- Group policies and the scope of delegations to Board Committees and executive management of the Group.

The full schedule of matters reserved for the Board can be viewed on the Company's website at www.fiberweb.com. The schedule of matters is reviewed on an annual basis. Matters outside the scope of the formal schedule of matters are decided by management in accordance with the delegated authority limits set out in the Group Authority Limits Policy.

In order to ensure that all matters are given due consideration, the Board has adopted a schedule of agenda items, which is reviewed and updated annually. These agenda items include:

- an annual strategy review;
- divisional updates and business plans;
- annual budget setting and approval;
- a review of Group policies; and
- succession planning.

At each meeting, the Board receives information from the Chief Executive Officer and the Chief Financial Officer on the performance and results of the Group and individual operating businesses, the Group's current financial position and updates on any other significant matters. The Divisional Presidents and Heads of Functions present to the Board from time to time and other senior managers and the Company Secretary update the Board on developments in their area of responsibility.

The directors are generally provided with detailed and comprehensive papers in advance of each Board meeting. The agenda is set by the Chairman in conjunction with the Chief Executive Officer, the Chief Financial Officer and the Company Secretary.

The Company Secretary is responsible to the Board for the timeliness and quality of information and is responsible for advising the Board on corporate governance matters and Board procedures. All directors have access to the advice and services of the Company Secretary.

The Company Secretary acts as secretary to all Board Committees.

The directors may take independent professional advice at the Company's expense in relation to their responsibilities as directors. None of the directors obtained independent professional advice in this regard in the period under review.

The number of Board and Board Committee meetings held during the year and individual attendance by directors at those meetings are set out in the table below.

	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	
Number of meetings held during the year	12	4	5	1	
Attendance:					
Malcolm Coster	Chairman	12	4	5	1
Daniel Dayan	CEO	12	4	5	1
Daniel Abrams	CFO	12	4	5	0
Stephen Dryden	Non executive Director	12	4	5	1
Richard Stillwell	Non executive Director	12	4	5	1
Brian Taylorson	Non executive Director	11	4	5	0
Note: Malcolm Coster, Daniel Dayan and Daniel Abrams all attended meetings of the Audit Committee and Remuneration Committee at the invitation of the Chairmen of those Committees.					

The Board, Board Balance and Independence

The Board comprises two executive directors and four non executive directors (including the Chairman) who contribute a wide range of complementary skills and experience. Details of each director's skills and experience are set out on pages 38 and 39.

The Chairman of the Board is Malcolm Coster. The Chairman's other significant commitments are set out on page 38.

The Chief Executive Officer is Daniel Dayan. Richard Stillwell is the Senior Independent Director. He is available to shareholders if they have concerns that the normal channels of contact with the Chairman or Chief Executive Officer would not resolve.

The Board believes that there is an appropriate balance of executive and non executive directors on the Board, without one individual or group dominating the Board's decision-making process.

The Board has determined all its non executive directors to be independent in character and judgement. The non executive Chairman, Malcolm Coster, was considered independent in character and judgement on appointment. The Board will assess the independence of its non executive directors on a continuous basis.

Following the introduction on 1 October 2008 of the statutory duty of directors to avoid situations which have or may have an interest which conflicts or possibly may conflict with the interests of the Company, the Nomination Committee has been given responsibility for considering and if appropriate authorising such conflict situations on such terms as are considered necessary or if material referring them to the Board, on an ongoing basis. Any director in a conflicting or potentially conflicting situation is excluded from any decision. During the year the Nomination Committee reviewed the conflict situations authorised and concluded that they remained appropriate and accordingly the Company has complied with the procedures in place to ensure the effective operation of the Board's powers to authorise conflict situations.

Role of the Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separate and there is a clear division of responsibilities between these roles. In accordance with the Code, the Board has adopted a formal written statement of the division of responsibilities between the Chairman and the Chief Executive Officer.

The Chairman leads the Board and ensures the effective engagement and contribution of all non executive and executive directors. In conjunction with the Company Secretary, he is responsible for ensuring that directors receive information in an accurate, clear and timely manner and for promoting effective decision making. He is also responsible for ensuring that directors continually update their skills and knowledge. The Chairman has active contact and involvement with the executive directors and the affairs of the Company. This serves to keep him abreast of current business issues but also provides the executive directors with access to an independent opinion on day to day business decisions.

The Chief Executive Officer has responsibility for the day to day management of the Group's businesses and acts in accordance with the authority delegated by the Board. He is responsible for developing and proposing a strategy for consideration and adoption by the Board and for implementing the Board's strategies, decisions and policies. He is also responsible for ensuring that the business strategy and activities are effectively

communicated and promoted within and outside the business, for building positive relationships with the Company's stakeholders and for creating and developing the Company's culture.

Board Appointments

Primary responsibility for planned and progressive refreshing of the Board lies with the Board. The Board, through the work of the Nomination Committee, ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors. Further details of the work of the Nomination Committee are set out on page 48.

Appointments of non executive directors are made by the Board for an initial term of three years, subject to the usual regulatory provisions and continued satisfactory performance of their duties. Re-appointment for a further term is not automatic but may be made by mutual agreement.

In accordance with the Company's Articles of Association, all directors are subject to re-election by shareholders at least every three years.

On appointment, all non executive directors are advised of the time commitment expected of them to fulfil their duties. Letters of appointment for the non executive directors are available for inspection on request.

Board Induction and Professional Development

The Board has adopted a formal written programme for the induction of new directors to familiarise themselves with the Group's businesses, understand the goals, objectives and mission of the Company and develop an awareness and understanding of the views of the Company's major shareholders. The programme is also structured to enable new directors to gain an understanding of their own specific duties and responsibilities. The programme, developed in accordance with the Institute of Chartered Secretaries and Administrators guidelines on Board induction, is made up of a combination of selected written corporate information, meetings with key senior management and site visits and is tailored to take account of each new director's specific needs, skills and experience. Where a non executive director is also being appointed as a member of one of the Board Committees, his or her induction will cover matters such as the role of and terms of reference of the relevant Committee.

In order to maintain, develop and update each directors' knowledge and capabilities, the Board and its Committees are briefed on corporate governance and regulatory developments as they arise. The Audit Committee is briefed on technical and accounting matters as a matter of routine at each meeting by senior management and the external auditors. The directors receive information and training in respect of their statutory duties and their disclosure obligations under the Disclosure and Transparency Rules and the Listing Rules. A continuous programme of development will occur as required.

The Board regards performance evaluation as an important part of monitoring and improving its effectiveness and a formal internal appraisal of the Board, the Board Committees and the individual directors was undertaken during the year. This involved the Chairman, acting on behalf of the Board, obtaining views from and evaluating the performance of the other individual directors and the non executive directors, led by the Senior Independent Director, assessing the performance of the Chairman. An internal evaluation was considered by the Board to be adequate given the size and current position and circumstances of the Company and accordingly the evaluation was not externally facilitated.

Board Committees

The terms of reference of the principal Committees of the Board, the Remuneration, Audit and Nomination Committees are available on the Company's website at www.fiberweb.com.

Remuneration Committee

Details of the Remuneration Committee are given in the Directors' Remuneration Report on pages 49 to 54.

Audit Committee

The Audit Committee consists of three independent, non executive directors and is chaired by Stephen Dryden. Its other members are Richard Stillwell and Brian Taylorson.

Both Stephen Dryden and Brian Taylorson are qualified Chartered Accountants and currently hold senior finance roles in major UK listed public companies.

The terms of reference of the Audit Committee include all matters listed in Code provision C.3.2 although in practice risk management is reviewed by the Board as a whole. The terms of reference are reviewed annually and any proposed revisions are formally approved and adopted by the Board.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the external auditors and their remuneration. The Committee reviews the external auditors' independence and considers the nature, scope and results of the auditors' work and the provision of non-audit services by them. The Committee focuses particularly on compliance with legal and other regulatory requirements, accounting standards and ensuring that an effective system of internal controls is maintained. The Committee may consider any financial matter that may have an impact on the Company. The ultimate responsibility for reviewing and approving the annual and interim financial statements and bi-annual trading statements remains with the Board.

The Audit Committee normally meets not less than three times a year at dates to coincide with the financial reporting cycle. The Committee also meets privately with the external auditors and the internal auditors at least once a year. The Chairman may call a meeting at the request of the executive directors or the external auditors.

In addition to Committee members, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the internal auditor and the external auditors normally attend meetings at the invitation of the Committee Chairman.

During the year and up to the date of this report, the Audit Committee considered the following matters and took the following actions in the discharge of its duties:

- reviewed and advised the Board on the financial statements in the 2010 report and accounts;
- reviewed and assessed the audit services provided and the effectiveness of the external auditors;
- discussed and agreed the nature and the scope of work to be performed by the external auditors;
- reviewed the effectiveness of the Group's internal control systems established by management and reviewed the Board's sign-off procedure on the system of internal controls, which are set out in more detail on page 47;
- reviewed the scope of the work and effectiveness of the internal audit function and the manner in which internal audit services will be provided;
- received and reviewed reports from the internal audit function on the work undertaken during the year;
- reviewed the policy on the provision of non-audit services by the external auditors and assessed the independence of the auditors; and
- reviewed the arrangements by which concerns can be raised by staff in respect of possible matters of financial impropriety or other matters.

Auditor Independence and Effectiveness

The external auditors were appointed in 2006 on the demerger of the Group from BBA Aviation plc.

One of the key responsibilities of the Committee is to ensure that the independence and objectivity of the external auditors is safeguarded. The Committee has adopted a policy on the provision of non-audit services that is in line with the Accounting Practice Board's Ethical Standards. This policy is reviewed annually. It prohibits the external auditors from providing certain additional services to the Group such as bookkeeping, internal audit, valuations, actuarial services and financial systems design and implementation. The external auditors are, however, permitted to provide assurance services such as reporting accountant work, due diligence and certain tax services.

The Group's general policy is not to use the external auditors for acquisition and due diligence work. However, where the Group considers it appropriate or conflicts arise, suppliers other than the preferred supplier may be asked to tender and this may include the external auditors.

In accordance with the policy, the Chairman of the Committee or, in his absence, another designated member of the Committee is required to pre-approve certain permitted services that exceed the financial limits set out in the policy. A summary of the overall level of non-audit fees paid to the external auditors is presented at each Audit Committee meeting.

Details of the amounts paid to the external auditors, Deloitte LLP, for non-audit services provided during the year are given in note 4 on page 70.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee has during the year:

- reviewed the independence of the external auditors and the arrangements Deloitte LLP have in place to identify, report and manage conflicts of interest;
- considered the effectiveness of the external auditors through a review of their plan of work and the outputs arising from the audit; and
- considered the overall extent of non-audit services provided by the external auditors, in addition to case by case approval of the provision of non-audit services as appropriate as set out above.

As a result of the above, and taking into account the tenure of the auditors, the Committee concluded the independence criteria under the relevant standards continued to be met and that it was not necessary to tender for the audit work. Accordingly, the Committee recommended to the Board the re-appointment of Deloitte LLP as external auditors.

Internal Control and Risk Management

The Board has overall responsibility for the Group's system of internal control and risk management, and reviews its effectiveness on an annual basis.

The implementation and maintenance of risk management is the responsibility of the executive directors and other senior management and a system has been established to identify, evaluate and manage the significant risks that the Group faces. The system is designed to mitigate rather than eliminate altogether the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main elements of the Group's internal control system are as follows:

1. The Board

The Board has overall responsibility for the Group's system of internal control. As mentioned above in this report, the Board meets regularly and has a schedule of matters reserved for its approval and the Board Committees operate within their terms of reference. This structure includes the Audit Committee which, with the Chief Financial Officer, reviews the effectiveness of the internal financial and operating control environment of the Group. All acquisitions and disposals of companies or businesses are approved by the Board.

2. Strategic and Business Planning

The Group and each business unit produce and agree a business plan each year against which the performance of the business is regularly monitored.

3. Monthly Management Accounts

Detailed monthly management accounts that measure actual performance against budget are submitted by management. A monthly report is provided to the Board, highlighting key issues and summarising the detailed financial information provided by the operating units. Forecasts of sales, profits and operating cash are reviewed at least quarterly and presented to the Board.

4. Internal Audit

PricewaterhouseCoopers LLP as the internal auditor undertake a programme of reviews aligned to the business risks. The Audit Committee receives a report from the internal auditor at each meeting that includes the findings of the reviews conducted and any actions agreed with management to be undertaken to improve the effectiveness of controls. The internal auditor has direct access to the Chairman of the Audit Committee. The Audit Committee reviews the effectiveness of the internal audit activities, including the scope of work, authority and resources of the internal auditor and reviews the internal audit plan at least annually.

5. System of Control Procedures and Delegated Authorities

There are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions that have been approved by the Board. A detailed matrix defines the levels of authority for the Group's senior management and their direct reports including in relation to acquisitions, capital expenditure, commercial and employee contracts and treasury matters.

6. Treasury Policies and Procedures

Detailed procedures exist for investments, currency and commodity hedging, the granting of guarantees and the use of treasury products.

7. Risk Identification, Monitoring and Management Procedures

A process is in place to collate schedules of risks for each key site, which are then reviewed by the Divisional Presidents and consolidated into a schedule of the significant divisional level risks. Risks identified cover business, financial, compliance, operational as well as environmental, social and governance risks. These risk schedules, which include an assessment of their likelihood and impact, are kept under review and are presented for review at least annually at a Fiberweb Executive Team meeting. The Fiberweb Executive Team is responsible for confirming that the plans to mitigate those risks are satisfactory and for improving internal controls and processes. The Chief Financial Officer is responsible for reporting the work of the Fiberweb Executive Team on risk management to the Board.

8. Organisational Structure

Structures are in place at the Company's Head Office and at divisional level that clearly define responsibilities for operational, accounting, taxation, treasury, legal, company secretarial and insurance functions.

9. Financial Control and Reporting

The Group has adopted policies that are appropriate and as such, it has a full set of accounting policies and procedures in force. These are regularly reviewed for appropriateness and, when required, updated accordingly. Senior management of each business are asked to sign an annual confirmation that their business has complied with the Group Accounting Policies manual in the preparation of the consolidated financial statements.

The Fiberweb Group uses Hyperion Financial Management ("HFM") for the consolidation of both monthly management accounts and annual and interim accounts. Results are prepared in accordance with IFRS. Businesses upload individual entity results into HFM via a secure internet link. Entity results are extracted from local ERP systems in trial balance format which are mapped to the common HFM Chart of Accounts. Entity results are reviewed by entity and divisional management prior to submission to HFM. The results are consolidated within HFM. HFM contains a number of validation checks and controls to ensure the accuracy of financial information. Results are reviewed by senior management including the Fiberweb Executive Team and the Board.

10. Group Policies

A new Group Policy Manual was adopted in 2007 and communicated to all businesses. The policies are reviewed regularly and revised as necessary to take account of changing law and circumstances. New policies are added when appropriate. A review of compliance with a number of these policies by Group companies has been introduced and the results are communicated to the Fiberweb Executive Team and the Board as necessary.

11. Health, Safety and Environmental Manual (HS&E)

A Group Health, Safety and Environmental Manual details policies, standards and procedures that are applicable throughout the Group. Further information is included in the Business Review on pages 32 to 35. A monthly report is prepared and circulated to the Fiberweb Executive Team on HS&E matters and the Board receives a report on HS&E matters at each Board meeting.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and that it has been in place for the period under review up to the date of approval of the annual report and accounts. The Group's system is reviewed by the Board and accords with the Turnbull guidance. Any significant failings or weaknesses that come to management's and the Board's attention are addressed and appropriate action taken.

The Company has board representation in the FitesaFiberweb joint venture and, whilst not applied in their entirety, a number of Group policies have been adopted by the joint venture. The joint venture is subject to the Company's internal audit procedures and for management reporting purposes the joint venture is integrated with the Company. The financial results are separately audited but are reviewed by the Company's external auditors.

Nomination Committee

The Nomination Committee is chaired by Malcolm Coster and its other members are Daniel Dayan, Richard Stillwell and Stephen Dryden. Whilst the Committee leads the process for Board appointments, the Chairman will consult with all the directors on a regular basis throughout the process. While the composition of the Nomination Committee is not in compliance with A.4.1 of the Code, in the opinion of the Board it provides a suitable balance of knowledge and experience and the constitution of the Committee is appropriate given the size of the Board and the process undertaken for Board appointments. The Chairman will not participate in any discussion relating to the appointment of his successor.

The Committee has responsibility for identifying and nominating candidates for Board vacancies and making recommendations to the Board in relation to the appointment of the Company's executive and non executive directors.

Before making an appointment, the Committee will evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. Use will be made of external recruitment consultants and the final decision regarding appointment rests with the Board.

The Committee also has responsibility for reviewing and if appropriate authorising conflicts of interest or potential conflicts of interest of directors.

One Nomination Committee meeting was held during the year at which the re-election of Malcolm Coster and Brian Taylorson as directors of the Company was considered and recommended to the Board for approval, and at which potential conflicts of interest were reviewed and considered.

Shareholder Relations

The Board as a whole is kept up to date on the views of Fiberweb's major shareholders. This is achieved through regular meetings during the year between the Chief Executive Officer, the Chief Financial Officer and major shareholders to discuss matters of mutual interest that are reported to the Board. Broker reports are routinely circulated to the Board.

The Chairman met with major shareholders during the year. The Board considers that its Chairman and the Senior Independent Director have an understanding and awareness of the issues and concerns of major shareholders and the Chairman, the Senior Independent Director and the other non executive directors were available to meet shareholders at the Annual General Meeting.

Both institutional and private shareholders are welcome at the Annual General Meeting. The meeting provides an opportunity for shareholders to discuss with executive and non executive directors any issues concerning the Company and its activities. The Chairman of the Board and the Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions at the meeting.

The Company counts all proxy votes cast in respect of the Annual General Meeting and makes available the proxy voting figures on each resolution. The voting results where resolutions are passed on a show of hands and details of all proxy votes cast prior to the meeting are available on the Company's website. The results of the meeting are announced to the market via a Regulated Information Service.