

Statement of Compliance with QCA Corporate Governance Code

Senior Independent Director's Introduction

The Group is the owner and operator of specialist marine assets (which include two marinas and a commercial fishmarket), car parks, real estate investment properties and is the holder of land assets identified for regeneration. The Group's assets and operations are all located in Plymouth, Devon, primarily at Sutton Harbour.

Our vision is to conserve and improve the historic Sutton Harbour and its immediate environs for harbour users, local residents, businesses, visitors to the area and for the wider stakeholder community in the City of Plymouth. To achieve this the Board is concerned with setting the strategy to facilitate maintenance of existing land, property and specialised assets and also the regeneration of underutilised assets to improve the attractiveness of the area and to ensure it has a sustainable and vibrant future and to deliver shareholder value growth.

The Group's corporate governance framework manages the decision-making processes of the Board having regard to opportunities and risks of specific strategies and the objective to deliver value growth to shareholders in the medium-long term.

The board has adopted the QCA Corporate Compliance Code, this being the most suited to the Group's size and AIM market listing.

Graham Miller

Senior Independent Director (Non-Executive)

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The Board of Directors

Office	Appointee	Committee Roles	Attendance of board/committee meetings	Shareholding and Independence
Executive Chairman	Philip Beinhaker	Audit Committee Member Remuneration Committee Chair Nomination Committee Chair	Board Meeting – 9/9 Audit Committee – 3/3 Remuneration Committee – 1/1 Nomination Committee – 1/1	Philip Beinhaker has no personal shareholding in the Group. FB Investors LLP, which owns 72.65% of the issued share capital, is jointly owned by Beinhaker Design Services Limited and 1895 Management Holdings UIC Philip is a Director and Chairman of Beinhaker Design Services Limited.
Senior Independent Director (Non-Executive)	Graham Miller	Audit Committee Chair Remuneration Committee Member Nomination Committee Member	Board Meeting – 9/9 Audit Committee – 3/3 Remuneration Committee – 1/1 Nomination Committee – 1/1	Graham Miller and his spouse together hold 394,930 shares in the Group and he is the Senior Independent Director on the Board. Graham was appointed a Director in 2013.
Non - Executive Director	Sean Swales	Audit Committee Member Remuneration Committee Member Nomination Committee Member	Board Meeting – 8/9 Audit Committee – 2/3 Remuneration Committee – 1/1 Nomination Committee – 1/1	Sean Swales holds 3,199 shares in the Group. He is also the corporate representative of Rotolok (Holdings) Limited which has an interest in 6,028,760 (5.71%) of the Group's shares. Sean was appointed a Director in 2009. Until 10 January 2018, Rotolok (Holdings) Limited was interested in 28.79% of the Group's shares and was reported as having significant influence. Sean Swales is now regarded as an independent Director as Rotolok (Holdings) Limited no longer has significant control and the board composition has changed. Although Sean has served ten years on the board, the continuity of his experience through the recent majority shareholder change and board composition transition is valued.
Chief Operating Officer (Executive)	Corey Beinhaker		Board Meeting – 5/5 (Appointed Oct 2019)	Corey Beinhaker holds no shares in the Group. FB Investors LLP, which owns 72.65% of the issued share capital, is jointly owned by Beinhaker Design Services Limited and 1895 Management Holdings UIC. Corey Beinhaker is a Director and 100% shareholder of Beinhaker Design Services Limited.
Finance Director (Executive) and Group Secretary	Natasha Gadsdon		Board Meeting – 9/9	Natasha Gadsdon holds 24,839 shares in the Group and has been an Executive Director since 2004. She also holds options over 68,182 ordinary shares exercisable under provisions of the Group Share Option Plan rules.

The board composition has undergone a transition, which started in January 2018 after a change in majority ownership of the Group. A search and recruitment for a new Executive Director is now complete and Corey Beinhaker was appointed Chief Operating Officer in October 2019 with a wide-ranging role focusing on group operations and regeneration projects. Philip Beinhaker is appointed Executive Chairman (since April 2018, previously Non-Executive Chairman from January – April 2018) and presides over the business of the board as well as directing and overseeing the operations of the Group through the senior management team.

Graham Miller, the previous independent and Non-Executive Chairman, is now the Senior Independent Non-Executive Director on the board. He is the main contact to handle matters where other Directors have a conflict of interest.

Sean Swales, a Non-Executive Director since December 2009. A Chartered Accountant, he continues to contribute actively to the Board due to his financial specialism, property investment and development expertise and regional knowledge.

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Natasha Gadsdon, a Chartered Accountant, is appointed Finance Director and Group Secretary. She is responsible for financial reporting and compliance and oversees risk management, human resources, corporate responsibility. She is responsible for preparing detailed monthly reports to the board.

Shareholder Relationship Agreement with FB Investors LLP

The Relationship Agreement dated 23 November 2017, addresses amongst other things, the composition of the SHG Board providing FB Investors with the ability to appoint up to two directors to the SHG Board (one of whom may be the Chairman for so long as it holds, directly or indirectly, 50 per cent or more of the issued voting share capital of the Group). It contains certain restrictions in relation to directors appointed by FB Investors voting at meetings of the SHG Board on matters in which FB Investors is interested. Under the Relationship Agreement, FB Investors has agreed not to vote in relation to any resolution put to SHG Shareholders to cancel its admission to trading on AIM, pursuant to Rule 41 of the AIM Rules, for a minimum period of two years following the Partial Offer unless such resolution is recommended by those Board members of the Board not appointed by FB Investors. FB Investors has nominated Philip Beinhaker and Corey Beinhaker to serve as Directors of Sutton Harbour Group plc.

Board Decision Making, Quorum and Internal Control

9 full board meetings were held in the financial year to 31 March 2020 (attendances are summarised in the table above). Prior to each meeting an agenda together with narrative business reports and supporting appendices are circulated to each board member. Matters for board decision are highlighted in advance of the meeting. The advice of non-board colleagues and professional advisors is sought where additional specialist information is required to inform a decision. Following the change of majority shareholder in early 2018 and board level changes, the evaluation of the new administration is under review.

The Board is responsible for setting the strategy to deliver shareholder value growth over the medium to long term. Decisions about financing, acquisitions and disposals, project and capital expenditure, senior staffing, key third party appointments, budget approval, approval of annual and interim financial reports, dividend policy, insurances and strategic direction of the trading businesses are all matters reserved for the Board's decision. To ensure decisions are made with independent input it has been agreed that such decisions can only be taken where either Graham Miller or Sean Swales are present with Philip Beinhaker and Corey Beinhaker.

The key procedures which the Directors have established with a view to providing effective internal controls are as follows:

- **Corporate Accounting and Procedures:**
There are defined authority limits and controls over acquisitions and disposals. There are also clear reporting lines within the business and risk assessments are undertaken and regularly reviewed in all divisions and at all levels within the Group. Appropriate internal controls are set for all divisions of the business.
- **Quality of Personnel:**
The competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment.
- **Financial Reporting:**
The Group has a comprehensive system for reporting financial results to the Board and monitoring of budgets.
- **Investment Appraisal:**
Capital expenditure is regulated by authorisation levels. For expenditure beyond a specified levels, detailed written proposals are submitted to the Board.

Governance Committees

The roles of the board's governance committees are set out below.

The Remuneration Committee within its terms of reference determines and agrees with the board the employment terms and remuneration packages of the Executive Directors and other senior personnel. The Executive Directors make recommendations to the board on the remuneration of Non-Executive Directors. Independent advice on remuneration is taken where considered appropriate.

The Audit Committee has written terms of reference and provides a forum for reporting by the Group's auditors. The Committee may request Executive personnel to attend all or part of any meeting as the Committee considers appropriate. During the year the Audit Committee invited competitive tenders for the Group's auditor, with the result that the appointed auditor firm was changed to one with a more locally based office.

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The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance, expertise and structure. During the year, the Committee led a recruitment and selection process which culminated in the appointment of Corey Beinhaker to the board in October 2019.

Risk Management

The Group maintains a register of risks, split by category, and identifies potential impact and likelihood, together with the response deployed to manage/mitigate the risk. The risk register is regularly updated with input from across the Group and external advice is taken if required. Included in the monthly reports to the Board, new risks are identified together with proposals to manage/mitigate the risk. Group Bankers and Insurers are kept apprised of business risks and vulnerabilities on an ongoing basis. Annual independent health and safety audits are undertaken with the results reported to the Board. Advice from the appointed external Health and Safety Advisor is taken where appropriate.

Stakeholder Engagement and Responsibilities

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| Investor Relations | The Group maintains an active dialogue with major institutional investors and annually invites shareholders to an open day which includes a tour of the assets. The board welcomes the participation of shareholders at the Annual General Meeting with the opportunity to answer questions of any board member offered. The Annual Report and Accounts, Interim Reports and other announcements and presentations are the main formalised communications to shareholders. The Annual General Meeting and Open Day are opportunities for two-way communication between the board and shareholders. The Group Secretary is normally the first point of contact for any general enquiries or arrangement regarding shareholder meetings. Email: n.gadsdon@sutton-harbour.co.uk |
| Public Bodies | The Group maintains an active relationship with Plymouth City Council, the Local Planning Authority, the Environment Agency and other public agencies in connection with a wide range of issues relating to the land and property assets held by the Group. Open public consultation is undertaken in relation to proposed applications to the Local Planning authority. |
| Customers | The Group maintains a number of websites and social media platforms, to communicate with different customer groups in addition to direct email and postal communications. Surveys of marina customer satisfaction are undertaken annually. |
| Employees | The Group is committed to paying, as a minimum, the living wage as recommended by the Living Wage Foundation, to its employees. The Group undertakes appraisals for all employees annually, sponsors their essential qualifications and continuing professional development (as appropriate to role) and has a schedule of monthly function meetings with a Director present at each. |

Corporate Values

Refer also to the Corporate, Social Responsibility and Environment Report on page 17. Senior Managers are regularly invited to present at Board Meetings and to respond to questions and this forum sets the cultural tone. At annual appraisals performance of employees is reviewed against specific targets and conduct in line with the Group's standards of conduct as set out in the foreword of the Employee Handbook. Following the change of majority shareholder in early 2018 and board level changes, the evaluation of the new administration is under review.

By Order of the Board

Natasha Gadsdon

Group Secretary

6 July 2020