

## **CORPORATE GOVERNANCE**

As an AIM-listed Company, C H Bailey Plc will apply the principles of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long term shareholder value. We set out below the ways in which the Group applies the ten principles of the QCA Code in supporting the Group's success.

### **1. Establish a strategy and business model which promotes long-term value for shares**

The Group's strategy and business operations are set out in the Strategic Report on Pages 4 to 6 of our Report and Accounts for the year ended 31 March 2018.

Our principal objective is to achieve profitability from the existing asset base to allow further investment when opportunities arise and provide a return on investment to shareholders or increase the value of the investment to shareholders. The Board intends to do this through growth, by purchasing, developing, operating and trading in property in the existing geographical areas in which we operate or new areas where we have knowledge and with which we have associations. It is envisaged that such properties will be specifically targeted for their development and operating opportunities in the hospitality, leisure, residential, retail and commercial sectors. Our existing properties in Malta, Tanzania and South Africa all have the potential for increases in value.

### **2. Seek to understand and meet shareholder needs and expectations**

The Group aims to maintain sufficient dialogue with its shareholders. We view the AGM as the main opportunity for two-way communication with shareholders. We send the Notice of Meeting well in advance of the meeting. The Chairman and all the Directors as well as the Company Secretary attend the AGM, and we always allow adequate time to answer questions from shareholders during the AGM and informally immediately afterwards. The results of the votes cast at the AGM are always published promptly following the AGM.

### **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Group's policy is to comply with relevant legislation in all countries in which it operates and to adopt responsible environmental and social practices. We provide training to our staff and management to ensure the Group keeps abreast of changing business and regulatory requirements as well as technological advances.

We are an equal opportunities employer, and we also make every reasonable effort to give disabled applicants and existing employees who become disabled equal opportunities for work, having regard to their individual aptitudes and abilities.

The Group recognises the need to ensure effective communication with employees to encourage involvement in the Group's performance. Policies and procedures have been developed to achieve a common awareness of factors affecting the performance of the Group.

Where possible, the Group aims to make charitable donations to causes which align with the Group's principles.

#### **4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board is responsible for the systems of risk management and internal control, the effectiveness of which is regularly reviewed by the Board and through the activities of the Audit & Risk Committee. This system is designed to manage as effectively as possible the risk of failure to achieve business objectives and can only provide reasonable rather than absolute assurance against material misstatement or loss.

The principal risks and uncertainties are set out on Pages 5 to 6 of our Report and Accounts for the year ended 31 March 2018. The Group's principal risks are as follows:

##### Going concern

The Board regularly reviews the Group's funding and liquidity position and aims to ensure that the Group operates within its banking facilities.

Forecasts and projections are prepared regularly and reviewed at least on an annual basis by the Board in order to consider whether the Group has sufficient financial resources.

##### Strategic risks

The Group faces a number of strategic risks. Management has developed long term business plans to manage the impact of these risks to ensure that the Group delivers a satisfactory performance in future years. The main strategic risks faced by the business are:

- Emerging market risks: the Directors recognise that the Group faces a higher level of risk (and reward) because it operates in emerging markets, where operating and legal practices are different to those in the UK. Management have good knowledge of these markets and closely monitor events there to manage these risks;
- Competition: in order to remain competitive, management recognises the need to make appropriate capital investments;
- Profit margin: in order to improve the margins, management recognises the need to monitor fixed costs where appropriate and link them to a sustainable level of turnover.

##### Financial risks

There has been no change during the year, or since the year end, to the type of financial risks faced by the Group or the Group's management of those risks. The key risks, which are discussed in more detail in Note 30 on Pages 37 to 38 of the Report and Accounts for the year ended 31 March 2018, are:

- Credit risk
- Liquidity risk
- Interest rate risk
- Currency risk

## **5. Maintain the Board as a well-functioning, balanced team led by the Chair**

The Board is led by Non-Executive Chairman David Wilkinson and consists additionally of the Chief Executive Officer Charles Bailey and Non-Executive Director Christopher Fielding. The Board considers both David Wilkinson and Christopher Fielding are independent directors and provide objective judgement to Board decisions.

The Board is responsible to shareholders for the management and control of the Group. The Board operates within agreed matters reserved for its approval, which cover the key areas of the Group's affairs, including all aspects of strategy, material property acquisitions, disposals and Group financing arrangements.

## **6. Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities**

The Board considers that all of the Directors have sufficient competence and skills to bring strength and objectivity to the leadership of the Group. The Directors come from a range of diverse backgrounds combining finance, business and entrepreneurship. The Directors' biographies are set out on the Company's website under Director Profiles.

The Board regularly reviews the composition of the Board to ensure that it meets the needs of the business. All Directors retire by rotation at regular intervals in accordance with the Company's articles of association.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, and have direct access to the advice and services of the Company Secretary (Harry Sihra), the Nominated Adviser and Broker (Arden Partners plc), and Corporate Legal Advisors (Squire Paton Boggs). Harry Sihra attends all Board meetings in his role as Company Secretary and he is also a Chartered Certified Accountant.

## **7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board reviews its performance at least biennially to ensure that each Director's contribution remains effective and relevant to the delivery of the Group's objectives. The commitment and independence of each member of the Board is assessed on a regular basis.

## **8. Promote a corporate culture that is based on ethical values and behaviours**

The Group aims to maintain the highest standards of integrity in the conduct of its operations. Together with the principles set out in Section 4 above, an open working culture is encouraged. The Group is committed to providing a safe environment for all its staff and maintains adequate Health & Safety policies and procedures in its various businesses.

## **9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

The Board consists of one Executive Director, Charles Bailey, who is the Chief Executive Officer, and two Non-Executive Directors, David Wilkinson, who is the Non-Executive Chairman, and Christopher Fielding.

The Board is responsible to shareholders for the management and control of the Group. The Board operates within agreed matters reserved for its approval, which cover the key areas of the Group's affairs, including all aspects of strategy, material property acquisitions, disposals and Group financing arrangements.

Board meetings are held normally at least ten times during the year and each Board member is provided in advance of the meeting with a Board pack for each meeting which contains financial and operational information together with any papers on strategic and key operational matters requiring the Board's attention and approval. The Board is responsible for agreeing the major matters affecting the running of the business, as well as monitoring and reviewing performance and operating risks.

The Board has two sub-committees: the Audit & Risk Committee and the Remuneration Committee. Christopher Fielding is Chairman of the Audit & Risk Committee, and has relevant financial experience as suggested by Provision C.3.1 of the UK Corporate Governance Code. Christopher Fielding is also Chairman of the Remuneration Committee. Written Terms of Reference for each Committee have been agreed.

### Audit & Risk Committee

The Audit & Risk Committee comprises Christopher Fielding (Chairman), David Wilkinson and Harry Sihra (Company Secretary). The committee is tasked to meet at least twice a year, to consider all aspects of Audit & Risk including:

- Audit and the auditors
- Risk and internal controls
- Annual financial statements

### Remuneration Committee

The Remuneration Committee comprises Christopher Fielding (Chairman), David Wilkinson and Charles Bailey. The committee is tasked to meet at least once a year to consider all matters of remuneration of the Directors and senior management.

Further details of our corporate governance and a description of the responsibilities of the Audit & Risk Committee and the Remuneration Committee are set out in the Statement of Corporate Governance set out on Pages 9 to 11 of the Report and Accounts for the year ended 31 March 2018.

## **10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company maintains communication with its shareholders in a number of ways including publication of the Annual Report and Accounts, the Interim (half-year) results, and any major or important announcements. These are issued via RNS and posted on the Company's website. The Board recognises the importance of the AGM as the main opportunity for two-way communication with shareholders. As stated in Section 2 above, the Chairman and all the Directors as well as the Company Secretary attend the AGM, and we always allow adequate time to answer questions from shareholders during the AGM and informally immediately afterwards. The results of the votes cast at the AGM are always published promptly following the AGM.

Corporate information, including results and Company announcements, is available for shareholders on the Company's website. In addition, the Board welcomes written feedback from shareholders, which should be directed via the Company Secretary.

**September 2018**