

Senior Independent Director’s Introduction

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.

The Company’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.

Graham Miller
Senior Independent Director (Non-Executive)

	Principle	Application as set out by the QCA	What the Company does to uphold the principle
1	Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	<p>The Company 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.</p> <p>The Company’s assets and operations are all located in Plymouth, Devon, primarily at Sutton Harbour.</p> <p>The Company’s Strategic Vision is to deliver shareholder value growth through the delivery of high quality urban development to further establish Sutton Harbour as a visitor destination and harbourside lifestyle quarter whilst promoting the established commercial and leisure marine activities.</p> <p>The Company is actively working towards the regeneration of vacant sites to release value, reduce debt and allow future new investment in the area.</p>
2	Seek to understand and meet shareholder	Directors must develop a good understanding of the needs and	The Company maintains an active dialogue with major institutional investors and annually invites shareholders to an open day which includes a tour of the assets.

	<p>needs and expectations</p>	<p>expectations of all elements of the company’s shareholder base.</p> <p>The board must manage shareholder’s expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>The board welcomes the participation of shareholders at the Annual General Meeting with the opportunity to answers questions of any board member offered.</p> <p>The Company Secretary is normally the first point of contact for any general enquiries or arrangement regarding shareholder meetings. Email: n.gadsdon@sutton-harbour.co.uk</p>
<p>3</p>	<p>Take into account wider stakeholder responsibilities and their implications for long-term success</p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company’s stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company’s impact on society, the communities within which it operates or the environment have the potential to affect the company’s ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company’s strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p><u>Statutory Harbour Authority</u> Sutton Harbour Company, a wholly owned subsidiary of the Company, is a Statutory Harbour Authority which confers responsibilities concerning operations of and obligations to conserve the harbour. The Company employs a Harbour Master who liaises with the relevant regulators, public bodies and user groups in respect of this statutory function.</p> <p><u>Public Bodies</u> The Company 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 Company. Open public consultation is undertaken in relation to proposed applications to the Local Planning authority.</p> <p><u>Customers</u> The Company 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.</p> <p><u>Employees</u> The Company is committed to paying, as a minimum, the living wage as recommended by the Living Wage Foundation, to its employees.</p>

			The Company undertakes annual 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 Director presence at each.																		
4	Embed effective risk management, considering both opportunities and threats throughout the organisation	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and appetite).</p>	<p><u>Risk Register</u> The Company 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 Company and external advice is taken if required.</p> <p><u>Reporting</u> Included in the monthly reports to the Board, new risks are identified together with proposals to manage/mitigate the risk.</p> <p>Company Bankers and Insurers are kept apprised of risks and vulnerabilities on an ongoing basis. Advice from the appointed external Health and Safety Advisor is taken where appropriate.</p> <p><u>Controls</u> A list of 'Matters reserved for the Board' is maintained which governs levels of authorisation for financial commitment and decision making.</p>																		
5 & 6	<p>Maintain the board as a well-functioning, balanced team led by the chair</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.</p>	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to</p>	<p>The current composition of the board is as follows:</p> <table border="1"> <thead> <tr> <th>Office</th> <th>Appointee</th> <th>Committee Roles</th> </tr> </thead> <tbody> <tr> <td>Executive Chairman</td> <td>Philip Beinhaker</td> <td>Audit Committee Member Remuneration Committee Chair Nomination Committee Chair</td> </tr> <tr> <td>Senior independent Director (Non-Executive)</td> <td>Graham Miller</td> <td>Audit Committee Chair Remuneration Committee Member Nomination Committee Member</td> </tr> <tr> <td>Non - Executive Director</td> <td>Sean Swales</td> <td>Audit Committee Member Remuneration Committee Member Nomination Committee Member</td> </tr> <tr> <td>Finance Director (Executive)</td> <td>Natasha Gadsdon</td> <td></td> </tr> <tr> <td>Company Secretary</td> <td>Natasha Gadsdon</td> <td></td> </tr> </tbody> </table>	Office	Appointee	Committee Roles	Executive Chairman	Philip Beinhaker	Audit Committee Member Remuneration Committee Chair Nomination Committee Chair	Senior independent Director (Non-Executive)	Graham Miller	Audit Committee Chair Remuneration Committee Member Nomination Committee Member	Non - Executive Director	Sean Swales	Audit Committee Member Remuneration Committee Member Nomination Committee Member	Finance Director (Executive)	Natasha Gadsdon		Company Secretary	Natasha Gadsdon	
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		<p>facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (eg audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.</p> <p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board</p>	<p>Following the resignation of Chief Executive Officer (who subsequently left the Company on 23 July 2018) the Board has been undertaking its search for a new Executive Director. Subject to final selection and satisfaction with regulatory criteria, an announcement about a new appointment will be made in Autumn 2018.</p> <p>To provide continuity and support during this transitional period, Philip Beinhaker was appointed Executive Chairman (previously Non-Executive Chairman) on 23 April 2018.</p> <p><u>Board Meetings</u> The Board has ten scheduled meetings per year, with additional meetings as required, and separate governance committee meetings. The Agenda and detailed board papers are sent to directors in advance of the meeting which provide updates on governance matters, projects, trading and finance and corporate matters. The Board has a formal schedule of matters reserved to it for decision.</p> <p><u>Directors' Independence</u> Philip Beinhaker has no personal shareholding in the Company. 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.</p> <p>Graham Miller holds 31,968 shares in the Company and is the Senior Independent Director on the Board. Graham was appointed a Director in 2013.</p> <p>Sean Swales holds 2,914 shares in the Company. He is also the corporate representative of Rotolok (Holdings) Limited which has an interest in 6,028,760 (5.71%) of the Company's shares. Sean was appointed a Director in 2009. Until 10 January 2018, Rotolok (Holdings) Limited was interested in 28.79% of the Company's shares and was reported as having significant</p>
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		<p>will change, and board composition will need to evolve to reflect this change.</p>	<p>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. It is noted, however, that Sean has served close to nine years on the board, which is a further indicator generally used to appraise independence of Non-Executive Directors.</p> <p>Natasha Gadsdon holds 22,623 shares in the Company and has been an Executive Director since 2004.</p> <p>In summary, the board currently comprises two Executive and two independent Non-Executive Directors.</p> <p><u>Shareholder Relationship Agreement with FB Investors LLP</u> The Relationship Agreement dated 23 November 2017, addresses amongst other things, the composition of the SHH Board providing FB Investors with the ability to appoint up to two directors to the SHH 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 Company). It contains certain restrictions in relation to directors appointed by FB Investors voting at meetings of the SHH 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 SHH 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.</p>
7	<p>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p>	<p>The change in majority ownership of the Company in January 2018 has precipitated board changes with the appointment of Philip Beinhaker who has taken on the role of Chair from Graham Miller, who continues as Audit Committee Chair and now also the role of Senior Independent Director.</p>

		<p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>Sean Swales, continues as a Non-Executive Director, with the board continuing to benefit from his finance and property experience.</p> <p>The Board expects to announce a new Executive Director appointment in due course and a full review of the effectiveness of the refreshed administration will be undertaken within the next 12 months.</p>
8	Promote a corporate culture that is based on ethical values and behaviours	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p>	<p>Senior Managers are regularly invited to present at Board Meetings and to respond to questions and this forum sets the cultural tone.</p> <p>At annual appraisals performance of employees is reviewed against specific targets and conduct in line with the Company's standards of conduct as set out in the foreword of the Employee Handbook.</p> <p>The Company holds regular Health and Safety meetings (normally two per year) with representation from all areas of the business together with Director, the Health and Safety Officer and external Health and Safety Advisor. Annually the Health and Safety Advisor reports observations formally to the board.</p> <p>Sutton Harbour Company, a Statutory Harbour Company and wholly owned subsidiary of the Company is committed to undertaking statutory duties in accordance with the Port Marine Safety Code.</p> <p>The environment plays a key role in the continuing success of the Company. The Company has a daily programme to clean the Harbour with a specialised vessel for the purpose of debris removal. Operational staff are trained to handle oil spill incidents in the harbour.</p>

		<p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p>	<p>The area of Sutton Harbour is located in the heart of Plymouth. The Company supports various community and tourist initiatives. The Company is a member of the Mayflower 400 Founders club which is working together with Plymouth City Council to co-ordinate a comprehensive programme of events to commemorate the 400th Anniversary of the departure of the Pilgrim Fathers to America.</p> <p>The Company has a long established commitment to the community and its neighbourhood. Throughout its regeneration work, the Company has undertaken extensive public consultation which has led to the reshaping and design of many successful quality regeneration projects surrounding the historic harbour. The Company sees itself as the custodian of the harbour for future generations and as such believes that working with the local community is essential to achieve this aspiration.</p>
9	<p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • Size and complexity • Capacity, appetite and tolerance for risk <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p><u>The Board</u></p> <p>The board composition is undergoing a transition, which started in January 2018 after a change in majority ownership of the Company. A search and recruitment for a new Executive Director is currently in progress and the Board expects to announce a new appointment in Autumn 2018. As the re-formed board settles it is expected that other appointments may be made to provide balance and succession. At the present time, Philip Beinhaker is appointed Executive Chairman and presides over the business of the board as well as directing and overseeing the operations of the Company through the senior management team.</p> <p>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.</p> <p>Sean Swales, a Non-Executive Director since December 2009 and he is the corporate representative of Rotolok (Holdings) Limited which until January</p>

			<p>had significant control by virtue of its shareholder over 25%. Rotolok continues to be the third largest shareholder in the Company but no longer has significant control. Sean Swales is now considered to be an independent director following the reduction in shareholding of Rotolok (Holdings) plc and the changed composition of the Board. A Chartered Accountant, he continues to contribute actively to the Board due to his financial specialism, property investment and development expertise and regional knowledge.</p> <p>Natasha Gadsdon, a Chartered Accountant, is appointed Finance Director and Company 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</p> <p>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.</p> <p>The key procedures which the Directors have established with a view to providing effective internal controls are as follows:</p> <ul style="list-style-type: none"> • 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:
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			balance, expertise and structure. The current search for a new Executive Director is being led by Graham Miller and Sean Swales.
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> • The communication of shareholders' views to the board: and • The shareholders' understanding of the unique circumstances 	<p>See responses to Principles 1 and 2 above where engagement with shareholder and stakeholder engagement is described.</p> <p>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.</p>