

## Corporate Governance

HC Slingsby PLC is committed to high standards of corporate governance and reports against the requirements of the Corporate Governance Code (“the Code”) published by the Quoted Companies Alliance in April 2018, a full version of which is available at <http://www.theqca.com>. The Board recognises the value of the Code and as far as is practicable and appropriate for a company of the size and nature of HC Slingsby PLC adheres to it.

### The Board and Committee Meetings

The Board meets on a formal basis regularly and during 2018 there were 7 formal board meetings. There is a Schedule of Matters specifically reserved for the Board’s decision. There is also an established procedure for all Directors to take independent professional advice, if necessary, at the Company’s expense. Additionally, all Directors have access to the advice and services of the Company Secretary and the Company maintains Directors’ and officers’ liability insurance.

The Board comprises the following:

Dominic S. Slingsby – Interim Executive Chairman and Operations Director\*

Dominic joined the group in 1982 and after an initial spell as a Sales Representative became Marketing Manager in 1985. He was appointed to the Board in 1990 and became Managing Director in 1997 before taking the dual role of Interim Executive Chairman & Operations Director in 2016. He is a member of both the Audit and Remuneration Committees.

Dominic Slingsby’s service agreement specifies a rolling 12 month notice period.

Morgan L. Morris – Group Chief Executive and Company Secretary

Morgan joined the board as Interim Finance Director in February 2015 becoming Group Chief Executive in May 2018. Previously Morgan was Finance and Commercial Director for a speciality chemicals manufacturer and prior to that held the position of Corporate Recovery Director for Ernst & Young, as well as a range of Pan-European roles for Arthur Andersen. Morgan holds a Business Finance & Economics degree, is FCA qualified and is a licensed insolvency practitioner. He is a member of the Audit and Remuneration Committees.

Morgan Morris’ service agreement specifies a rolling 6 month notice period.

\*Acting Chairman of both Audit and Remuneration Committees

The Board are mindful of the need to keep skills and experience up to date which is done through a combination of courses, continuing professional development through professional bodies, reading and on the job experience.

As noted in the Chairman’s statement, the Directors continue their search for a suitable non-executive Director to bring more balance to the composition of the Board.

Both Directors attended all 7 board meetings during the year.

### Audit Committee

The audit committee meets as required but at least twice a year. In addition to reviewing the Annual and Interim Reports prior to their release, it keeps the scope, cost effectiveness, independence and objectivity of the external auditors under review. This includes monitoring the level of non-audit fees. The external auditors attend its meetings as required.

There were two audit committee meetings during 2018 attended by both Directors.

### Remuneration Committee

The committee is responsible for determination of the remuneration and remuneration policy for the group’s executive directors and senior executives setting the scale and structure of such remuneration. Directors’ service agreements and notice periods are reviewed with due regards to the interests of shareholders.

There were two meetings of the remuneration committee during 2018 attended by both Directors.

### Relations with Shareholders

The Company is ready, where practicable, to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives. The Board also uses the Annual General Meeting (“AGM”) to communicate

with private investors. The Directors are available to answer questions raised by shareholders at the AGM. The level of proxies lodged on each AGM resolution and the numbers for, against and withheld for each resolution are declared by the Chairman after the resolution has been dealt with on a show of hands.

### Internal Controls

The Board acknowledges that it is responsible for the Group's system of Internal Control and for reviewing its effectiveness.

Reflecting the size of the Group, a key control procedure is the close day-to-day supervision of the business by the Executive Directors, supported by the senior management with responsibility for key operations.

## Corporate Governance (continued)

The Executive Directors are involved in the budget setting process, constantly monitoring key performance indicators such as those highlighted in the business review and reviewing the management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the Board as a whole, in line with the Schedule of Matters reserved for the Board.

The Board adopted the principles of the Quoted Companies Alliance Corporate Governance Code in April 2018. The extent of compliance with the ten principles that comprise the Code, together with an explanation of any areas of non-compliance are set out below:

Principle	Extent of current compliance	Commentary	Further disclosure(s)
Establish a strategy and business model which promote long term value for shareholders	Fully compliant	The relevant information concerning the Group's model and strategy can be found in the Strategic Report within the Annual Report. Key risks and mitigating actions are detailed in the Principal Risks section of the Strategic Report within the Annual Report.	Strategic Report section of the Annual Report
Seek to understand and meet shareholder needs and expectations	Fully compliant	The Company's details are displayed on its website allowing shareholders to contact the Company if they so wish. The Company holds an annual general meeting to which all members are invited and during which, time is set aside to allow questions from attending members to any board member. As the Company is small, it does not have a dedicated investor relations department and so the CEO is responsible for reviewing all communications received from members and determining the most appropriate response.	<a href="http://www.slingsby.com">www.slingsby.com</a> ; Investor Relations, AGM notices
Take into account wider stakeholder and social responsibilities and their implications for long term success	Fully compliant	Directors and employees adopt a broad view during decision making to take meaningful account of the impact of the business on all key stakeholder groups. The Board recognises that the Group's long term success is reliant on the efforts of its employees, customers and suppliers and through maintaining relationships with its regulators. Feedback from employees, customer groups, suppliers and others is actively encouraged.	<a href="http://www.slingsby.com">www.slingsby.com</a> ; Investor Relations, Corporate Governance
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Fully compliant	The Group operates a system of internal controls designed (to the extent considered appropriate) to safeguard Group assets and protect the business from identified risks, including risk to reputation.	Principal Risks section of the Strategic Report within the Annual Report

Maintain the board as a well-functioning, balanced team led by the chair	Partially compliant	<p>The Board currently comprises only two Executive Directors who receive high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The Board have been seeking the appointment of one or more Non-Executive Directors for some time but in the light of the Company's very significant pension deficit and the highly publicised issues facing directors of public companies with a deficit on its pension fund, it has not been possible to identify persons prepared to accept such a role.</p> <p>It is the Board's intention to appoint at least one Non-Executive Director at the earliest opportunity.</p> <p>The Board does not consider Dominic Slingsby to be independent in view of his family's large combined interest in the Company. Although Morgan Morris is an executive director and therefore cannot be considered by the Board to be totally independent, Morgan Morris is independent of Dominic Slingsby and the rest of the Slingsby family.</p>	Board and Committee meetings section of the Corporate Governance part of the Annual Report
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<b>Principle</b>	<b>Extent of current compliance</b>	<b>Commentary</b>	<b>Further disclosure(s)</b>
Ensure that between them the directors have the necessary up-to date experience, skills and capabilities	Fully compliant	<p>The Board is satisfied that the current composition provides the required degree of skills, experience, diversity and capabilities appropriate to the needs of the business. Steps are taken to challenge the status quo, and encourage proper consideration of any dissenting opinion. Board composition and succession planning are subject to review taking account of the potential future needs of the business.</p> <p>The Board has not taken any specific external advice on a matter, other than in the normal course of business as an AIM quoted company and other than in respect of the Company's defined benefit pension scheme. The Directors rely on the Company's advisory team to keep their skills up to date and through attending market updates and other seminars provided by the advisory team, the London Stock Exchange and other intermediaries.</p>	Board and Committee meetings section of the Corporate Governance part of the Annual Report

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partially compliant	Board evaluation has not been carried out as part of a formal process during 2018, although the Chairman has actively encouraged self-evaluation by all Board members, and feedback on the conduct and content of board meetings. The Board will consider whether a more structured approach is required in future.	
Promote a corporate culture that is based on ethical values and behaviours	Fully compliant	The Board promotes high ethical and moral standards. The Board and all employees expect to be judged by, and accountable for their actions.	<a href="http://www.slingsby.com">www.slingsby.com</a> ; Investors Relations, Corporate Governance
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Non-compliant	The Board currently comprises two Executive Directors. The Board is currently non-compliant with the QCA Code as it does not comprise any Non-Executive Directors. The Company is seeking appropriate candidates to join the Board, most notably an Independent Chairman and Independent Non-Executive Director. Whilst a number of highly suitable candidates have been identified, appointments have not been made due to the ongoing uncertainty regarding the pension fund commitments and its potential impact on personal liability. The roles of Chairman and Chief Executive are separated. The Chief Executive is responsible for the operating performance of the Company and its subsidiaries.	Board and Committee meetings section of the Corporate Governance part of the Annual Report
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Fully compliant	The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities and strategy. Details of all shareholder communications are provided on the Company's website, including historical annual reports and governance related material together with notices of all general meetings for the last five years. From 2019 the Company will disclose outcomes of all general meeting votes. The Company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.	<a href="http://www.slingsby.com">www.slingsby.com</a> ; Investor Relations

By order of the Board

**M. L. Morris**  
Company Secretary  
15 May 2020