

## Statement of Compliance with the Quoted Companies Alliance Corporate Governance Code

### Introduction

The Board of The Heavitree Brewery PLC (“Heavitree”) is collectively accountable to the Company’s shareholders for good corporate governance. Accordingly, the Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (Code) and this statement sets out in broad terms how we comply with the Code at the date of this statement. We intend to provide annual updates about our compliance with the Code. The Board is responsible for ensuring that Heavitree is managed for the long-term benefit of all shareholders, through effective and efficient decision-making. Corporate governance is an important part of the Board’s role by providing oversight and control to manage risk and build long-term value.

At Heavitree, the Board has adopted the principles of the 2018 QCA Code to support the Company’s governance framework. The Directors acknowledge the importance of the ten principles set out in the QCA Code and this statement sets out how we currently comply with the provisions of the QCA Code and the reasons for any departures from it.

A full copy of the QCA Code is available from the QCA’s website: [www.theqca.com](http://www.theqca.com)

Principle		How we comply with the QCA Code in this area	How and why we do not currently comply, if applicable
1	Establish a strategy and business model which promote long-term value for shareholders	<p>The Group continues to concentrate fully on the running and development of its tenanted and leased estate with the intention of maximising the full potential of its houses. This may include development for alternative use where appropriate.</p> <p>Further information in relation to the business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman’s statement within our financial accounts published each year. See <a href="http://www.heavitreebrewery.co.uk/financial">www.heavitreebrewery.co.uk/financial</a></p>	
2	Seek to understand and meet shareholder needs and expectations	<p>The Group recognises the importance of engaging with its shareholders and reports fully to them when its full-year and half-year results are published. The Group also encourages shareholders to attend its Annual General Meeting. All shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or in writing prior to the meeting.</p> <p>A statement is given each year by the Chairman including and commenting on the financial performance of the Group.</p> <p>Copies of our annual report (which includes the notice of AGM) and the interim report are sent to all shareholders and copies can be downloaded from the investors’ section <a href="http://www.heavitreebrewery.co.uk/financial">www.heavitreebrewery.co.uk/financial</a> Alternatively, they are available on request by writing to the Company Secretary at Trood Lane, Matford, Exeter, EX2 8YP. Other information for shareholders including AGM results (and other interested parties) is also provided on the Group’s website.</p>	

Principle		How we comply with the QCA Code in this area	How and why we do not currently comply, if applicable
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>We recognise that we are not only responsible to our shareholders and employees, but to a wider group of stakeholders (including our Tenants, Lenders and Suppliers) and the environment in which we operate.</p> <p>The Group is registered with the Pub sector England and Wales Tenanted Code of Practice. This enables the Group to promote and follow best practice.</p> <p>Although we do not directly sell to the public we are committed to the responsible retailing of alcohol to and by our tenants.</p> <p>The Group is committed to the highest standards of corporate social responsibility in its activities. The Group falls below the threshold to report in accordance with the Modern Slavery act 2015 and antibribery and corruption regulations, however these areas are looked at within Board and management meetings.</p>	
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. Any such system of internal financial and operational controls can provide reasonable, but not absolute assurance, against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.</p> <p>The Group is exposed to a variety of financial, operational, economic and regulatory risks and uncertainties. Our principal risks and uncertainties and how these are managed are set out in our strategic review within our Financial statement, note 25 within the Financial statement also expands on our exposure to risk and the steps we take to control and manage our exposure to risk. <a href="http://www.heavitreebrewery.co.uk/financial">www.heavitreebrewery.co.uk/financial</a>. The Board has a conservative approach to financial risk management and the Group does not use any speculative or non-basic financial instruments.</p> <p>The Group has an established framework of internal financial and operational controls, the effectiveness of which is regularly reviewed by Management and Executive Directors.</p> <p>The Group also receives regular feedback from its external auditors on the state of its risk management and internal controls, monitoring and reporting to the Board on the Groups performance.</p>	

Principle		How we comply with the QCA Code in this area	How and why we do not currently comply, if applicable
5	Maintain the board as a well-functioning, balanced team led by the chair	<p>The Board consists of an Executive Chairman, two Executive Directors and four Non-Executive Directors which includes the appointment from 1<sup>st</sup> September 2019 of an Independent Non-Executive Director. The Board is satisfied that it has a suitable balance between Executive and Non-Executive Directors on the one hand and knowledge of the Group, together with sector expertise on the other, to enable it to discharge its duties and responsibilities.</p> <p>The Board makes decisions regarding appointment and removal of Directors, The Company’s Articles of Association require one third of the Directors to stand for re-election by shareholders annually in rotation; and that all Directors must stand for re-election at least once every three years</p> <p>Further details of the composition of the Board, and each Director’s attendance at Board meetings are shown in the annual Directors’ report and financial statement: <a href="http://www.heavitreebrewery.co.uk/financial">www.heavitreebrewery.co.uk/financial</a></p> <p>The Directors use their independent judgement and challenge matters affecting the business whether strategic or operational. The Non-Executive Directors are in regular contact with the Executive Directors.</p> <p>The Board meets each month for formal board meetings. Additional board meetings are held when required to discuss key strategic priorities including for example financial results.</p> <p>The Group has effective procedures in place to monitor and deal with any conflicts of interest or related party transactions. The Board are made aware of and report in meetings any commitments or interests outside of the Group, these are also looked at during Audit and further information can be found within our financial statement.</p> <p>The Directors have appointed Chris Bush as an Independent Non-Executive Director from the 1<sup>st</sup> September 2019. His responsibilities include monitoring corporate governance and audit oversight.</p>	.

Principle		How we comply with the QCA Code in this area	How and why we do not currently comply, if applicable
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>The Board is satisfied it has an effective and appropriate balance of skills and experience of Financial, Hospitality Trade, and General industry knowledge to give it the ability to constructively challenge strategy and scrutinise performance.</p> <p>Independent advice – Along with the appointment of the Independent Non-Executive Director the Board maintains its access to professional advisors and is able to take independent advice in the performance of their duties, at the Company's expense. Details of external advisers can be found at:  <a href="http://www.heavitreebrewery.co.uk/financial">www.heavitreebrewery.co.uk/financial</a></p>	
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The Directors of the Group are committed to sound corporate governance of the business and each Director devotes sufficient time to ensure this happens. The contribution of Directors in terms of relevance and effectiveness of each one is subject to evaluation, overseen by the Executive Chairman along with their commitment and attendance at Board meetings. Further details on attendance is shown within the financial statement.  <a href="http://www.heavitreebrewery.co.uk/financial">www.heavitreebrewery.co.uk/financial</a></p>	<p>Whilst the Company has not yet completed its formalised framework for Director review, with the introduction of an Independent Non-Executive Director this process will be put in place within the next twelve months. The governance code will be updated when the review process has been completed.</p>
8	Promote a corporate culture that is based on ethical values and behaviours	<p>The Group is committed to the care of the environment and encourages its contractors and tenants to use energy efficient materials and practices wherever possible.</p> <p>The Group actively works with its Tenants and Leaseholders holding monthly meetings with them conducted by our Tenanted Operations Managers and reviewed and overseen by the Trade Director.</p> <p>The Group is committed to training and incentivising its staff, various training schemes are offered along with different incentives plans including a Group share incentive plan to help staff attain maximum potential and maintain good practice.</p> <p>The Group is committed to the highest standards of corporate social responsibility in its activities The Group falls below the threshold to report in accordance with the Modern Slavery act 2015 and antibribery and corruption regulations, however these areas are looked at within Board and Management meetings.</p>	

Principle	How we comply with the QCA Code in this area	How and why we do not currently comply, if applicable
<p>9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The Roles and responsibilities of specific Directors can be found within our financial statement and is available on our website <a href="http://www.heavitreebrewery.co.uk/financial">www.heavitreebrewery.co.uk/financial</a></p> <p>The business and management of the Group is the collective responsibility of the Board. At each meeting the Board considers and reviews the Group’s financial and trading performance. It has a formal written schedule of matters reserved for its review and approval. The Board meets every month with additional meetings arranged as required. Formal agendas and reports are provided to the Board on a timely basis, along with other information to enable it to discharge its duties.</p> <p>All the day to day operational decisions are taken initially by the Executive Directors, in accordance with the Group’s strategy. The Executive Directors are also responsible for initiating commercial transactions and approving payments, save for those relating to their own employment.</p> <p>The Board is responsible for ensuring that the Group maintains a system of internal financial controls. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is timely and reliable. Any such system can only provide reasonable, but not absolute, assurance against material loss or misstatement.</p> <p>Given the size of the Group, the Board does not consider it appropriate to have its own internal audit function.</p> <p>The Board considers matters relating to the reporting of results, financial controls, and the cost and effectiveness of the audit process at the monthly board meetings. The external auditors meet with the MD and Company Secretary in advance of the audit and provide a comprehensive strategy document that is then distributed to the Board and reviewed at the next Board meeting. In addition, a detailed audit completion report is presented by the external auditors to the full Board. The Board is satisfied that the Groups Auditors are objective and independent of the Group, an independent Audit report is shown within the yearly financial statement</p> <p>The Board considers and determines the remuneration of the Executive and Non-Executive Directors. No Director is involved in setting his or her own remuneration.</p> <p>The Group has effective procedures in place to monitor and deal with any conflicts of interest or related party transactions. The Board are made aware of and report in meetings any commitments or interests outside of the Group, these are also looked at during external audit process and further information can be found within our financial statement.</p>	<p>- Audit Committee</p> <p>Given the size of the Group, the Board does not consider it appropriate to have a separate audit committee, however an Independent Non-Executive Director has now been appointed and part of his role will include audit oversight.</p> <p>Remuneration Committee Given the size of the Group, the Board does not consider it appropriate to have a separate remuneration committee.</p> <p>Given the size of the Group, the Board does not consider it appropriate to have its own internal audit function at the current time.</p> <p>The need for any of the committee’s will be reviewed by the board on a regular basis.</p> <p>The Board considers matters relating to the reporting of results, financial controls, and the cost and effectiveness of the audit process at the monthly board meetings. The external auditors meet with the MD and Company Secretary in advance of the audit and provide a comprehensive strategy document that is then distributed to the Board and reviewed at the next Board meeting. In addition, a detailed audit completion report is presented by the external auditors to the full Board.</p>

Principle		How we comply with the QCA Code in this area	How and why we do not currently comply, if applicable
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The Company believes in good communication with shareholders and encourages shareholders to attend its Annual General Meeting. This meeting is well attended, and all shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or in writing prior to the meeting.</p> <p>The Company communicates with shareholders through:</p> <ul style="list-style-type: none"> <li>•the Annual Report and accounts,</li> <li>•full-year and half-year announcements</li> <li>•the Annual General Meeting (AGM)</li> <li>•one to one meetings with shareholders as required</li> <li>•issuing regular and appropriate RNS and RNS Reach announcements</li> </ul> <p>Copies of our annual report (which includes the notice of AGM) and the interim report are sent to all shareholders and copies can be downloaded from the investors section of <a href="http://www.heavitreebrewery.co.uk">www.heavitreebrewery.co.uk</a> – alternatively, they are available on request by writing to the company secretary at Trood Lane, Matford, Exeter, EX2 8YP. Other information for shareholders (and other interested parties) is also provided on our website. <a href="http://www.heavitreebrewery.co.uk">www.heavitreebrewery.co.uk</a></p>	

More information on corporate governance at [www.heavitreebrewery.co.uk/financial](http://www.heavitreebrewery.co.uk/financial) , is provided in our annual report and accounts each year. This webpage will also be updated in the event of any changes to our compliance with the QCA Code. Updated 26<sup>th</sup> September 2019