

	Principle	Application
		<p style="text-align: center;">Chairman’s Corporate Governance Statement</p> <p>All members of the board believe strongly in the value and importance of good corporate governance and in our accountability to all of Samuel Heath & Sons plc (“Samuel Heath” or the “Company”) stakeholders including the shareholders, staff, advisers, regulators and other suppliers. Robust corporate governance improves performance and mitigates risk and therefore is an important factor in achieving the medium to long term success of the Company. In the statement which follows, we explain our approach to governance, and how the board and its committees operate.</p> <p>Changes to AIM rules on 30 March 2018 required AIM companies to apply a recognised corporate governance code from 28 September 2018. Samuel Heath & Sons plc has chosen to adhere to the Quoted Company Alliance’s (“QCA”) Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet the new requirements of AIM Rule 26.</p> <p>The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.</p> <p>The Chair has the overall responsibility for implementing an appropriate corporate governance regime at the Company.</p> <p>The information below was last updated on 26 September 2018.</p>
1	Establish a strategy and business model which promote long-term value for shareholders	<p>The Company uses its long-established skills and investments in manufacturing metals to produce high-quality products for the bathroom and door hardware markets.</p> <p>The customer value proposition is supported by:</p> <ul style="list-style-type: none"> • Brand value and recognition through long standing targeted advertising and PR. • High quality design, manufacture and in-house finishing. • Effective customer service and support from regular direct contact with resellers and specifiers of across product ranges. • Industry leading shipment/delivery times. <p>The shareholder value is supported by:</p> <ul style="list-style-type: none"> • Variety of geographical markets spreading economic risk. • Strong Balance Sheet. • Business growth financed internally from profits. • Vertically integrated manufacturing facility affords total control of quality and availability of product to ultimate customer. • Recruiting and retaining suitable staff with the necessary skills and abilities enables the company to execute its strategy effectively. We foster initiatives to encourage the promotion of good staff engagement as well as ensuring that remuneration packages are competitive within the markets in which we operate.
2	Seek to understand and meet shareholder needs and expectations	<ul style="list-style-type: none"> • It is the Board's abiding aim to provide clear and transparent information as to the Company's activities, strategies and financial position to its shareholders. Details of all shareholder communications are available on the Company's website. • The Company is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through Annual Report and Accounts, full-year and half-year announcements and the annual general meeting (AGM) to which we encourage shareholders to attend and participate. Our website contains a range of corporate information (including all Samuel Heath announcements) which is available to shareholders, investors and the public.

		<ul style="list-style-type: none"> Private shareholders: The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the board and all committees, together with all other directors whenever possible, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution, by way of a poll. The Company maintains a dedicated email address which investors can use to contact the company which is prominently displayed on its website together with the company's address and telephone number. As the Company is too small to have a dedicated investor relations department, the Financial Director is responsible for reviewing all communications received from members and determining the most appropriate response.
3	Take into account wider stakeholder and social responsibilities and their implications for long term success	<p>The business recognises the benefits of stakeholder relations.</p> <p>Internal</p> <ul style="list-style-type: none"> Employees. The Works Committee meets 3 times a year as a forum to pass on information and for members to raise concerns. Matters are recorded and following appropriate consultation, reported on at the next meeting. Customers. Our representatives meet regularly with all significant customers to inform them of new products with samples where possible, to pass on product knowledge and understand their business plans and aspirations. Reports are produced which form part of our sales forecasting and budgetary process, these are fed back to influence future product and services development. Suppliers. Our purchasing department interact regularly with suppliers to ensure minimal disruptions to the supply chain and to ensure best value for money for the company. New suppliers are invited to quote for materials, components and services. Regulation. The business constantly reviews the relevant regulations governing its products to ensure current and future compliance within major markets. Door closers for use on fire doors are subject to performance standards. Taps and showers are subject to water usage restrictions and performance standards. The Company submits its products for third party testing both in the UK and in overseas markets and maintains 'listings' where appropriate. <p>Changes in legislation and approvals can have a material impact on product designs which are fed back through our NPD process.</p> <ul style="list-style-type: none"> Industry Bodies. The company is a member of a number of influential trade bodies and attends Management and Technical committees to ensure we 'have a voice' in the development of best practice and are able to influence any applicable legislation. The Managing Director, Sales Director and Head of Design are involved in this process. Relevant outcomes are related to other Board members at monthly Board meetings.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Company reviews various scenarios from a risk point of view to assess and address relevant risks identified.</p> <ul style="list-style-type: none"> Health & Safety. Formalised reviews and inspections are undertaken across the business and communicated together at regular meetings. The Company holds OHSAS 18001: 2007 Occupational Health & Safety Management. Risk Assessment. There is a formalised Risk Assessment process of grading and recording risks and attending to any issues for the whole business, which includes involvement of the relevant works committee representatives. Financial risk. The Board monitors the results of the business monthly against forecast, investigating variations and challenging direction. Insurance risk. Policies are obtained where cost effective for risk beyond statutory minimums, such as Credit and Cyber insurance.

		<ul style="list-style-type: none"> • Currency. Exporting to a variety of markets spreads the currency exposure of the business, and the Board monitors exchange rates and takes out forward contracts when it deems appropriate. • Supply chain. The Company keeps in close contact with critical suppliers, reviewing quality and service levels. • Customers. The Company is in regular contact with customers directly and through our representatives to monitor their requirements and give feedback on their consumers' preferences and aspirations. • Design. The Company has its own in-house design department and meets regularly with outside technicians and designers to help maintain a contemporary product portfolio. This ensures the pipeline of NPD and R&D secures the future success of the business.
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5	Maintain the Board as a well-functioning, balanced team led by the chair.	<p>The Board meets regularly to monitor and steer the company. There is a clear structure of responsibility, and a mix of executive and experienced non-executive members. Support is provided both through committees (eg for Audit and Remuneration) and access to internal subject experts when necessary.</p> <p>The members of the Board 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 consists of seven directors of whom four are executives (Samuel Heath, David Pick, Martyn Whieldon and Simon Latham) and three are independent non-executives (Anthony Buttanshaw, Martin Green and Ross Andrews). The Board is supported by two committees: Audit and Remuneration. The Board does not consider that it is of a size at present to require a separate nominations committee.</p> <p>Non-executive directors attend 9-10 board and board committee meetings per year and are available at other times as required for face-to-face and telephone meetings with the executive team.</p> <p>The Chairman is responsible for ensuring that, to inform decision-making, directors receive accurate, sufficient and timely information. The Company compiles the board and committee papers which are circulated to directors prior to meetings. The Company Secretary provides minutes of each meeting.</p> <p>Meetings held during the last 12 months (to end of August 2018) and the attendance of directors is summarised below:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Board Meetings</th> <th colspan="2">Audit Committee</th> <th colspan="2">Remuneration Committee</th> </tr> <tr> <th>Possible</th> <th>Attended</th> <th>Possible</th> <th>Attended</th> <th>Possible</th> <th>Attended</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Samuel Heath</td> <td>8</td> <td>5</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> </tr> <tr> <td>Exec Directors</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>David Pick</td> <td>8</td> <td>8</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Martyn Whieldon</td> <td>8</td> <td>7</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Simon Latham</td> <td>8</td> <td>8</td> <td>2</td> <td>2</td> <td>-</td> <td>-</td> </tr> <tr> <td>Non-Exec Directors</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Anthony Buttanshaw</td> <td>8</td> <td>8</td> <td>2</td> <td>2</td> <td>1</td> <td>1</td> </tr> <tr> <td>Martin Green</td> <td>8</td> <td>5</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Ross Andrews</td> <td>8</td> <td>8</td> <td>2</td> <td>2</td> <td>1</td> <td>-</td> </tr> </tbody> </table>		Board Meetings		Audit Committee		Remuneration Committee		Possible	Attended	Possible	Attended	Possible	Attended	Chairman							Samuel Heath	8	5	-	-	1	1	Exec Directors							David Pick	8	8	-	-	-	-	Martyn Whieldon	8	7	-	-	-	-	Simon Latham	8	8	2	2	-	-	Non-Exec Directors							Anthony Buttanshaw	8	8	2	2	1	1	Martin Green	8	5	2	1	1	1	Ross Andrews	8	8	2	2	1	-
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6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>The Board is made up of experienced executive and non-executive directors. Executive directors are experienced in their management discipline, ie Sales, Production or Finance.</p> <p>Non-executive directors are from outside businesses and experienced in advising and supporting a variety of companies.</p>
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The Board members are encouraged to work together, whilst challenging in a constructive manner.

Samuel B Heath (Chairman)

Mr S B Heath joined the company in 1956 and was appointed to the board in 1962. He was Managing Director from 1963 until 1998. He was involved in all aspects of the business and especially Sales, in both home and international markets giving him a deep knowledge of the company its markets and customers. He brings a depth of financial understanding to the business, he has also led the development of a successful brand awareness campaign through advertising campaigns in the UK and other major markets.

David J Pick (Managing Director)

Mr D J Pick joined the company in 1978 as an assistant production manager and gained experience in the company's manufacturing systems and processes, before moving into sales posts initially in the UK and then overseas. He became Sales Manager then Deputy Managing Director with involvement and responsibility in new product development and marketing. He was appointed to the board in 1995 and has been Managing Director since 1998.

Anthony Buttanshaw (Deputy Chairman)

Mr A Buttanshaw is an accountant and spent some 15 years in the GKN Group, as well as having experience in other companies, which has given him significant experience in the running of manufacturing and international businesses. He is the Senior Independent Director, acting as Deputy Chairman in support of the Chairman, as well as chairing the Audit Committee.

Martyn Whieldon (Sales Director)

Mr M Whieldon joined the company in 1995 as a sales representative in Europe. Fluent in German and French, he went on to manage the sales team in both the export and home territories and has travelled widely, promoting the company's products to customers and at numerous trade shows to dealers and specifiers alike. He was appointed to the board in 2010.

Simon Latham (Financial Director)

Mr S Latham is a Certified Accountant, initially training under Arthur Andersen, since being a professional auditor he has worked in industry for over 28 years, working in a Financial Director role for over 20 years. He has a breadth of experience in growing companies and international operations.

Martin Green LLP (Non-Executive)

Mr M Green is a solicitor who trained at Pinsent Masons in Birmingham before joining Loddors to specialise in wealth planning. He is now senior partner of Loddors LLP and the chairman of Self Financial Planning and has over 30 years experience of acting as legal advisor to business and private clients. His experience offers guidance in the legal arena to the company.

Ross Andrews (Non-Executive)

Ross is a highly experienced and accomplished Corporate Adviser with 30 years' experience advising companies and management teams on public market transactions, and brings financial and commercial experience to the Board.

The directors keep abreast of our markets and industry through regular and frequent communication with our customers, designers and agencies, also attending various trade shows and exhibitions. Technical skills are kept up to date through communication with various external advisors, research and training updates.

		<p>All directors are encouraged to maintain individual continuing professional development programmes and all have the opportunity, if required, to attend specialist courses to enhance their skills. The Company Secretary, from time to time, provides technical briefings related to regulatory compliance issues, supported by our NOMAD, Cairn Financial.</p> <p>The company retains the services of three external advisers. RSM UK act as our auditors and also provide advice on taxation issues, both in the UK and abroad. Cairn Financial Advisers are our nominated adviser and broker for our dealings with the London Stock Exchange and AIM. Autonomy Wealth support the financial planning for the business, and advise on the legacy Pension Scheme In addition, in 2017 the business also engaged Chivers Commercial to conduct a valuation of its property and machinery assets.</p>
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The Chairman reviews the contributions of each board member on an ongoing basis, both individually and in relation to the performance of the company as a whole. The reviews consider effectiveness in areas including general supervision and oversight, business risks and trends, communications, corporate governance and individual contribution. Any refinements identified in working practices can then be adopted.</p> <p>The balance of the Board is also assessed, for both numbers and experience, which lead to the appointment of Ross Andrews to balance the weight of executive and non-executive directors, as well as adding further experience in corporate governance.</p>
8	Promote a corporate culture that is based on ethical values and behaviours	<p>The Company promotes honesty and integrity in all its dealings. In order to achieve this:</p> <ul style="list-style-type: none"> • The Board provides strategic leadership for the Company and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business. The Board defines a series of matters reserved for its decision and has approved terms of reference for its Audit and Remuneration Committees to which certain responsibilities are delegated. • The Remuneration Committee sets and reviews the compensation of executive directors including the setting of performance frameworks for bonuses. • Neither its directors nor management have significant interests in its suppliers or customers. • Personnel policies and procedures include:- <ul style="list-style-type: none"> • Bribery prevention policy • Communications policy • Disciplinary procedure (including Statutory Dispute Resolution) • Equal opportunities policy • Grievance procedure • Health & safety policy (summary) • Redundancy policy & procedure (including Selection Criteria) • Retirement policy • Retirement counselling policy • Social media use policy • Stress policy • The Works Committee discusses relevant issue affecting all employees. • The business embeds principles into its processes and dealings through Quality Management System ISO 9001:2015 compliance and where necessary via mandatory industry standards and certification schemes. • Company representatives meet with customers to discuss any issues and communicate with senior management on a regular basis. • Suppliers also have relationships with both the Purchasing department and senior management. • Compliance with the QCA code is cascaded through management.

9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>The Company has both internal and external infrastructure to support the business:</p> <p>Internal</p> <ul style="list-style-type: none"> • Board committees to support independence (Audit and Remuneration). • Quality processes such as the BS EN ISO 9001:2015 Quality Management System <p>External</p> <ul style="list-style-type: none"> • Independent Audit • Trade body membership. Actively participates in membership of The Door Hardware Federation (DHF), The British Woodworking Federation (BWF) and The Guild of Architectural Ironmongers (GAI). • Industry governance. Attend Management and Technical committees to ensure the Company 'has a voice' in the development of best practice and are able to influence any applicable legislation. • AIM regulation <p>The matters reserved for the board are:</p> <ul style="list-style-type: none"> • Setting long-term objectives and commercial strategy; • Approving annual operating and capital expenditure budgets; • Changing the share capital or corporate structure of the Group; • Approving half year and full year results and reports; • Approving dividend policy and the declaration of dividends; • Approving major investments, disposals, capital projects or contracts; • Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and • Approving changes to the board structure.
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The board has a schedule of regular business, financial and operational matters, and each board Committee has compiled a schedule of work to ensure that all areas for which the board has responsibility are addressed and reviewed during the course of the year. The Chairman is responsible for ensuring that, to inform decision-making, Directors receive accurate, sufficient and timely information. The Company Secretary compiles the board and Committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.</p> <p>The board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Directors attend seminars and other regulatory and trade events to ensure that their knowledge remains current.</p> <p>Communication to and from stakeholders is encapsulated within the department processes and fed up through management to the Board.</p> <p>Shareholders are invited and welcomed to the AGM held on company premises, to be able to meet with the Board.</p> <p>The Audit Committee consists of Anthony Buttanshaw (Chair), Martin Green and Ross Andrews. The committee meets twice a year and the external auditor and financial director are invited to attend these meetings. Consideration is given to the auditor's pre- and post-audit reports and these provide opportunities to review the accounting policies, internal control and the financial information contained in both the annual and interim reports. The committee monitors the integrity of financial statements, oversees risk management and control and monitors the effectiveness of the internal audit function. It</p>

		<p>also reviews accounting and treasury policies. The committee also meets with the auditors with no executives present.</p> <p>The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to set the remuneration of executive directors and senior managers. The committee approves annual salary and bonuses where appropriate and will consult outside of the company for relevant benchmark data from time to time. The Remuneration Committee consists of Samuel Heath (Chair), Anthony Buttanshaw, Martin Green and Ross Andrews. The Remuneration of Non-Executive Directors is a matter for the Board. No Director or officer is allowed to participate in any decisions as to their own remuneration.</p> <p>Due to the nature and size of the Company, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a Nomination Committee.</p>
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