

Dear shareholders,

I am incredibly proud to have been part of the James Cropper story for many years now. Its success has not come without its challenges and has been against a continually changing legal and regulatory backdrop. A constant, however, has been the need to adapt and for the governance infrastructure that supports our business to evolve accordingly.

### **Back in 2007**

Those, like me, who were shareholders back in 2007 may well remember that James Cropper moved from the Official List to AIM in August of that year. As a result, and as was explained at the time, the Combined Code (now known as the UK Corporate Governance Code) ceased to apply directly to us; no equivalent requirement applied to companies on AIM. The Combined Code set out standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit.

Despite the Combined Code no longer applying to us, the board remained committed to good corporate governance in the management and operation of the group's business; it continued the good habits instilled from our time on the Official List.

### **Annual Report 2018**

In our 2018 Annual Report, I stated in the Corporate Governance Statement that as a Board, we remain committed to maintaining high standards of corporate governance. The Directors place a significant emphasis on ensuring that the Group has the appropriate governance structures in place. We acknowledged the importance of the principles set out in the UK Corporate Governance Code 2016, and intended to apply this code as far as we considered appropriate given the size of the Group.

### **Now**

In March, the London Stock Exchange introduced a new rule applicable to James Cropper as a company on AIM: going forward, we will be required to apply a recognised corporate governance code and will have to provide details of it on our website and then explain how we comply with that code and include reasons where we have departed from it. This information is to be reviewed annually and our website will need to include the date on which this was last done. This rule takes effect from 28 September 2018.

Towards the end of April, the Quoted Companies Alliance (QCA) released a new and fully updated QCA Corporate Governance Code. As a board, we considered this and its impact on the Group's corporate governance arrangements. The Board felt that adoption of the QCA Code was more appropriate as the QCA Code adopted key elements of the UK Corporate Governance Code, policy initiatives and other relevant guidance and then applied those to the needs and particular circumstances of small and mid-sized quoted companies on a public market.

### **Ongoing**

Under my leadership, it is the responsibility of each member of the Board, individually and collectively, to ensure that good standards of corporate governance are embraced throughout

the Group. As a board, we set clear expectations concerning the Group's culture, values and behaviours. By way of example, each person starting employment within the Group receives a bundle of booklets designed to support them through their induction - this not only covers health, safety & environmental responsibilities, policies & procedures and conditions of employment but also leadership competencies, our vision and values and community relationships. We firmly believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced, enabling us to conduct business sustainably and responsibly and deliver value for our shareholders. We accept that simply setting expectations is insufficient and so the Board understands how important it is that it leads by example: it is therefore regularly seen out and about engaging with staff, customers and others, and the executive team, in particular, communicates regularly with staff through briefing meetings. Together, these lead the Board to believe that the group has a healthy corporate culture throughout the business.

### **Shareholder engagement**

I am ever mindful of the need to ensure that we regularly engage with you, our shareholders. With this in mind I felt it was important to make you aware of our adoption of the QCA Code to continue to ensure that good corporate governance is maintained throughout the Group.

Mark Cropper

Chairman