

# **SPRINGFIELD PROPERTIES PLC**

## **GOVERNANCE (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2018**

### **QCA CODE COMPLIANCE**

#### **1. Strategy and Business Model**

Springfield Properties PLC is a housebuilder focused on developing a mix of private and affordable housing in Scotland. The Group operates through two divisions: private housing and affordable.

The private housing division has historically developed small to medium-sized developments in Scotland, as well as a small number of larger sites – and is now focused on developing a higher proportion of larger village sites. The division's model primarily focuses on sourcing land in areas with high growth potential and, subsequently, to progress developments through the planning process.

The affordable division's operations focus on the development of land into standalone sites that consist entirely of affordable homes. In addition to standalone developments, the affordable division develops affordable housing on the Group's private developments under section 75 agreements, pursuant to which we typically agree with a local authority to contribute housing, money and/or infrastructure as a condition of planning permission.

We have the in house skills to allow us to in develop difficult sites (often involving several land owners) that require considerable remediation works and/or significant investment in infrastructure prior to commencing development.

Further details on our strategy and business model are discussed in the Chairman's statement on pages 4-6.

#### **2. Understanding Shareholder Needs and Expectations**

The Board is committed to maintaining good relationships with shareholders. The Chairman is responsible for ensuring that appropriate channels of communication are established between the Executive Directors and Shareholders, ensuring shareholders' views are shared with the board.

Along with the opportunity to ask questions by email or telephone throughout the year, we conduct bi-annual investor presentations organised by our nominated advisor, N+1 Singer. The presentations provide us with a regular opportunity to understand the needs and expectations of Springfield's shareholders. These roadshows are held in London and Edinburgh. Shareholder relations are also managed through regular regulatory announcements.

We maintain a corporate website ([https://www.springfield.co.uk/investor\\_relations](https://www.springfield.co.uk/investor_relations)). It contains a range of information required by AIM Rule 26 including our annual and half year reports, trading statements and all regulatory announcements. We also regularly distribute press releases to national and local press with news and updates on the Group's current projects. All press releases can be found at <https://www.springfield.co.uk/news>.

All shareholders are invited to attend Springfield's annual general meeting (AGM). Details of the AGM are available to download from our corporate website. Voting at the AGM will be conducted by a poll and the results announced to the market and displayed on our website as soon as possible after the meeting. The Board recognises the AGM as an important opportunity to meet shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

#### **3. Wider Stakeholder and Social responsibilities**

Everyone in Scotland deserves a good house. Through our private and affordable divisions, we aim to fulfil that promise. However, we cannot do that alone. We maintain strong relationships with all stakeholders including employees, customers, national & local government and local communities.

# SPRINGFIELD PROPERTIES PLC

## GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

### QCA CODE COMPLIANCE (CONTINUED)

**Employees (current):** The Chairman and CEO meet bi-annually with all employees in departmental groups to hear employees' needs, interests and expectations. During these discussions key achievements of the groups are discussed as well as future goals. Employees have the opportunity to ask questions and provide feedback. We are proud that many of our employees have chosen to remain with Springfield with the average length of service being 4.4 years. This loyalty is also reflected in the number of employees who have invested in our Save as You Earn Scheme (SAYE) to share in the success of our business. In November 2018 we wanted to offer employees the opportunity to invest in the future of Springfield and share in the success of our business through SAYE. Over 68% of employees joined the scheme.

**Employees (training & education):** At April 2018 we supported 113 staff in further education, training and apprenticeships. This includes 96 apprenticeships. We have over 20% of our staff engaged with training or education.

**Employees (future):** Springfield has a strong focus on education and training. We encourage student placement programmes and we have placed 11 university students in a variety of work experience roles over the past two years. As a direct result of these placements Springfield has offered full-time employment to 5 of the students who now work for us, or will do after completion of their degree.

**Customers:** Customer views are sought via customer feedback forms mailed to them when they have been living in their new home for three months. Customers can provide feedback on the entire house purchase process with Springfield.

**National & local government:** Our CEO is a Director of Homes for Scotland, the voice of the home building industry in Scotland, representing some 200 companies and organisations which together deliver 95% of new homes built for sale each year and a significant proportion of affordable housing. Through Homes for Scotland we engage with the Scottish Government, local government and utility companies. Any direct contact with the Scottish Government is also governed by the Lobbying (Scotland) Act 2016 and we comply with all requirements of that Act.

**Communities:** For individual projects, we work with local communities as part of the planning process. Any new development that has more than 50 units or covers two hectares requires us to hold a community consultation. This event allows members of the local community to gather information on the proposed development, ask questions and provide their feedback on the proposals. We take these comments on board when taking the development forward.

Alongside the planning process, we support the communities in which we build. This can involve sponsorships, running or sponsoring local events, fundraising for local charities and providing talks at local schools.

More directly, our affordable division helps local authorities and housing associations provide much needed new affordable homes to meet the current national shortfall. We provide housing of all tenures and are particularly proud of the specialist care facilities we provide specifically for the elderly. For example, in partnership with Hanover Housing Association, we built a 30-apartment care facility in just over a year. Named Linkwood View by local nursery children, staff from Hanover welcomed the first residents in September 2017. The development has been awarded Social Housing Development of the Year by Premier Guarantee.

#### 4. Embedding Risk Management

Springfield operates processes to identify, measure, manage and monitor those risks which impact the Group's business. The focus of our risk management framework is to ensure we are managed in a sustainable and controlled way within our risk tolerance. Material risks and control matters are reported to the Board via regular reports from the Group's senior executive team who in turn meet on a regular basis with risk and control issues being discussed at those meetings.

# **SPRINGFIELD PROPERTIES PLC**

## **GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018**

### **QCA CODE COMPLIANCE (CONTINUED)**

Given the environment in which it operates the Board has focus and attention on Health and Safety issues. It receives a personal report from the CEO on health and safety matters at each meeting and meets regularly with the Group's director for health & safety so that it can discuss any matters directly with him.

The Board also maintains a system of internal controls to safeguard shareholders' investment and assets and for reviewing its effectiveness. The Board reviews the effectiveness of the Group's system of internal controls on an ongoing basis. Annual budgets are prepared and detailed management reports are presented to the Board and used to monitor financial performance and compliance with the Group's policies and procedures. All controls are covered including financial and operational controls to manage risk. The board meetings are also used to consider the Group's major risks. All potential areas of financial risk are regularly monitored and reviewed by directors and management. Any preventative or corrective measures are taken as necessary.

#### **5. Maintaining a Well-Functioning Board**

The skills and experience of the Board are set out in their biographical details on page 14. All directors receive regular and timely information the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings. As Springfield has developed, the composition of the board has been under constant review to ensure that it remains appropriate to the managerial requirements of the Group. As such the Board identified that an additional Non-Executive Director would be highly beneficial to the Board, accordingly Nick Cooper was appointed to the Board on 1 June 2018 following a thorough assessment of potential candidates' skills and suitability for the role.

The board consider Nick Copper and Matthew Benson to be independent directors for the purpose of the Corporate Governance Code. From 13 November 2018 Roger Eddie will have completed ten years' service as a Director. Having considered his independence in the context of the Corporate Governance Code, the Board is also satisfied that Mr Eddie will remain independent from 13 November 2018, notwithstanding his length of service.

Andrew Todd, as Company Secretary, attends all board and committee meetings. Andrew is a solicitor qualified in Scotland and ensures board meetings and committee are conducted in accordance with all relevant legal and regulatory requirements.

One third of the directors retire annually in rotation in accordance with Springfield's articles of association. This enables the shareholders to decide on the election of the Board.

#### **6. Director Skills and Capabilities**

As mentioned under principle 5, all directors and their professional experiences, are set out on page 14. The skills, experience and knowledge of each director gives them the ability to constructively challenge strategy and decision making and scrutinise performance. All directors are offered appropriate coaching and training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board. In 2017-18 the Board received training from Luther Pendragon, N+1 Singer and Pinsent Masons. It receives regular updates from its advisors.

All six members of the board bring relevant sector experience through their extensive and varied careers throughout the housing, financial, consulting and legal sectors. The board believes that its members possess the required qualities and skills necessary to effectively oversee and execute the Group's strategy.

#### **7. Evaluation of Board Performance**

The Board intends to conduct an evaluation of its own performance and that of its principal committees during 2018-19. The effectiveness of the Board and its committees will be kept under review in accordance with corporate governance best practice. Springfield's board currently does not have a formal review process, rather its effectiveness is assessed in an informal manner by the Chairman on an on-going basis. During the year 2018/19, the board will formalise a self-evaluation process, selecting criteria against which it will consider the quality of its performance, as well as specifying the frequency of such evaluations. Further information will be included on the next Annual Report, as well as published on the website.

# **SPRINGFIELD PROPERTIES PLC**

## **GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018**

### **QCA CODE COMPLIANCE (CONTINUED)**

#### **8. Corporate Culture**

The Board believes that everyone deserves to live in a good house. This means that there is a need for housing for every member of every community in Scotland and Springfield aims to address this need by providing high quality homes for private sale to first time buyers and those already on the housing ladder and providing affordable homes through its partnership arm which works with housing associations and local authorities. Where possible we also address the requirements of the elderly and those with special needs. An example of this is a flatted development specifically for the elderly in Elgin in partnership with Hanover Housing Association. The facility consists of 30 wheelchair accessible apartments six of which are tailored for residents with dementia.

Dedication to customers is at the heart of the Springfield culture. We offer our customers wide choice of options on design, fixtures and fittings through our online "Choices" initiative and we build trust through our "It's Included" promise and our after sales service. Customer satisfaction statistics are an integral part of how we manage our business and incentivise our key people. Our CEO presents our customer satisfaction statistics at each board meeting. Springfield has received a number of awards for its customer services and for the sites it produces, including:

#### **2017 PREMIER GUARANTEE AWARDS**

Social Housing Development of the Year - Linkwood View, Elgin

#### **2016 PREMIER GUARANTEE AWARDS**

Large Development of the Year - Duncansfield, Elgin  
Site Manager of the Year - Victor Grant

#### **2016 HOMES FOR SCOTLAND AWARDS**

Private Development of the Year - Medium - Middleton of Canmore, Braemar

#### **2015 HOMES FOR SCOTLAND AWARDS**

##### **HOME BUILDER OF THE YEAR 2015**

Employee of the Year - Heather Henderson; Best Customer Service Initiative 2nd year in a row - It's Included; Best Small Development - Powderhall Gate

The Board believes that high levels of customer service are only deliverable by talented and engaged employees. With strong local roots in the North of Scotland many of our employees joined the business in its early stages of development and have remained with us as we've grown and most recently become a public group listed on AIM. Ten of the original fourteen Springfield employees are still with the Group today - eight in promoted positions. As a result we benefit from the loyalty and commitment of employees who have played a major part in building the business and in many cases have taken the opportunity to share in its success via our SAYE Scheme. The Board works hard to promote the same levels of loyalty and engagement in its new recruits throughout Scotland.

Now that Springfield is listed on AIM there is a need to recruit professionals in key areas across the business. To support our objectives and to maintain a high level of professionalism and customer service the Board's policy is that 'the best person for the job' is recruited to support the existing professionals in its in house teams of planning, engineering, marketing, design, finance, legal and governance and health and safety. Taken together the Board are committed to the development of Springfield whilst at the same time preserving the culture and ethos which has resulted in the Group's growth to date.

# SPRINGFIELD PROPERTIES PLC

## GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

### QCA CODE COMPLIANCE (CONTINUED)

#### 9. Maintaining Good Governance

As an AIM listed group, the Board recognises the importance of applying sound governance principles in the successful running of the Group. We embrace the principles contained in the QCA Corporate Governance Code (QCA Code) for Small and Mid-Size Quoted Companies where appropriate. We are also mindful of the changes to the governance requirements for AIM listed companies. Given the size and nature of Springfield and composition of the Board we, in so far as is practical and appropriate, formally adopt and adhere to the QCA Code and will report accordingly in our next annual report from 28 September 2018.

Springfield operates processes to identify, measure, manage and monitor risks within acceptable limits identified by the Board which impact the Group's business. Further details on our approach to risk are set out in response to principle 4 above.

Springfield reviews its governance structures regularly. In June 2018, Springfield appointed a third Non-Executive Director which provides a balance between executive and non-executive directors on the Corporate Board. We have also taken the decision to appoint two Managing Directors – one for the North of Scotland projects and one for the central belt of Scotland projects.

The Board as a whole takes responsibility for ensuring the Company maintains appropriate corporate governance practices, in addition the Chairman and CEO take responsibility for obtaining feedback from key stakeholders.

#### 10. Communicating Governance and Performance

We have set out how communication with investors and key stakeholders is maintained in relation to principles 2 and 3 above and shared via our website (more details of which are set out under principle 2). Please see the reports produced by the remuneration committee and audit committee.



Andrew Todd  
**Company Secretary**  
26 September 2018