

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT FOR THE YEAR ENDED 31 MAY 2020

This corporate governance report intends to give shareholders a clear understanding of the Group's corporate governance arrangements and their operation within the Group during the year, including analysing compliance with the Quoted Companies Alliance's 2018 Corporate Governance Code ("the QCA Code").

The QCA Code provides a robust framework which enables the Group to maintain high standards of corporate governance. It sets out ten principles and each principle and the Group's actions are set out below. Sandy Adam, in his capacity as Chairman, is responsible for ensuring the Group has the necessary corporate governance framework in place and that the ten principles are followed and in place across the Group.

1. Strategy and Business Model

The Group operates within two markets – private housing and affordable – with the belief that this combination is key to sustained long term growth. The Group focuses on developing a mix of private and affordable housing in Scotland.

Private:

The Group delivers private housing via Springfield Properties Plc and its subsidiaries: Walker Group and Dawn Homes. Sourcing land in areas with high growth potential is a priority for the Group with a view to then progress developments through the planning process. We are motivated by making Scotland a better place to live and we value the idea that when purchasing a new home it should feel like 'YOUR home'. Through our "Choices" and "It's Included" customer incentives, our customers receive many features as standard along with the ability to customise their own home.

Affordable:

Our affordable housing operation focuses on developing land into (i) standalone sites that consist entirely of affordable homes; and (ii) developing affordable housing on the Group's private developments as a condition of receiving planning permission. With over 158,000 applicants to local authority housing lists in March 2019 there is a substantial need for affordable housing in Scotland. The Scottish Government has set a target of building 50,000 affordable homes by 2021. We have built over 1,200 affordable houses in the last five years and we aim to further increase the size of our affordable housing business.

We have an abundance of in-house skills to support our strategy and allow us to develop 'difficult' sites (often involving several land owners) that require considerable remediation works and/or significant investment in infrastructure prior to commencing development. The wealth of knowledge and expertise our in-house staff provide increases our ability to competitively purchase 'difficult' sites.

Further details on our strategy and business model are discussed in the Chairman's statement on pages 5-7.

2. Section 172 Statement and Understanding Shareholder Needs and Expectations

Along with compliance with QCA Code, the Directors are required to include a statement of how they have had regard to shareholders to promote the success of the Company, in accordance with section 172 of the Companies Act 2006. This section along with p40 – 41 sets out how the Board has discharged its duties.

Maintaining positive relationships with shareholders is important to the Board. 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.

Our shareholders have the opportunity to ask questions by email or telephone throughout the year and can also attend 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. Roadshows were held in 2019/2020 however for 2020/2021 given the ongoing COVID-19 pandemic presentations are being held virtually.

We maintain a corporate website (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 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>.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

2. Section 172 Statement and Understanding Shareholder Needs and Expectations (continued)

All shareholders are invited to attend Springfield's annual general meeting (AGM) which will this year be held virtually to follow Scottish Government COVID-19 guidance. 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 and 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 decent place to live. Through delivering private and affordable housing, we aim to fulfil that promise. However, we cannot do that alone. We maintain strong relationships with all stakeholders including employees, customers, suppliers, national & local government and local communities. With the COVID-19 outbreak in 2020 the health and safety of Springfield employees, customers and the communities in which we operate have been of paramount importance. Consequently, in accordance with Scottish Government guidance, on 24 March 2020 we temporarily closed down all of our sites under construction and our kit factory, as well as closing our sales and administrative offices to the public with employees working from home wherever possible.

Employees (current): Departmental groups of employees meet with the Chairman and CEO bi-annually to discuss employees' needs, interests and expectations. During these meetings key achievements of the groups are discussed as well as future goals. Employees are also updated regularly by email to any major news as it happens (and in line with market announcements). Employees have been updated by email and text alerts weekly during the COVID-19 pandemic. Employees have the opportunity to ask questions and provide feedback. We currently have 719 employees at 31 May 2020 and are proud that many of our employees have chosen to remain with Springfield with the average length of service being 5.5 years. We undertake an annual pay review most years and at June 2019 our current employees were paid at least 3% above minimum wage. No pay review has taken place in the year 2019/2020 due to the COVID-19 pandemic. Springfield recognise gender diversity and are confident that male and female employees are paid fairly and appropriately for work of equal value. The construction industry has typically been dominated by men, however we have seen proportionally more women joining us to begin a career in construction. You can read more about our findings in the Gender Pay Gap Report on our website. The Group has a series of data protection policies which have been updated, along with providing training for staff, to ensure compliance with the General Data Protection Regulation (GDPR).

Employees (training & education): At May 2020 we supported 130 (18.1%) staff in further education, training and apprenticeships. This includes 91 apprenticeships.

Employees (future): The Group has a strong focus on education and training. We encourage student placement programmes and we have placed 17 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 4 of the students who now work for us, or will do after completion of their degree. We have recently introduced an 'ideas' initiative where our employees are encouraged to be creative and suggest any ideas they have for the Group. One of the ideas that has already been actioned is the creation of an employee 'Green Committee'. Employees are encouraged to send environmentally friendly initiatives that they think Springfield should adopt and these are considered and, if approved, actioned by the employee representatives who make up the Green Committee.

Customers: Customer views are sought via In-house Research Limited who contact our customers around nine weeks after handover of their home and gather feedback. Each managing director actions any points required as a result of this feedback.

Suppliers: The Group's commercial and purchasing teams communicate closely with suppliers. During the early weeks of the COVID-19 lockdown the company contacted all major suppliers to provide reassurance and direction during the uncertainty of sites closing and work stopping.

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QCA CODE COMPLIANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

3. Wider Stakeholder and Social Responsibilities (continued)

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 developments forward.

Environment: We have implemented several environmentally friendly policies and initiatives including installation of electric car charging points in some of our staff car parks and cabling for electric car charging points in all our private homes. In 2019 we put in our first 'waste plastic road' using the equivalent of 6,000 plastic bottles or 17,042 plastic bags. These 'waste plastic roads' are up to 60% stronger than a standard road due to the flexible properties of the plastic. Springfield is the first UK housebuilder to do this, and we intend to work with local authorities to use recycled plastic roads on all of our developments across Scotland.

Our affordable housing operation has a variety of environmentally friendly approaches to their sites which includes air source heat pumps, energy efficient boilers with gas saver units and the provision of water butts in gardens which are connected to down pipes enabling the collection of rainwater which can then be used for things such as watering the garden. In 2020 our employee Green Committee was formed to consider, and action environmentally friendly and sustainable initiative suggested by fellow employees.

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.

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.

Given the environment in which it operates the Board has a strong 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. 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 and preventative or corrective measures are taken as necessary.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

5. Maintaining a Well-Functioning Board

The skills and experience of the Board are set out in their biographical details on pages 21-22. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The Board meets at least bi-monthly. 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 Colin Rae was appointed to the Board on 16 September 2019 following a thorough assessment of potential candidates' skills and suitability for the role.

The Board consider Colin Rae, Nick Cooper and Matthew Benson to be independent Directors for the purpose of the Corporate Governance Code. From 13 November 2020 Roger Eddie will have completed twelve 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 2020, 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 and committee meetings 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 experience, are set out on pages 21-22. 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. The Board receives regular updates from its advisors.

All seven 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 identified the potential benefits of appointing a further Non-Executive Director to increase the knowledge and skills of the board and for succession planning.

Additionally, the effectiveness of the Board and its committees is kept under review in accordance with corporate governance best practice. Springfield's Board implemented a formal review process in the year 2019/20. Springfield's human resources department prepared a self-evaluation criterion which was issued and approved by the Board. The intention was to have the self-evaluation process completed in the year 2019/20 but this was delayed due to COVID-19. All directors completed self-evaluation reports in the first quarter of 2020/21 and the results of the exercise will be acted upon in the second quarter of 2020/21

The Board's effectiveness is also assessed in an informal manner by the Chairman on an on-going basis.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

8. Corporate Culture

The Board believes that everyone deserves a decent place to live. In other words, there is a need for good housing for every member of every community in Scotland. Where this need is not met Springfield aims to provide high quality homes for private sale to first time buyers and those already on the housing ladder and provide affordable homes through its partnership arm which works with housing associations and local authorities.

Dedication to customers is at the heart of the Springfield culture. We offer our customers a 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.

The Group have received numerous awards for customer service and for the sites we build. Our Dawn Homes Limited site at Camas Walk, Cambuslang was a recipient of the Commended and Highly Commended Sites NHBC award for 2019. More recently, Springfield and both subsidiaries (Walker Group (Scotland) Limited and Dawn Homes Limited) were each awarded the "In House Gold Award for Customer Satisfaction" over the last year. This means that over 95% of our customers would recommend us to their friends and family. Springfield and Dawn Homes Limited also received "Outstanding Achievement" awards for the positivity of the word of mouth recommendations we receive from customers. These awards are a testament to the ethos of the Group to provide our customers with a great house, a nice place to live and excellent customer service.

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 company listed on AIM. 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 an additional 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 teams. 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.

The Group has adopted, and will operate as applicable, a code for Directors' and applicable employees dealings in securities in accordance with Rule 21 of the AIM Rules for Companies.

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, in so far as is practical and appropriate, we formally adopt and adhere to the QCA Code.

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

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

9. Maintaining Good Governance (continued)

Springfield reviews its governance structures regularly. In September 2019, Springfield appointed a fourth Non- Executive Director to provide a balance between executive and Non-Executive Directors on the Board. Meanwhile, day-to-day operational responsibility has been delegated to four managing directors: Dave Main for the North of Scotland projects, Martin Egan for the West of Scotland projects, Peter Matthews for the Central Belt projects and Tom Leggeat for the Partnerships projects delivering affordable housing across the Group.

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.

The Board is supported by the Audit, Remuneration and Nomination Committees.

The Audit Committee is responsible for determining and reviewing matters relating to the financial affairs of the Company. The Committee examines reports received from management and the Company's auditor in relation to the accounts, as well as the internal control systems utilised throughout the Group.

The Remuneration Committee reviews and sets the terms and conditions of the Directors' appointment, along with their remuneration and benefits package and makes recommendations to the Board in relation to the allocation of share options to employees under our Share Plans. The Committee meets at least three times a year.

The Nomination Committee's role is to consider the selection and re-appointment of Directors, and make recommendations for the nominations of candidates to fill vacancies on the Board. The Committee also regularly reviews the structure, size and composition of the Board, providing recommendations for change where appropriate.

Further information can be found in the Audit and Remuneration Committees' reports on pages 29-37.

10. Communicating Governance and Performance

The Company recognises the importance of maintaining a good relationship with shareholders and stakeholders, communicating to them through the Annual and Half-Year Reports, the Annual General Meeting (AGM), bi-annual presentations and other trading updates.

We maintain an investor relations section of our website which provides a range of corporate information to shareholders, investors and the public (www.springfield.co.uk/investor_relations), with all press releases regarding news and updates on the Group's current projects being posted in the news section of our website (www.springfield.co.uk/news).

Results from the AGM are announced to the market and displayed on the website after the meeting.

Andrew Todd
Company Secretary
28 September 2020