

## CORPORATE GOVERNANCE

The Directors are accountable to the shareholders for good corporate governance of the Group and recognise its importance. Accordingly, the Board has decided to apply the **Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code')** which identifies **10 key corporate governance principles**. The Directors consider this to be appropriate to a company of Safestays' size and nature. How the Group addresses each of the key governance principles defined in the QCA Code is set out below. Further information on compliance with the QCA Code are available on the company's website ([www.safestay.com](http://www.safestay.com)) and is also provided in the Company's Annual Report and Financial Statements for the year ended 31 December 2020.

### CORPORATE GOVERNANCE - PRINCIPLES TO DELIVER GROWTH

#### Principle 1 - Establish a strategy and business model which promote long-term value for shareholders

The strategy of the Group, as adopted by the Board, is set out in the Strategic Report on page 12 of the Company's Annual Report and Financial Statements for the year ended 31 December 2020. The strategy is focused on growing the hostel network whilst increasing net asset value per share and total shareholder return. The key challenges to the business and how these are mitigated are detailed in the Strategic report.

#### Principle 2 - Seek to understand and meet shareholder needs and expectations

The Board is committed to create long term value and distribute a share of profits to our shareholders.

Safestay encourages two-way communication with its investors, responds promptly to all queries received and ensures that the investors' views are communicated fully to the Board. Queries raised by shareholders are dealt with either by the CEO or the Company Secretary.

The shareholders also have the opportunity to contact our registrar for any question in relation to their holding.

The Board recognises the AGM as an important opportunity to meet shareholders. The Directors are available to listen to shareholders' views informally immediately following the AGM.

If voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.

Principle 3 - Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group's other stakeholders include members of staff, customers, suppliers, regulators, industry bodies and creditors (including the Group's lending bank). The principal ways in which their feedback on the Group is gathered are via meetings and ongoing conversations. The Group is also committed to the environment and the communities it operates in. Section 172(1) statement in the Annual report (page 22) elaborates on how the Company interacts with stakeholders.

Principle 4 - Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Strategic report in the Company's report and Financial Statements details risks to the business, how these are mitigated and the change in the identified risk over the last reporting year. The Board considers risks to the business at every Board meeting (at least 8 meetings are held each year).

The Board members are responsible for reviewing and evaluating risk. The Executive Directors meet at least weekly to review ongoing trading performance, discuss budgets for specific projects and forecasts and new risks associated with ongoing trading.

**CORPORATE GOVERNANCE - PRINCIPLES TO MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

Principle 5 - Maintain the Board as a well-functioning, balanced team led by the chair

The Board is responsible for successful stewardship of the Group, creating long term value for shareholders, setting strategic objectives, managing the Group's resources effectively and mitigating risks. The Board comprises six directors, three executive and three non-executives.

- The Group's Executive **Chairman** is Larry Lipman who is beneficially interested in 3.3 per cent. of the Enlarged Share Capital of the Group, and therefore is not considered to be independent. The Board believes that Mr Lipman's position as Executive Chairman and his knowledge of the hostel sector is strategically important to the future development of the Group.
- The **Executive members** of the Board are the Chief Executive Officer and the Chief Financial Officer.
- The Board's **non-executive members** include a Senior Independent Non-Executive Director and a second Independent Non-Executive Director.
- The **Company Secretary** ensures necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively.

The Board meets at least 8 times each year to review formal matters, and more often when circumstances require as it was the case since the start of the COVID-19 pandemic. In the month where a Board meeting does not take place, papers are circulated and Board members will raise any matters with the Chairman.

The Board has a formal schedule of matters reserved to it and is supported by the Audit and Remuneration Committees. At each Board meeting, the Board receives the latest financial and management information available which generally consists of:

- Management accounts setting out actual performance;
- Management discussion on current status of the existing Hostels and potential sites under review; and
- Working capital cash flow position, forecast and funding requirements

The Board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the Company whilst delegating authority to individual directors who are responsible for the day to day management of the business. All directors have access to the advice and services of the Company Secretary and can also seek independent professional advice, if necessary, at the Company's expense.

Principle 6 - Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

All appointments to the Board are discussed at a full Board meeting and each member is given the opportunity to meet the individual concerned prior to an appointment being made.

Directors retire in accordance with the Company's Articles of Association which prescribe that *"there shall retire any Director who will have been a Director at each of the preceding two annual general meetings, and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting. A retiring Director shall be eligible for re-appointment."* Non-executive directors are initially appointed for a three-year term but their appointment is terminable by either party on three months' written notice.

Due to the size of the Group and the Board, it is considered inappropriate to establish a Nominations Committee.

Both the company's annual report and website give a full biography of the executive and non-executive directors. They are chosen based on their experience, competences and ability to create value for the Group and the shareholders.

Principle 7 - Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Remuneration Committee, which is composed of 2 non-executive directors, meets as required during each financial year. It is responsible for reviewing the performance of the executive directors and setting the scale and structure of their remuneration and the basis of their service agreements with due regard to the interest of shareholders. The Remuneration Committee shall also determine the allocation of share options to employees. It is a rule of the Remuneration Committee that a director shall not participate in discussions or decisions concerning his/her own

Directors are appointed based on experience and ability to set the strategy of the company to deliver growth and value to the shareholders. Key Performance Indicators are defined to measure the alignment of the company's performance and the strategy set by the board. The KPIs are reviewed at every board meeting along with the management accounts to assess the performance of the directors. In addition, the assessment of the performance of each executive director is formalised via the annual performance review.

Principle 8 - Promote a corporate culture that is based on ethical values and behaviours

We are committed to sustainability in all aspects of our business - for the environment, our people, customers, suppliers and the communities the Group operates in. Because of its size, the Group does not have a formal written policy on ethical values and behaviours but the Directors lead by example and work in an open plan office with plenty of opportunities to interact with staff, customers, suppliers and others.

Principle 9 - Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. These procedures are continuously reviewed as the Group is growing and expanding outside the UK.

In particular, there are clear procedures for investment appraisal and approval and financial reporting within a financial planning and accounting framework. The Board has reviewed the need for an internal audit function and concluded that such a function is not appropriate given the size of the Group.

The biography of the directors and role of each committee is detailed on the company's website

## **CORPORATE GOVERNANCE - PRINCIPLES TO BUILD TRUST**

Principle 10 - Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Safestay encourages two-way communication with its investors, responds promptly to all queries received and ensures that the investors' views are communicated fully to the Board. Queries raised by shareholders are dealt with either by the Managing Director or the Company Secretary.

The shareholders also have the opportunity to contact our Registrar for any question in relation to their holding. Contacts of all advisers are available on the company's website.

The Board recognises the AGM as an important opportunity to meet shareholders. The Directors are available to listen to shareholders' views informally immediately following the AGM.

If voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.

The Company maintains a website ([www.safestay.com](http://www.safestay.com)) where the Group's statutory accounts as well as any information relevant to shareholders and potential investors will be accessible.

Updated [31 December 2021](#)