

Loch Duart PLC

Statement of compliance with the QCA Corporate Governance Code

Chair's corporate governance statement

As Chair, I am responsible for overseeing the adoption, delivery and communication of the Company's corporate governance model. I view corporate governance as an important element of the management of long-term shareholder value, management of risk creation of sustainable growth.

The growth of the business and its conversion to PLC in 2024 required the formalisation of policy and the company has assessed that the Corporate Governance Guidelines devised by the Quoted Companies Alliance ("QCA") is the most appropriate code for the scale and nature of the company's operations.

We continually review the framework within which we operate and will make revisions should they be necessary

The Board sets the strategic objectives for the business, regularly reviews performance and ensures that there are sufficient and appropriate resources available to support the delivery of those objectives. It is satisfied that there are the necessary controls and resources in place to discharge these responsibilities.

Our primary objective is to enhance shareholder value and to ensure that the Company and Group is managed for their long-term benefit. We also recognise our responsibilities to the wider stakeholders in our Group and the importance these relationships play in the delivery of our vision. The Board promotes a culture of good governance in dealing with all stakeholders.

Rob van Es
Chairman

Adoption of the QCA code and its principles

We set out below, in broad terms, how we comply with this code. Furthermore, if we do not comply with any element of the code, our report explains why not. We provide annual updates on our compliance with the code.

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

The company's purpose is to build long term shareholder value through the steady build of margin and production volume of its premium Scottish salmon. That strategy is built on the delivery of several key workstreams:

- Leverage of its propriety genetics for both fish health and quality

- Investment in quality feed to deliver premium taste and nutrition
- Development and extension of operating licences for environmental and productivity improvement
- Building of relationships with a customer base which appreciates the company's product and farming points of difference and will pay a premium for it
- Productive relationships with regulators to ensure they understand and value the company's differences relative to the wider sector.

To achieve these objectives the company invests in its people and in long term relationships with suppliers and customers.

The Strategic Report will report update developments on this strategy.

Principle 2: Promote a corporate culture that is based on ethical values and behaviours

The company was founded with the aim of producing the world's highest quality and most sustainable farmed salmon. Fish welfare and environmental impact were prioritised alongside taste to achieve strong brand recognition.

That commitment to quality and best practice is reflected in the company's attitude towards corporate governance and transparency.

We see the recruitment and retention of the best employees as being essential to the delivery of corporate objectives. Farming fish successfully requires a wide variety of skills and dedication which must be rewarded properly. The company has aimed to supplement reasonable pay with working environment and culture in which staff are able to exercise autonomy and responsibility. Training and skills are valued and developed to ensure the company is well placed to operate in the increasingly technical operating and regulatory environment.

We encourage and value feedback from all colleagues as being an essential to the company's desire for continuous improvement.

The company is also acutely aware that in the areas where it works there is a need to ensure those not working for the company also see a benefit from the company's operations. It therefore operates a scheme to make contributions to community activity.

Principle 3: Seek to understand and meet shareholder needs and expectations

The company has a sole holder of the ordinary share capital and manages shareholder engagement through a regular dialogue with shareholder representatives.

The company has listed debt and manages engagement with bondholders through formal communication via its Trustees. Bondholder engagement beyond that is at bondholder request and contacts are published on reports available via Trustee, market or company website.

Principle 4: Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success

Beyond our shareholders, the bondholders, suppliers, customers, employees, regulators and the communities in which we operate are our most important stakeholders.

The Board (individually and collectively) takes a pro-active approach to engaging with stakeholders.

Our employees:

Our employees are central to achieving our goals. Knowledge, skills and experience are vital to ensure fish health, product quality and customer service match the brand values and company aspiration. Staff recruitment, training, retention and reward are critical. We have an open-door communication approach and encourage dialogue without deference to the formalities of corporate structure.

Our People strategy focuses on five key themes:

- Health, safety and wellbeing – to ensure there is a culture of “Safety first” and that colleagues feel valued and supported.
- Culture – so that everyone at every level is aligned with company values.
- Community Impact – to ensure that the community we operate in values our presence and workforce.
- Developing Careers – so that colleagues can see a rewarding career ahead of them.

Given the risks inherent in marine operations and factory processing, the company prioritises Health and Safety awareness, training and compliance. The company has a full-time H&S Manager who conducts monthly update meetings with each site and quarterly all site meetings supplemented with subject specific training. All mandated training is coordinated through that post. The company maintains good relations with the MCA and HSE as part of a proactive approach to keeping colleagues safe. The board receives H&S updates as a routine and detailed reports on any incidents.

New employees pass through a thorough induction process which includes familiarising themselves with the company’s comprehensive Staff Handbook.

To ensure compliance with company policies is evidenced, the company undertakes an externally audit under Global GAP Risk Assessment on Social Practice (GRASP). That scheme aims to support the evaluation of workers' health, safety, and welfare at farm level. It covers four major social responsibility topics: workers’ voice, human and labour rights information, human and labour rights indicators, and child and young workers’ protection.

Our Director induction programme encourages newly-appointed Board members to meet senior management from across the company and visit a number of operational sites.

Our suppliers:

We recognise the importance of strong and long-term supplier relationships for mutual benefit. We aim to source all purchases as locally to point of use as possible, where required quality and service is available. This carries particular emphasis on the more remote coastal areas of operation.

Supplier relationships are managed by the relevant functional lead.

The company has a formal process in place for on-boarding new suppliers which includes checks on modern slavery and human trafficking compliance as well as contract terms. The company is committed to working with suppliers who are as committed to high standards as it is itself.

Our customers:

The company exists to provide the highest quality product to customers who value its premium quality points of difference. It follows that strong customer relationships and technical product support are essential to developing markets, demand and sustainable profitability.

Both relationships with existing customers and development of customer relationships in new markets are led by the Commercial Director.

With a strong export bias to sales, work with customers requires taking into account a diversity of tastes, preferences, cultures and expectations. The company celebrates and learns from all engagement with customers to improve its service and products.

Our community:

Colleagues in each of our operating areas are actively engaged in their local communities. We know that each community needs to see a benefit from our operations beyond the wages of staff employed. We encourage and support volunteering on community bodies and emergency services, seeing them as essential parts of community fabric.

In partnership with a key supplier we also operate a community fund, enabling support of community plans and activities.

Company approach to environmental issues:

Farming is both dependent on the environment and capable of having an impact on it. Successful farming therefore depends on successful environmental policy and practices and the company has focussed on identifying what it sees as improvements in farming activity from the start of operation. Examples from the last 25 years are:

- A longer fallowing regime than the wider industry or required by regulators.
- Lower stocking levels
- Minimal handling intervention

- Prohibition of antibiotics
- Early adoption of cleaner fish.
- Early adoption of hybrid power on feed systems – retrofit and new build
- Minimisation of both carbon footprint and impact of ingredient sourcing within feed

Most recently, as part of its investor's impact policies a carbon footprint was evaluated by external contractors from which a carbon reduction plan will be developed.

The company reviews environmental risks, led by the Managing Director, on a regular basis and seeks to mitigate them through a combination of investment and behaviours.

Our regulators

Regulation of salmon farming is complex and involves multiple parties. The company welcomes good regulation based on thorough science which recognises the economic and societal benefits which the company's (and wider industry's) activities bring to the country.

The company therefore seeks good relationships with regulators and is pre-emptive and transparent with performance. In order to deliver confidence and transparency, the company will develop unilateral policies, such as external audit of lice counting – something not required by any regulations.

Principle 5: Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

The Board has ultimate responsibility for the company's control environment and for reviewing its effectiveness. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss given all processes contain human engagement. The Board assesses the internal control environment to be appropriate for the size and complexity of the company.

The Board carries out a formal risk review half-yearly, although risk updates form part of monthly board discussion. Directors and senior management all contribute to the evaluation of risk within the review.

The review document lists each defined risk, evaluates scale, likelihood and mitigation plans. Where necessary, formal action plans will be allocated to a board member to deliver risk reduction measures.

The key risks are set out in the Company's annual report and accounts under the section principal risks and uncertainties. The risk review addresses individual components of these risks.

Principle 6: Establish and maintain the board as a well-functioning, balanced team led by the Chair

The Board is led by the Chair and consists of five Executive Directors and two Investor Directors. Board meetings are held, generally, monthly. In addition to the Executive Directors, board meetings are attended by, as a minimum, the Chair and at least one further shareholder representative as well as the company's HR Manager. No board meeting is quorate without the attendance of the Chair or other Investor Director.

Executive Directors work full-time in the business and have no significant outside business commitments. Investor Directors work for Vision Ridge Partners, the managers of the fund which owns the company.

As the company has a sole shareholder and the board meeting frequency allows for significant challenge of Executive Directors on strategy and performance, the company considers that the Investor Directors satisfy the requirements for independent directors.

There is no Nomination Committee. Investor Directors are appointed by Vision Ridge Partners and whilst Executive Director recruitment is conducted by the company, Investor Director approval for any such appointment is necessary. Executive Director recruitment is designed to ensure that there is experience and skill appropriate to each element of the company's operation.

Given the scale of the company, composition of the board and frequency of board meetings, there is no Audit Committee. Matters which would normally be considered by such a committee are instead considered by the full board. The statutory auditor attends a board meeting annually just prior to approval of the annual report and accounts to discuss with the board the findings of the audit.

Principle 7: Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that collectively, it has the necessary experience, skills and capability to discharge its duties. The mix of roles and skillsets included in the recruitment processes for those roles, plus a regular review of skills and resource required for delivery of the strategic plan ensures this will remain the case. The board receives monthly information on both the company's operational and financial performance and ensures that is interrogated at board meetings to ensure that the collective focus remains on strategic and operational delivery.

The board utilises the expertise of external advisors to ensure updates to legal and governance requirements included in procedures and behaviours. Most recently the change to PLC status and the listing of debt has seen the board rely on legal advisors for changing requirements.

The company considers that all matters require the attention of all directors and so no subcommittee has been delegated to report any matter to the board, as described under Principle 6.

The Investor Directors provide detailed support and challenge to the board and are supported by Vision Ridge colleagues who can bring specific skills or knowledge to the board when needed.

Biographies for each Board member are published on the Company's website. Board members maintain their skills through activity in day-to-day roles, supplemented by attending specific training where necessary. This is a combination of in-house and external briefings and courses. Some members do this as part of CPD in relation to their professional qualifications.

Principle 8: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Our Chair is responsible for ensuring that written and oral contributions made to the Board are relevant, independent, effective, encourage debate and cover all matters which the board should consider.

The Chair is assisted by Vision Ridge colleagues to operate a rolling dialogue with each Executive Director to ensure leadership, skills, resources, priorities and performance are meeting the needs of both the company and each Director's departmental colleagues.

This rolling evaluation replaces the annual review and has the objective of ensuring that there is no delay in any action necessary for the company's performance. At each board meeting delivery by the board of its strategic and operational priorities is assessed and re-directed as necessary. The company considers this rolling program of review to be consistent with the principles of seeking continuous improvement and a more effective way of ensuring the board performs.

The company's approach to succession planning is a combination of factors:

- Identification of internal talent and its development to have the potential for promotion generally and to the board more specifically. The current board is a mix of internal and external appointments.
- Relatively long notice periods, ensuring that the company has time to address any unplanned succession need.
- Review of the strategic direction of the company to address any skills gap in the board which may need to be addressed by rotation of directors or additional recruitment.

Principle 9: Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The company's approach to remuneration is that director remuneration is set upon appointment and is then subject only to cost of living review which is consistent with the cost of living review awarded to all staff. Board approval of that review is necessary for implementation and so the Investor Director approval is a requirement.

The company routinely benchmarks non-board roles as part of its commitment to create a rewarding environment for all staff and to promote consistency across roles within the company which require different skillsets. The board is assisted in that by the company's HR Manager and external professionals.

A company-wide bonus scheme is operated with directors participating on the same terms as all other staff.

Support for director commitment to long-term value creation is delivered through the award of growth shares, the terms of which are covered in the company's Articles.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders

The sole shareholder is represented on the board and so communication is monthly and detailed. Quarterly trading updates are published on the company's website for other financial stakeholders. Site visits and off-site meetings are held with customers, suppliers and regulators to ensure that relationships remain informed and productive.

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