

Statement of Compliance with the QCA Corporate Governance Code

The Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a company of its nature and size.

Changes to corporate governance regime

The Company adopted the Quoted Companies Alliance (QCA) Corporate Governance Code ("Code") following the changes to the AIM Rules for Companies implemented in September 2018. We will provide annual updates on our compliance with the Code. Set out below is how we comply with the Code:

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

The Company owns and operates a number of mid-priced pan-Asian and "pizza, pasta, grill" restaurants throughout the UK. Our objectives are to provide an excellent customer experience and thereby nurture and develop our brands through our branches to promote long term value for our shareholders.

One of the main challenges facing the industry is recruiting and retaining the right employees, particularly as we come out of the EU. We are currently addressing this issue through training and apprenticeship schemes and establishing clear development paths.

Principle 2: Seek to understand and meet shareholder needs and expectations

An open dialogue with shareholders is important to the Company. At both the Company's AGM and separate meetings with institutional shareholders following the publication of the Company's year-end and half yearly results, the Company seeks to engage with shareholders to better understand their concerns and objectives. Feedback following these meetings is reviewed and analysed by the Board.

The AGM is led by the Chairman, Keith Lassman, and the Board attends in full. Individual investor meetings are generally attended by one or both of the CEOs and the Finance Director.

The results of the AGM are announced to the market and uploaded to the Company's website (www.dimt.co.uk/investor-relations).

The point of contact for shareholder liaison is:

Jonny Plant, Joint Chief Executive

Tel: 020 7637 1166

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

Tasty plc recognises the importance of good relations with stakeholders, both internal and external and we strive to improve and develop this. Feedback on how we perform as a Group and how we can improve is the key to its success.

Customers

We have invested in systems which allow us to access customer feedback on a daily basis, allowing us to harness the opinions of thousands of customers each month. Through our developing systems, we now know more about our customers and importantly what they like and want when dining out. During 2020 we will be leveraging this improved knowledge to test menu developments, promotional activity and continue to build loyalty to the brands.

Consumer tastes and habits are continually changing and the ability to keep pace with the demands of the consumer is integral to long term growth. The Company has invested to increase the level of feedback received from customers using a number of channels which include mini wi-fi surveys in store, a detailed customer feedback system and technology to collate on-line opinion. The Company has increased the level of social media and marketing engagement and is reviewing other options to further increase customer engagement. Menu development continues, with new items tested each month through our monthly specials menu.

Employees

We ask our employees to complete an engagement survey bi-annually. The senior management team reviews the feedback and implements changes where appropriate. In addition, managers are invited to roadshows; last year we held two roadshows.

We constantly review and improve the training for our teams to ensure development and engagement, and also to ensure an exceptional customer experience. We believe that this focus has been a key driver of significant improvements in our staff retention over the last 3 years. However, the impact of the changes we have made have yet to be fully realised, and we look forward to seeing increased returns in both engagement and retention over the next year. We have also just introduced a new e-learning platform, this has significantly improved new employees' induction to the Company and empowers current teams to manage their personal development, as well as giving us a powerful tool to introduce training targeted at the right people. In addition, as one of the few hospitality businesses to have been awarded 'employer provider' apprenticeship status by the Education and Skills Funding Agency ("ESFA") we have significantly improved the curriculum we offer. This has led to engaged learners who are also having positive impacts within their direct site and amongst their colleagues

Currently, we have three apprenticeship programmes in operation and this will be increased to four or possibly five in 2020. This will allow us to pro-actively respond to current and any future skills shortage in our sector by providing a comprehensive career pathway from entry level to general management and beyond. We have also invested in mental health training for our training teams to ensure that they are supporting our staff in providing a safe and supportive environment for all. We have also introduced a module within all of our apprenticeship programmes focussed on mental health and wellbeing. This information is then filtered by learners into the rest of the organisation. We also communicate with general managers to help them understand how to support their team, particularly in busy trading periods like Christmas. This will continue to be a big focus for us in 2020. We will introduce e-learning training for all managers to support them in promoting the welfare of their teams.

In addition, a number of new customer focussed training courses have been developed at all levels across the business. This has also linked in with a sophisticated system for tracking customer experience across our estate. This will allow us in the coming year to be far more focussed with our training.

The Company takes a positive view toward employee communication and has established systems for ensuring employees are informed of developments and that they are consulted regularly.

Diversity

We continue to work to create and maintain a caring and open environment. To this end we are delighted that our mean Gender Pay Gap has fallen (10.6%) and is over 7 percentage points better than the National Average (17.9%). However, we are not complacent and continue to work to understand the reasons for our gap.

We found that our Gender Pay Gap can be explained by the difference in roles that males and females fulfil. 86% of our back of house teams are male and these tend to be higher paid roles. Whilst this is an industry wide issue, we aim to be a leader for improvement in this area. To this end we aim to create back of house career paths that are attractive to the widest possible group of people. We are pleased however that our restaurant management teams are very evenly representative of both genders, with a slight female majority of 54%. Our Gender Pay Gap analysis can be found in full on our website.

In addition, we continue to have the privilege of having a highly diverse workforce. This allows us to make sure we can attract the most talented employees regardless of background. This includes applications from disabled persons which are given full consideration providing the disability does not seriously affect the performance of their duties. Such persons, once employed, are given appropriate training and equal opportunities.

We have also introduced equality and diversity training as a mandatory course for all general managers. We are also exploring the opportunity of expanding our mental health and wellbeing training to include all general managers to ensure that they can pro-actively encourage their teams to maintain and improve their mental health and wellbeing.

Communication

Additionally, we believe having open lines of communication between leadership and team, and team to leadership is key to our success. We have implemented structures for communication which allow us to more effectively and efficiently consult with our team and effect change within our restaurants. This also increases the availability of feedback to the leadership team

Modern day slavery

As part of our Company mission to "Do the Right Thing for our People, Customers and Suppliers" we oppose modern slavery in all its forms and will try to prevent it by any means that we can. We expect anyone who has any suspicions of modern slavery in our business or our supply chain to raise their concerns with us without delay.

We are committed to conducting our business activities with integrity and holding ourselves to a high ethical standard. To this end we have implemented an Anti-Slavery policy which will be reviewed annually. Our policy is available on the Wildwood website: <https://wildwoodrestaurants.co.uk/terms/> This policy aims to minimise the risk of modern-day slavery within our restaurants or our extensive supply chain.

Suppliers

We have built up a close relationship with most of our suppliers over a number of years and have a good understanding of our mutual business needs.

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

Audit, risk and internal control financial and non-financial controls

The Board has overall accountability for ensuring that risk is effectively managed across the Group and the Audit Committee has responsibility for reviewing the effectiveness of the Group's risk processes. The Board has overall responsibility for the Group's policies and procedures and for ensuring that they are in line with regulations and are sufficiently robust to ensure appropriate internal controls are maintained, while also providing a suitable framework within which the Group's function can operate. The Group, in common with all businesses, could be affected by risks and uncertainties that may have a material effect on its business operations and achieving its strategic objectives including its business model, future performance, solvency or liquidity. Similarly, the risk management process and systems of internal control are designed to manage rather than eliminate the risk of failures to achieve the Group's objectives. Where possible, the Group seeks to mitigate these risks through these internal controls, but this can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Company has established internal financial controls, the effectiveness of which is regularly reviewed by the executive Board and the Audit Committee, in light of an ongoing assessment of significant risks facing the Company.

The Directors utilise a large number of detailed performance indicators to manage the business.

- The Board is responsible for reviewing and approving overall Company strategy, approving budgets, plans and capital expenditure, and for determining the financial structure of the Company including treasury, tax and dividend policy (if applicable). Weekly and monthly results and variances from plans and forecasts are reviewed by the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper financial controls. The Board liaises with the Company's auditors in respect of both the half-yearly and year-end results.
- Procedures are in place for budgeting and planning, for monitoring and reporting to the Board business performance against those weekly and monthly budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Weekly and monthly results are reported against budget and compared with prior periods, and forecasts for the current financial year are regularly revised in light of actual performance. Both weekly and daily figures are circulated to the Board.

The Company also has in place other internal controls which are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- close management of the day-to-day activities of the Group by the Executive Directors;
- a structure with defined levels of responsibility, which promotes decision-making and rapid implementation while minimising risks;
- central control over key areas such as capital expenditure authorisation and banking facilities; and

- whilst there is no dedicated control manager there are clearly defined roles, responsibilities and practices to ensure that compliance is adhered to.

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. They also investigate any significant breaches of control and recommend how to prevent such breaches in future. As part of the Group's review a number of non-financial controls covering areas such as regulatory compliance, business integrity, health and safety, risk management, business continuity and corporate social responsibility (including ethical trading, supplier standards, environmental concerns and employment diversity) have been assessed. The key elements of those non-financial controls are set out below.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies.

Approval process

All material contracts are required to be reviewed and signed by a Director of the Company where necessary legal advice is obtained.

Re-assessment

The Company has business continuity plan to address key risks that have an immediate impact. Risks facing the business are re-assessed, and potential mitigating actions are considered and implemented to help protect against those risks.

Code of Conduct

Our Code of Conduct includes guidance on anything that is considered inappropriate; (including business integrity, anti-bribery, gifts, bullying, discrimination and racism) they are sent to everyone in the Group and are visible in all workplaces.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises a Non-Executive Chairman, Keith Lassman, three Executive Directors, Jonny Plant, Samuel Kaye and Mayuri Vachhani, and one further Non-Executive Director, Adam Kaye. Adam Kaye is a director with many years' experience in the industry and in business who is capable of providing objective and independent advice.

The Board is satisfied that it has an appropriate balance between independence on the one hand, and knowledge of the Company and sector experience on the other, to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. During the year, 12 regular board meetings were held and supplementary board meetings were held as needed.

Keith Lassman and Jonny Plant attended all 12 regular board meetings, Adam Kaye ten and Sam Kaye nine. Mayuri Vachhani also attend all 12 regular meetings of which 3 were since her appointment to the Board.

The Board is committed to Tasty plc and will contribute hours as required.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, disclosed to and agreed with the rest of the Board.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the food and beverage sector. 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 business reports both weekly and monthly on its headline performance against its agreed budget, and the Board reviews the weekly and monthly updates on performance and any significant variances are reviewed at each meeting.

The Company's Articles of Association require that one-third of the Directors must retire and, if desired, may stand for re-election by shareholders annually in rotation; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. Two Directors retired and stood for re-election from the Board at the AGM in June 2019.

Independent advice

All Directors are able to take independent professional advice in respect of their duties at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company's legal and accounting advisers, and the Company's Nominated Adviser.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Due to the relatively small size of the Group and the Board there is no formal process to assess the performance of each Board member. However, on an ongoing basis through regular meetings there is an opportunity to discuss development and training needs. In addition, as part of this ongoing process the following is reviewed:

- their contribution is relevant and effective;
- that they are committed; and
- where relevant, they have maintained their independence.
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Principle 8: Promote a culture that is based on ethical values and behaviours

The Board aims to lead by example and do what is in the best interests of the Company. The culture of the Group is to go the extra mile for customers, suppliers, shareholders and people. In order to grow our customer base, it is vital that all our employees act in a way that reflects the values of the business. Examples of this are:

- supporting local communities events;
- sponsoring charitable events such as 'Tri for life'; and
- group participation in many charitable events.

We have recently abolished plastic straws and committed to a policy recommended by the Humane League.

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

Board programme

The Board meets monthly, and prior to the meeting sets an agenda, agreed by all members for discussion at the meeting. Additional meetings are convened should the need arise. Board packs are provided in advance of each meeting to allow time for review beforehand and subsequent discussion at the meeting. Minutes are taken at the meeting to record discussions, actions and resolutions.

Roles of the Board, Chairman and joint Chief Executive Officers

The Board, which comprises three executive directors and two independent non-executive directors, is responsible for the long-term success of the Company. It is responsible for overall Group strategy; approval of major investments; approval of the annual and interim results; annual budgets and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of the Group's branches, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board. The joint Chief Executive Officers are responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through their team.

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 business reports weekly and monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. The CEOs have weekly meetings and conference calls with their area managers and department heads and general managers meet periodically.

Board committees

The Board is supported by the Audit and Remuneration Committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties.

The Audit and Remuneration Committee comprise the two independent Non-Executive Directors and are chaired by the Chairman. Other Directors are invited to attend as appropriate and only if they do not have a conflict of interest. The Remuneration Committee's principal responsibility is to review the scale and structure of the Executive Directors remuneration and the terms of their service contracts. The Audit Committee receives and reviews reports from management and the auditors relating to the annual and interim accounts and the accounting and internal control systems used by the Company.

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

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders.

The Board receives regular updates on the views of shareholders through briefings and reports from the Company's brokers. The Company meets with institutional investors after the half-yearly and year-end results.

Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the Company will on a timely basis, include an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

For all historical annual reports and other governance-related material including notices of all general meetings over the last five years please refer to our website <https://dimt.co.uk/investor-relations/profile/>

27th January 2020