

Statement of Compliance with the QCA Corporate Governance Code

Chairman's Introduction

It is the Board's job to ensure that the Arricano Group is managed for the long-term benefit of all shareholders, with an effective and efficient decision-making process. Corporate governance is an important part of that job, reducing risks and adding value to our business.

AIM Rule 26 requires AIM companies to adopt a recognised corporate governance code. The Arricano Board has decided to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code (QCA Code). This Statement sets out how the Company currently complies, and does not comply with the QCA Code.

Georgios Komodromos

Independent Non-Executive Director Chairman

Arricano or the Group or the Company means Arricano Real Estate PLC or the group of companies controlled by it.

DELIVER GROWTH

QCA Code Principle	How the Principle Should be Applied (as set out by the QCA Corporate Governance Code)	What We Do and Why
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	The Group strategy is explained fully within the Chairman's Statement and Chief Executive Officer's Report (pages 2-5) of our Annual Report for the year ended 31 December 2020. https://arricano.com/storage/reports/523.pdf The Group strategy is to increase the appeal of each shopping centre in the portfolio. Arricano's long-term strategy remains focused on developing and protecting value of the portfolio. Key metrics of visitor

		<p>numbers and occupancy demonstrate the success of the management's strategy to date.</p> <p>The Company's purpose is to:</p> <ul style="list-style-type: none"> • Develop and operate the highest quality commercial real estate properties in CEE urban centres providing high quality user experience for its B2C clients and profit potential to its B2B partners; • Become a reliable investment platform for international investors in the CEE/UA market; • Become a benchmark for innovation in retail real estate attracting leading partners and potentially monetising B2C customer data. <p>However, retail is a fastmoving world and the Company is focused on anticipating future trends and ensuring that Arricano centres maintain their strong appeal.</p> <p>.</p>
<p>2. Seek to understand and meet shareholder needs and expectations</p>	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p> <p>The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>The Board is committed to the continuous growth of Arricano's business.</p> <p>The Group encourages communication with investors and responds quickly to all queries received. The Chairman, the Chief Executive Officer and the Chief Financial Officer talk regularly with the Group's major shareholders and ensure that their views are communicated fully to the Board.</p> <p>The Board recognizes the Annual General Meeting ("AGM") as an one of the</p>

		<p>opportunities to encourage the shareholdersto express their views both formally and informally immediately following the AGM.</p> <p>Where voting decisions are not in line with the Company's expectations, the Board will contact those shareholders to understand and address any issues.</p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>Arricano Group is committed to sustainability progress in all aspects of our business.</p> <p>Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making.</p> <p>In addition to its shareholders, the Group believes its main stakeholder groups are its employees, tenants, suppliers, service providers, visitors, partners and the communities we work in.</p> <p>The representatives of the Group regularly collect feedback from stakeholders through email communication, web-site, collaborative events, face-to-face calls and discussions.</p> <p>The Group recognises the increasing importance of corporate social responsibility and endeavours to consider it during operation of its business.</p> <p>The Group supports CSR projects which contribute to the development of Arricano as</p>

		<p>a stable and reliable business partner and employer.</p> <p>The Group aims to conduct its business with integrity, respecting the different cultures and the dignity and rights of individuals. The Group treats each person equally irrespectively of its origin, nationality, gender, religious beliefs and sexual orientation.</p> <p>Health and safety</p> <p>The Group is committed to ensuring the highest standards of health and safety, for all employees, tenants and the visitors.</p> <p>The Group seeks to meet legal requirements aimed at providing a healthy and secure working environment to all employees, visitors and tenants and understands that successful health and safety management involves integrating sound principles and practice into its day-to-day management arrangements and requires the collaborative effort of all parties.</p> <p>Responding to Covid-19 challenges, the Group`s shopping malls strictly adhere to quarantine rules and requirements. Entrance to the Group`s shopping malls without masks or respirators is prohibited, there are primary control and temperature screening points at the entrance groups, where visitors can also disinfect their hands with appropriate facilities.</p> <p>The Group`s shopping malls thoroughly disinfect the premises in several ways, which ensures the quality and cleanliness of public</p>
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		<p>potential, individual self-sufficiency and diversity.</p> <p>The Group commits to embrace corporate responsibility, accountability, ethics and transparency in stakeholders relationships and has ESG is central to all Company' goals and assets. Embracing these shifts will prove that by reducing our environmental and social impacts, the Company can become stronger.</p> <p>The Company elaborates new social responsibility program due to ESG policy. Education, ecology and community are the priority.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Board and the Audit Committee in light of an ongoing assessment of significant risks facing the Company.</p> <p>The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan.</p> <p>The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:</p> <ul style="list-style-type: none"> - Close management of the day-to-day activities of the Group by the top executives;

	<ul style="list-style-type: none"> - Comprehensive review and monitoring the level of operational risks; - An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks; - A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board; - Detailed monthly reporting of performance against budget; - Central control over key areas such as capital expenditure authorisation and banking facilities; - Multi-stage system of internal approval of documentation to be executed and actions to be performed by the Group. <p>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.</p> <p>The Board is committed to maintaining appropriate standards for all the Company's business activities and aiming to set out these standards in written policies of the Group or of the Company's subsidiaries. The Group has adopted a Document Approval Policy, Social Media Policy and publicity guidelines, Share Dealing Code, the Tender Policy, the IT Policy, Personnel Adaptation Procedure, Internal Anti-Bribery Policy relating to Ukrainian entities as well as number of other policies related to daily operations.</p> <p>All material contracts are reviewed by the Chief Financial Officer and the Chief Executive Officer.</p>
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		The executive management regularly identify the key risks, which go under re-assessment. Afterwards the potential mitigating actions are considered, proposed and implemented in order to avoid the defined risks.
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MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

QCA Code Principle	Application (as set out by QCA)	What we do and why
5. Maintain the board as a well-functioning, balanced team led by the chair	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non- executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p>	<p>The Company is overseen by the Board of Directors.</p> <p>Georgios Komodromos, being the Independent Non-Executive Director, is responsible for the running of the Board, and Chief Executive Officer, has executive responsibility for running the Group's business and implementing the Group's strategy.</p> <p>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 the meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Company's expense.</p> <p>The Board comprises three Non-Executive Directors and one Executive Director. The Board has determined that Mr. Georgios Komodromos (Non-executive Chairman) and Mr. Frank Lewis (Non-executive Director) are independent in character and judgement and that there are no relationships or circumstances, which could materially affect or</p>

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	<p>Directors must commit the time necessary to fulfil their roles.</p>	<p>interfere with the exercise of their independent judgement.</p> <p>Mr. Georgios Komodromos (Non-executive Chairman) is continuously communicating with the CEO of the Group, mentoring her and providing valuable advice, he is expected to devote at least 20 days to the Group per annum.</p> <p>The other Board members regularly communicate with each other and with the CEO as well as attending Board meetings. Generally, each Non-executive Director is expected to devote approximately 20 days to the Group per annum.</p> <p>The Board has established an Audit and a Remuneration Committee, with specific duties and responsibilities. The directors do not consider that, given the size of the Board, it is appropriate at this stage to have a Nomination Committee. However, this will be kept under regular review by the Board.</p> <p>In addition, the directors believe that there is not yet a necessity to establish an Internal Audit Department.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p>	<p>The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of rent, retailing, development, finance, law, innovation and marketing.</p> <p>The biographical details of the Directors may be found in the Annual Report for the year ended 31 December 2020.</p>

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	<p>The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>The Board takes into account the performance of its individual Directors internally before taking decisions on their re-appointment, to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.</p> <p>In addition to that, the Board evaluates performance of the Chief Executive Officer, taking into consideration fulfilment of the Company's annual goals.</p> <p>The Company does not adopt a strict performance evaluation procedure with criteria against which effectiveness is considered and with frequency of evaluation process, because it believes that its internal approaches of succession planning and the processes by which the Board and other senior management appointments are determined constitutes enough motivation and performance assessment system which results in achievement of the Company's goals and constant growth. The Company does not regularly review the performance of its committees or individual directors other than</p>

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		described above. At the same time, the directors consider the necessity to review the Terms of reference of Audit Committee and Remuneration Committee once every two years.
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p>	<p>The Group promotes a strong innovative results oriented corporate culture. The culture of the Group is to go the extra mile for its customers, suppliers and shareholders.</p> <p>The Board aims to lead by example and do what is in the best interests of the Company.</p> <p>The Group maintains its focus on motivated and inspired people and ensuring competitive compensation through an effective pay system based on results.</p> <p>In order to increase our tenants and visitors bases which are loyal to the Group, it is vital that all our employees act in a way that reflects the values of our business.</p> <p>Our corporate behaviour guidelines, which are read by all employees as part of their induction, provide further specific details of aforementioned values, and principles of ethical behavior promoted in the Group.</p> <p>The Board authorised the CEO to manage the Group's day-to-day business. The CEO regularly arranges meetings both with the senior top management and with other Group staff and articulates how the Group's objectives, strategy and business model should be consistent with the Group's</p>

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		<p>corporate culture. Also the CEO and the senior top management team receives feedback from the Group's employees on their vision on how corporate values are used in the operational activities and how they may improve the effectiveness on the Group's performance.</p> <p>The Group communicates elements of its corporate culture with its visitors and shoppers both online (via social networks, internet platforms, internet forums etc.) and offline in its malls. Online we provide B2C communication, promotion and feedback in relation to the goods and the services of the tenants. We enhance our online presence to ensure online and offline engagement and to wellcome the visitors to the malls for shopping.</p> <p>Regularly we have lectures for the team about self confidence, self development and corporate safety.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision- making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p>The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend payments; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all operating subsidiaries, 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</p>

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		<p>running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for implementing the Company's strategy once it has been approved by the Board and overseeing the management of the Company.</p> <p>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 the meetings. The business reports monthly on its headline performance against its agreed budget, and the Board regularly reviews the updates on performance and any significant variances are reviewed at the meetings. Senior executives below Board level attend Board meetings where appropriate to present business updates or any issues regarding their zone of responsibility.</p> <p>The Remuneration Committee comprises three non-executive directors. It is chaired by Mr. Frank Lewis; Mr. Georgios Komodromos and Mr. Volodymyr Tymochko are the other members. The committee is responsible for provision of specialized and independent advice and review and recommendation for matters relating to the scale and structure of remuneration for the Directors, including any bonus arrangements or the award of share options with due regard to the interests of the shareholders and the performance of the Company.</p> <p>Audit Committee The Audit Committee comprises three non-executive directors. It is chaired by Mr. Frank Lewis; Mr. Georgios Komodromos and Mr.</p>

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		<p>Volodymyr Tymochko are the other members. The Audit Committee meets at least four times per year or more frequently, as circumstances require. The committee is responsible for conducting or authorizing investigations into any and all aspects of the Company's operations, making recommendations to the Board on the appointment of the auditors and the audit fee and for monitoring the integrity of the financial statements of the Company. In addition, the Audit Committee will receive and review reports from the management and the auditors relating to the interim report, the annual report, legal issues and accounts and shall review the internal controls and risk management systems of the Company. Since 23rd September 2020 the audit committee held 4 meetings.</p>

BUILD TRUST

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</p>	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:</p>	<p>The Company communicates with shareholders through the Annual Report and Accounts, website, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders.</p> <p>The Company encourages two-way communication with investors and aims to respond quickly to all queries received. The Board Members talk regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board.</p>

	<p>the communication of shareholders' views to the board; and the shareholders' understanding of the unique circumstances and constraints faced by the company.</p> <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>The Board recognizes the AGM as an one of the opportunities to encourage the shareholders to express their views both formally and informally immediately following the AGM.</p>
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