

Compliance with the QCA Code

Hercules Site Services plc (“Hercules” or the Company”) will publish on its AIM Rule 26 website details of how it complies with the QCA Code and where it departs from the QCA Code and explanations of the reasons for doing so. This information is also set out below. The Company will review this information annually in accordance with the requirements of AIM Rule 26.

The following summary sets out how the Company applies the key governance principles defined in the QCA Code.

The Board of Directors is committed to developing and applying high standards of corporate governance appropriate to the Company’s size and stage of development. The Board of Directors has adopted the QCA Code, revised in April 2018 as devised by the Quoted Companies Alliance.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies.

The QCA Code is constructed around ten broad principles. The QCA Code states what are considered to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. These are listed below together with a short explanation of how the Company applies each of the principles.

Where the Company does not fully apply each principle an explanation as to why has also been provided:

Principle One: Business Model and Strategy

The Board has adopted a strategy for the Company’s development which is summarised below.

Overview

Hercules’ purpose is to be a responsible and innovative company that creates value for shareholders and wider society. The Company is a UK-based provider of labour and construction site services to blue-chip clients in the infrastructure sector. The Company’s offerings are underpinned by a focus on digital technology, utilising this to accelerate the recruitment, onboarding and monitoring processes of workers.

Future Growth Strategy

The Company intends to achieve growth through a variety of strategies:

- Organic growth through increasing its levels of business with existing clients and winning new clients in existing markets.
- Continue to cross-sell and expand the variety of services it offers.
- Expanding the use of the Company’s digital applications and comprehensive database of workers.
- Growing the Company’s suction excavator fleet, with a further 11 on order to arrive from February 2022.

Principle Two: Understanding Shareholder needs and Expectations

The Board places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors. The Company will seek to provide effective communication through Interim and Annual Reports, along with Regulatory News Announcements and trading updates.

Hercules will maintain a dialogue with shareholders through formal meetings, such as the Annual General Meeting, which will provide an opportunity to meet, listen and present to shareholders. The Company is also open to receiving direct feedback from key stakeholders and will act where appropriate.

The key contact for shareholder liaison is Paul Wheatcroft. The investors section on the Company's website provides up to date material information on the Company's business.

Principle Three: Stakeholder Responsibilities

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its customers, stakeholders, suppliers and regulators. The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships and seeks feedback from all applicable stakeholder groups whenever possible.

The Company draws upon a range of different resources and relationships to drive the business forward and ultimately deliver value to shareholders.

The Company works closely with the communities in which it operates, sharing its plans and ideas and listening to concerns and addressing any issues raised. Hercules is committed to its social responsibility, which is included within a number of the Company's strategic framework agreements, where Hercules is contractually required to have positive input to creating social value.

The Board is responsible for monitoring the financial performance against budget and forecasts. The Board is also responsible for the formulation of the Company's risk appetite, including the identification, assessment and monitoring of the Company's principal risks. The Audit Committee has the delegated responsibility to the Company's management to ensure an effective financial controls system is maintained for timely and accurate reporting.

The Company has established a risk assessment matrix, which categorises key risks and outlines the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them, and the Board reviews risks on a regular basis.

Principle Four: Risk Management

The Board recognises the need for an effective and well-defined risk management process and oversees and regularly reviews the current risk management and internal control mechanisms.

Principle Five: A Well-Functioning Board of Directors

The Board is considered to be well balanced and is comprised of Henry Pitman (Non-Executive Chairman), Brusk Korkmaz (Chief Executive Officer), Paul Wheatcroft (Chief Financial Officer), Richard Kilner (Independent Non-Executive Director), Ahmet Iplikci (Non-Executive Director) and Robin Stevens (Independent Non-Executive Director). Richard Kilner and Robin Stevens are considered to be independent.

The Board will meet at least six times per annum, or any other time deemed necessary for the good management of the business. The Board has established an Audit Committee, [Nominations Committee] and Remuneration Committee. The time commitment formally required by the Company is an overriding principal that each Director will devote as much time is required to carry out the role and responsibilities that the Director has agreed to take on.

The Directors are subject to re-election intervals as prescribed in the Articles.

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, agreed with the rest of the Board.

Principle Six: Appropriate Skills and Experience of the Directors

The Company has put in place a board structure that provides a breadth and depth of skills and experience to deliver the strategy of the Company for the benefit of shareholders over the medium to long-term.

The Board assesses the experience, knowledge and expertise of potential Directors before any appointment is made and adheres to the principle of establishing a Board which comprises Directors with a blend of skills, experience and attributes appropriate to the Company and its business.

The Board currently consists of six Directors, who are supported by an experienced senior management team.

The Board members are kept up-to-date on a regular basis on key issues and developments pertaining to the Company as well as their responsibilities as members of the Board.

Principle Seven: Evaluation of Board Performance

Internal evaluation of the Board and its individual Directors is seen as an important next step in the development of the Board. This will be undertaken on an annual basis and led by the Chairman in the form of peer appraisal, questionnaires and discussions to determine the effectiveness and performance in various areas, as well as the Directors' continued independence and capacity. The criteria against which effectiveness is considered will be aligned to the strategy of the Company and management forecasts and budgets that are already in place.

In addition, succession planning for the Board and senior management team will be undertaken by the Board as a whole.

Principle Eight: Corporate Culture

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, there is open dialogue within the Company and there is a commitment to provide the best service possible to all the Company's stakeholders.

In addition, the Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever they occur. The Company implements effective systems to counter bribery and corruption and as part of this it has adopted an anti-bribery and anti-corruption policy. The policy provides guidance to those working for the Company on how to recognise and deal with bribery and corruption issues and the potential consequences and applies to all persons working for the Company or on its behalf in any capacity, including employees at all levels, Directors, officers, consultants and agents.

The Company has also adopted, with effect from Admission, a share dealing policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and their persons closely associated) which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during closed periods which will be in line with the Market Abuse Regulation). The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees with the terms of that share dealing policy.

Principle Nine: Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Company's activities rests with the Board with the respective responsibilities of the Non-Executive Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Chairman will be responsible for the effectiveness and leadership of the Board, promoting a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between the Executive and the Non-Executive Directors. The Chairman will also be responsible for ensuring that the Directors receive accurate, timely and clear information. Management of the Company's day-to-day business resides with the Chief Executive Officer.

Non-Executive Directors are appointed not only to provide independent oversight and constructive challenge to the Executive Directors but also chosen to provide strategic advice and guidance. There is a rigorous and transparent procedure for the appointment of new Directors to the Board. The search for Board candidates will be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

The Board has also established committees with formally delegated duties and responsibilities and with written terms of reference. The committees comprise solely of Non-Executive Directors. From time to time, other committees may be set up by the Board to consider specific issues, when the need arises.

Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external financial reporting, audits and controls, including reviewing the Company's annual and half-yearly financial statements, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and the tendering process and reviewing the effectiveness of the Company's corporate governance, internal audit and controls, risk management, whistle-blowing and fraud-prevention systems. The ultimate responsibility for reviewing and approving the Company's annual report and accounts and its half-year reports remains with the Board.

The Audit Committee will be chaired by Robin Stevens and its other members will be Richard Kilner and Henry Pitman. The Board has satisfied itself that has recent and relevant financial experience, and that the committee as a whole has competence relevant to the sector in which the Company operates. The Audit Committee will normally meet not less than three times in each financial year and at such other times as the chair of the committee requires. It will have unrestricted access to the Company's auditors. As a matter of course, the Company's Chief Executive Officer and Chief Financial Officer will be invited to attend Audit Committee meetings.

Remuneration Committee

The Remuneration Committee will be chaired by Richard Kilner and its other members will be Robin Stevens and Ahmet Iplikci. The Remuneration Committee's role is to assist the Board to discharge its responsibilities in relation to the remuneration of the Company's Directors and senior management team, including share and benefit plans and make recommendations as and when it considers it appropriate, taking necessary expert advice to benchmark remuneration levels with those of comparable companies. The Remuneration Committee meets as and when required, but at least twice each year..

Nominations Committee

The Nomination Committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee will evaluate the balance of skills, experience, independence, and knowledge on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least once each year. The Nomination Committee will be chaired by Ahmet Iplikci and its other member will be Henry Pitman.

Principle Ten: Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The investors section of the Company's website provides all required regulatory information as well as additional information shareholders may find helpful including: information on Board members, advisors and significant shareholdings, a historical list of the Company's announcements, its corporate governance information, the Company's publications including historic annual reports and notices of annual general meetings, together with share price information.

The Company also takes a proactive approach to investor relations initiatives with ongoing support from Newgate, the Company's Financial PR Adviser.

Institutional shareholders and analysts will have the opportunity to discuss issues and provide feedback at meetings with the Company. Through Newgate, the Board will also allow all investors to attend company investor presentations virtually and to submit questions to the management. In addition, all shareholders are encouraged to attend the Company's annual general meeting or any other general meetings that are held throughout the year when possible.

Henry Pitman
Non-Executive Chairman
4 February 2022