

BLACK SEA PROPERTY PLC

CORPORATE GOVERNANCE STATEMENT

Introduction from the Chairman

The Board is committed to good corporate governance and so far as appropriate given the Company's size and the constitution of the Board, intends to comply with the QCA Guidelines on Corporate Governance ("**QCA Guidelines**"). The Board believes this to be the most appropriate recognised governance code for this Company.

This is a practical, outcome -oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK and which provides the Company with the framework to help ensure that a strong level of governance is maintained.

As Chairman, I am responsible for leading an effective board, fostering a good corporate governance culture, maintaining open communications with the shareholders and ensuring appropriate strategic focus and direction for the Company. Notwithstanding the Board's commitment to applying the QCA Code, we will not seek to comply with the QCA Code where strict compliance in the future would be contrary to the primary objective of delivering long-term value for the Company's shareholders and stakeholders.

However, we do consider that following the QCA Code, and a framework of sound corporate governance and an ethical culture, is conducive to long-term value creation for shareholders. All members of the Board believe strongly in the importance of good corporate governance to assist in achieving objectives and in accountability to stakeholders. In the statements that follow, the Company explains its approach to governance in more detail.

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

Black Sea Property PLC seeks to generate capital gains through the development, financing and sale of property in Bulgaria, including the prime areas of Bulgaria's Black Sea coast, the ski resorts and the capital Sofia.

The Company acquired the UniCredit Building on 23rd October 2017. The building is on 1 Ivan Vazov Str. Sofia which is a prime location in Sofia.

The acquisition of Camping Gradina was completed in January 2018. Gradina is one of the oldest and most famous campsites on the southern part Bulgarian Black Sea Coast located between the towns of Chernomorets and Sozopol and offers accommodation by way of luxury bungalows, caravans and tents. The combination of location, natural features and excellent accommodation make it one of the most popular and sought after campsites in Bulgaria.

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Directors are responsible for maintaining the Company's systems of controls and risk management in order to safeguard the Company's assets.

Risk is monitored and assessed by the board who meet quarterly and the audit committee who will meet at least twice annually and are responsible for ensuring that the financial performance of the Company is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

The Board receives guidance from FIM Capital Limited, the administrator and Company Secretary to the Company, covering updates to relevant legalisation and rules to ensure they remain fully informed and able to make informed decisions.

Maintain the board as a well- functioning, balanced team led by the Chair

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role, promoting a culture of openness of debate and communicating with the Group's members on behalf of the Board. The Chairman sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution and ensuring constructive relations between the board members. The Chairman also ensures that Directors receive accurate, timely and clear information. In doing so, this fosters a positive corporate governance culture throughout the Group.

The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively.

The Board will hold at least 4 meetings each year with further ad hoc meetings held as required. The Directors devote sufficient time to ensure the Company's affairs are managed as efficiently as possible.

Board Attendance During the Year

The number of formal scheduled Board meetings held and attended by Directors in 2019 was as follows:

Alex Borrelli	6/6
Miroslav Georgiev	6/6
Yordan Naydenov	5/6
Boris Lagadinov	5/6
Miroslav Georgiev	6/6
Ventsislava Altanova	6/6

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

The Directors have extensive experience in industry and a strong track record of value creation. It is a proven Board and management team and it believes it has the correct balance of skills, reflecting a broad range of commercial and professional skills across geographies and industries that is necessary to ensure the Company is equipped to deliver its investment objective.

Additionally, each Director has experience in public markets. Information about each Director's experience is given below.

Michael Alexander Borrelli – Non Executive Chairman

Mr Borrelli aged 60 qualified as a Chartered Accountant with Deloitte, Haskins and Sells, London in 1982. He then moved into investment banking and has acted on a wide variety of corporate transactions in a senior role for over 20 years including flotations, takeovers and mergers and acquisitions for private and quoted companies. Mr Borrelli was Chairman of Ablon Group Limited (a real estate group with a portfolio valuation of circa €400 million in Central Europe) formerly listed on the Main Market, standard segment, of the London Stock Exchange prior to being the subject of a successful cash offer

in 2013). He is Chairman of Xpediator PLC, a company listed on the AIM market of the London Stock Exchange.

Yordan Naydenov – Non Executive Director

Mr Naydenov, aged 47, is a resident of the Republic of Bulgaria and is a fully qualified Bulgarian Lawyer with more than 20 Years of experience. He is a partner with the law firm Boyanov & Co, Sofia, where he is head of the Corporate and the M&A practice group. His areas of speciality include corporate law, financial markets, mergers and acquisitions and bankruptcy. Mr Naydenov has provided services to, and has previously represented clients on the boards of various Bulgarian companies. In addition, Mr Naydenov has advised on real estate transactions throughout his career.

Boris Lagadinov- Non-Executive Director

Mr Lagadinov aged 44 is a carbon markets and climate finance specialist with more than twelve years of experience in this area. He has participated in the negotiations of emission reduction transactions since 2002 and worked at companies which focused on trade of EU's carbon emission allowances and investments in different emission reduction and renewable energy projects globally. Currently Mr Lagadinov is Managing Consultant at Navigant Consulting Inc., a specialized global professional services firm. Previously he spent over 9 years with the trading desk of one of Europe's biggest utilities and was Head of Analysis at sandbag Climate Campaign, a non-profit research organization, which is engaged in advocacy and the study of European and British climate change policies. Mr Lagadinov has an MSc in Economics and British climate change policies. Mr Lagadinov has an MSc in Economics and an MBA from IESE Business School.

Ventsislava Blagoeva Altanova – Non Executive Director

Ventsislava has more than ten years of experience at international financial institutions with focus on real estate financing. She has previously been responsible for attracting and retaining key international clients, investors and developers. Since 2016 she has been an executive director of Phoenix Capital Holding AD and Phoenix Capital Management AD with responsibility for structuring acquisition financing and for the development and management of commercial real estate.

Miroslav Rosenov Georgiev – Non Executive Director

Miroslav is a construction engineer and real estate valuation specialist with more than ten years of experience. He has been involved in the project development and project management of major developments in the Bulgarian real estate sector in residential, office, industrial properties and shopping centres. Currently Miroslav is an executive director of Phoenix Capital management and chairman of the management board of Phoenix Capital Holding AD.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

All Board appointments have been made after consultation and detailed due diligence is carried out on all new potential board candidates. The Board will consider using external advisers to review and evaluate the effectiveness of the Board and Directors in future to supplement its own internal evaluation processes.

The Group's Rules require that all Directors are submitted for election at the AGM following their first appointment to the Board and one third of the Directors are subject to retirement by rotation on an annual basis to refresh the Board, irrespective of performance.

Promote a corporate culture that is based on ethical values and behaviours.

The board is mindful that the tone and culture set by the Board will impact many aspects of the Company and the way that stakeholders behave and form views.

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

The Board welcomes the views of all stakeholders who can contact the Directors or Company Secretary with any queries they may have. The Executive Directors and advisers regularly engage with shareholders.

The Board recognises the importance of maintaining strong relationships with shareholders so we understand their views and are aware of their issues and concerns.

The Company communicates with shareholders and other stakeholders through the Annual Report and Accounts, full-year and half -year announcements, news announcements, the Annual General Meeting, and website.

Historical information is available on the website. The Company's financial reports and Notices of General Meetings can also be found here <https://www.blackseapropertyplc.com/announcement-list/>

Committees

Given the small size of the Company and its Board, the Audit Committee and Remuneration Committee will comprise all members of the Board. The Board is satisfied that at least one member of the committee has recent, relevant, financial experience.

Audit Committee

The Audit Committee will meet formally at least twice each year. The Audit Committee has primary responsibility for reviewing the financial statements and the accounting policies, principles and practices underlying them, liaising with the external auditors and reviewing the effectiveness of internal controls.

The terms of reference of the Audit Committee covers the following:

- The composition of the Committee, quorum and who else attends meetings.
- Appointment and duties of the Chairman.
- Duties in relation to external reporting, including reviews of financial statements, shareholder communications and other announcements.
- Duties in relation to the external auditors, including appointment/dismissal, approval of fee and discussion of the audit.

In addition, FIM has a number of internal control functions including a dedicated Compliance Officer who monitors compliance with all statutory and regulatory requirements and presents a report to the Board at each meeting.

Remuneration Committee

The Remuneration Committee, will meet formally at least twice each year. The salaries, remuneration and other financial benefits of the management and the members of the Board of Directors will be reviewed by this committee.