



The Board is committed to maintaining high standards of corporate governance and, with effect from 28 September 2018, the Board has adopted the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (the "Code").

The Code was revised in April 2018 to meet the new requirements of AIM Rule 26 and sets out broad principles of corporate governance, states what are considered to be appropriate corporate governance arrangements for growing companies and requires companies to provide an explanation about how they are meeting the principles through certain prescribed disclosures.

We have considered how we apply each principle and below we provide an explanation of the approach taken in relation to each.

Chairman's Statement

As Chairman of the Paragon Entertainment Limited ("Paragon") Board, it is my responsibility to ensure that the Board is performing its role effectively and has the capacity, ability, structure and support to enable it to continue to do so.

We believe that a sound and well understood governance structure is essential to maintain the integrity of the Group in all its actions, to enhance performance and to impact positively on our shareholders, staff, customers, suppliers and other stakeholders.

After due consideration, Paragon has adopted the QCA Corporate Governance Code ("the Code") as the benchmark for measuring our adherence to good governance principles. These principles provide us with a clear framework for assessing our performance as a Board and as a company. Notwithstanding this, Paragon has a low market capitalisation and it is not always immediately possible, cost effective or appropriate to comply in full. The report below shows how we apply the Code's ten guiding principles in practice. Various shortfalls are identified, and courses of action are identified.

The Board will continue to develop its governance processes in the coming year.

Page last updated: 28th September 2018



Board composition and compliance

The Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent. Mark Taylor (Chairman) and David Bridgford both serve as independent non-executive directors, bringing a diverse range of industry and market knowledge to the board.

The current composition is:

Non-Executive Chairman	- Mark Taylor
Non-Executive Director	- David Bridgford
Chief Executive Officer	- Mark Pyrah
Chief Financial Officer	- Neil Jefferies

As the Group grows, either organically or following the acquisition of appropriate target companies, it is envisaged that further executive directors and non-executive directors may be appointed, taking into account the recommendations of the QCA Corporate Governance Code.

In accordance with the Company's Articles of Association, one third of the directors are required to retire from office at each annual general meeting. Where the number of directors is not a multiple of three, the number nearest to, but not greater than one third shall retire from office. The Company may, by ordinary resolution, fill the vacancy arising, however in default the retiring director shall be deemed to be re-elected unless the director is unwilling to be re-elected, or it is resolved not to fill such vacated office, or a resolution for the reappointment of the Director has been put to the meeting and not passed.

There is no provision in the Articles stating that Directors are required to retire on account of their age.

The Board will ensure that appropriate insurance cover is taken out in respect of legal action against its directors.

Internal Controls

The Board recognises the need for effective high-level internal controls. Internal controls in operation within the Group include, inter alia:

- Review by the Board of monthly management accounts with comparison of actual performance against budget; and consideration of the outturn for the year performed at both business unit and group levels;
- Monthly reconciliation of all control accounts;
- Mandates over parties authorised to sign cheques/authorise bank transfers;
- Approval limits over expenditure;
- Review of employment contracts of existing staff and update as required;
- Review of all self-employed freelancers and determine most appropriate contract terms;
- Segregation of duties between relevant functions and departments;

Paragon Entertainment Limited
Unit 8B, Harrier Court, Airfield Business Park, Elvington, York, YO41 4EA, England
T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
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- In relation to the execution of its roll-out strategy, identifying and acquiring other businesses, public announcements and listing requirements, the Board will work with financial advisors as considered to be appropriate. Any acquisitions will be carried out only after due and careful diligence has been undertaken by the Board, or their appointed advisers.

The Board will review, at least annually, the effectiveness of the internal controls that operate within the Group and amend them accordingly with regard to the nature and size of the business and the environment in which it operates. It is also anticipated that the design and operational effectiveness of controls will be reviewed by the Group's auditors and any significant deficiencies reported to the audit committee.

The Board will also review the annual governance section of the Company within the company's annual accounts and consider the appropriate make-up of the board, including the number of Non-Executive Directors.

Board evaluation

The board directors are currently participating in an individual and group evaluation process which will be completed by November 2018.

Shareholder engagement

The board endeavours to ensure effective engagement with our shareholders. Following the release of full year and interim results, we undertake roadshows as well as using our AGM to present to and meet with investors.

The board has ultimate responsibility for reviewing and approving the Annual Report and Accounts and it has considered and endorsed the arrangements for their preparation, under the guidance of its audit committee. The directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

The following paragraphs set out Paragon Entertainment's compliance with the ten principles of the QCA Code.

Paragon Entertainment Limited
Unit 8B, Harrier Court, Airfield Business Park, Elvington, York, YO41 4EA, England
T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
www.parogonent.com





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

We focus the business on our unique core skill set: specialist ‘design & build’ of attraction projects, while developing and investing in our partnership and product based businesses. The focus of this strategy is to diversify the business from one-off bespoke, tendered projects into smaller, more repeatable products. These product and partnership relationships have started to give substantially more certainty to our future earnings and during the course of the year we have invested heavily into this area of the business. They require more up-front design and management input and cost, but then have less competition and are more standardised/productised through scaleable production giving higher margins and certainty.

Our strategic aim is to grow our business being delivered from non-project segments while creating:

- a better financial radar with more forward-looking information coming through better developed systems,
- a more reliable sales pipeline through focused project analysis prior to resource allocation in sales and estimating, and
- a more flexible production base with the ability to flex upwards and downwards to match our future order load.

The strategy of the business endeavours to address the over-reliance on key individuals and seeks to address potential succession planning risks.

The board is refining the strategic direction of the business for the remainder of the year and will communicate further thereafter.

Paragon Entertainment Limited
Unit 8B, Harrier Court, Airfield Business Park, Elvington, York, YO41 4EA, England
T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
www.paragontent.com

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

Responsibility for investor relations rests with Neil Jefferies, Chief Financial Officer and Mark Taylor, Non-Executive Chairman.

The group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the Annual General Meeting. A range of corporate information is also available to shareholders, investors and the public on our website.

Private shareholders: The Annual General Meeting is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the board and all committees, together with all other directors, attend and are available to answer questions raised by shareholders. Shareholders vote on each resolution by way of a poll. For each resolution we announce the number of votes received for, against and withheld.

Institutional shareholders: The group receives feedback from institutional investors from its roadshows, which are organised by its nominated advisors.

The directors communicate with institutional investors through formal meetings. The majority of meetings with shareholders and potential investors are arranged by the broking team within the group's nominated advisor. Following meetings, the broker provides anonymised feedback to the board from all fund managers met, from which sentiments, expectations and intentions may be gleaned. In addition, we review analysts' notes to achieve a wide understanding of investors' views.

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

Stakeholder	Reason for engagement	How we engage
<p>Staff Our ability to fulfil client services relies on having talented and motivated staff</p>	<p>Good communication with staff is a key requirement for high levels of engagement</p>	<p>Weekly staff meetings to enable staff to question management. This has led to improved management practices and staff incentives</p>
<p>Clients Our success and competitive advantage is dependent upon meeting clients' requirements</p>	<p>Understanding these requirements enables us to develop, support and fulfil new and enhanced services</p>	<p>Seek feedback on services</p>
<p>Suppliers Maintaining good supplier relationships</p>	<p>Ensuring quality of services provided</p>	<p>We operate ordering and payment systems to ensure relationships with suppliers are well managed</p>
<p>Shareholders As a public company we must provide transparent, easy-to-understand and balanced information to ensure support and confidence</p>	<p>Meeting regulatory requirements and understanding shareholder sentiments on the business, its prospects and management performance</p>	<p>Regulatory news releases</p> <p>Keeping the investor relations section of the website up to date including a Q&A section</p> <p>Half-year and annual presentations</p> <p>Annual General Meeting</p> <p>We seek to improve how we engage with our shareholders</p>

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@ParagonCreative ParagonCreative



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

The Chief Executive Officer and the Group Finance Director have identified key risks in the areas of corporate strategy, financial, clients, staff, environmental and the investment community. This process will become more formalised so that it is reviewed and updated periodically, and all members of the board are consulted. Risks are highlighted in the Annual Report which can be found on the following link <http://paragonent.com/investor-centre/reports-and-presentations>

Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

We regularly review potential risks to key aspects of the business and to our customers. We do this to ensure, as far as possible, that any potential risks are known and that in the event a risk should materialise, any impact is contained and minimised.

Staff are reminded that they should seek approval from the Chairman if they, or their families, plan to trade in the group's equities in accordance with the Company's share dealing policy.

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Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The members of the board have a collective responsibility and legal obligation to promote the interests of the group, 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.

The board consists of four directors of which two are executive and two are independent non-executives, one of whom is also the Chairman. The board is satisfied that the following directors are independent:

- Mark Taylor was formerly an executive of Paragon but has been a non-executive director for over 12 months. He is registered with the FCA as an Approved Person in respect of his primary business activity, that of Chief Executive Officer of Neu Capital Africa. The board is satisfied that the quantum of his remuneration and the value of his indirect shareholding in Paragon are not sufficiently material to compromise his independence.
- David Bridgford is retired and maintains various non-executive directorships and fiduciary roles with unrelated organisations. The board is satisfied that the quantum of his remuneration and the value of his shareholding in Paragon are not sufficiently material to compromise his independence.

Neither non-executives share related or performance related pay or commercial connections with other shareholders.

The board is supported by two committees: audit and remuneration (which includes nominations). Our non-executives are both directors of other companies which reinforces independence due to personal reputational risk issues.

Non-executive directors are required to attend board and board committee meetings and to be available at other times as required for face-to face and telephone meetings with the executive team and investors. Neither non-executive has missed a board meeting since being appointed to the board.

The board has a schedule of regular business, financial and operational matters, and each board committee has compiled a schedule of work to ensure that all areas for which the board has responsibility are addressed and reviewed during the course of the year. The chairman is responsible for ensuring that, to inform decision-making, directors receive accurate, sufficient and timely information. The company secretary compiles the board and committee papers which are circulated to directors prior to meetings. The company secretary provides minutes of each meeting and every director is aware of the right to have any concerns minuted and to seek independent advice at the group's expense where appropriate.

The board lacks diversity in that it is exclusively male and white. Nonetheless, the board is confident that the opportunities in the Company are not excluded or limited by diversity issues (including gender, race, sexual persuasion or religion) and that the board contains the necessary mix of

Paragon Entertainment Limited
Unit 8B, Harrier Court, Airfield Business Park, Elvington, York, YO41 4EA, England
T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
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experience, skills and other personal qualities and capabilities necessary to deliver its strategy. The board further endeavours to draw on diverse perspectives within Paragon and will, in future board appointments, give weight to the need for greater diversity.

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T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
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Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

All four members of the board bring relevant sector experience, three members have extensive experience in the attractions industry and two members are Chartered Accountants. The board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Directors undertake training and attend other regulatory and trade events as required to ensure that their knowledge remains current.

David Bridgford

(Non-Executive Director)

David Bridgford has over 15 years' experience in the entertainment sector with his most recent role being at Merlin Entertainments Group plc. At Merlin, David was Strategy Director for six years and prior to that, director of corporate finance. During his time at Merlin, David led the acquisitions of Sydney Attractions Group and Living & Leisure.

David qualified as a chartered accountant at Touche Ross and subsequently became a Partner in the Corporate Finance team at Deloitte. He was then Director of Corporate Finance at The Tussauds Group for 5 years where he advised on the group's strategy, led the £95 million acquisition of the London Eye Company and managed The Tussaud Group's £1 billion sale to Blackstone Capital Partners, the private equity firm.

Mark Taylor

(Non-Executive Chairman)

Mark Taylor has over a decade's private equity and venture capital experience. He has held a number of executive positions at LSE-listed Richemont and VenFin, and as CEO of JSE-listed Intervid where he led the successful turnaround of the group. As part of these roles, Mark managed teams in excess of 500 staff spread across four continents.

Mark spent five years as Managing Director of Global Aquariums BV, a business which developed, owned and managed aquariums in emerging markets where he successfully developed Turkey's first giant public aquarium, Turkuazoo, in Istanbul, and which he sold to Merlin in 2013. Mark is currently also Chief Executive Officer of New Capital Africa.

Mark Pyrah

(Chief Executive Officer)

Mark Pyrah has over 26 years of experience in the entertainment industry and is one of its most well-regarded characters.

Over the past 15 years, Mark has developed Paragon Creative into a market leading theming, interactives, fit-out and model-making business with an unrivalled client base and reputation. In that

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time Mark has been personally involved in over 500 projects in more than 30 countries and spent three years as a UK director of the Themed Entertainment Association.

Before Paragon, Mark established one of the UK's first multi-media businesses, working on communication strategies for M&C Saatchi, the BBC, Financial Dynamics, Lloyds TSB, BT, M&S and British Airways.

Neil Jefferies
(Chief Financial Officer)

Neil Jefferies is a CIMA qualified chartered accountant, who has gained over 10 years of experience working as finance director for a number of SMEs across sectors including software development, property investment, and waste management. This experience will be invaluable as Neil provides leadership to Paragon's finance function.

Neil started at Paragon Entertainment Limited in February 2018 and joined the board in August 2018

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

A full board evaluation is in process. It will be completed by November 2018 and is led by the chairman and the HR Manager. All the Board members have completed a Facet5 psychometric test which will be analysed along with individual skillsets, which will then used as the basis for a collective evaluation.

The review considers effectiveness in several areas including general supervision and oversight, business risks and trends, succession and related matters, communications, ethics and compliance, corporate governance and individual contribution.

As the business expands, the executive directors will consider identifying internal candidates who could potentially occupy board positions and set out development plans for these individuals.

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Principle 8: Promote a corporate culture that is based on ethical values and behaviours

In 2017 the chairman, supported by Paragon's HR Manager, conducted academic research on Paragon's culture and internal attitudes as part of the chairman's ongoing academic business education.

Our long-term growth is underpinned by our core values. We seek to be regarded as the partner of choice to our clients, which requires us not only to provide innovative and efficient solutions but also to be trustworthy, transparent and fair in our dealings with clients. We encourage behaviours to support those goals throughout the organisation.

The culture of the group is characterised by these values which are communicated regularly to staff through internal communications and meetings. Upon joining the company, all staff are required to complete an induction programme.

The board believes that a culture that is based on these values has the potential to be a competitive advantage and consistent with fulfilment of the group's mission and execution of its strategy. PEL is committed to ensuring skilled and suitably experienced staff are recruited and employee training is highlighted and delivered where required.

The board further believes that the centralisation of the business activities in one location will enhance the cultural consistency and the board continues to evaluate this matter.

Paragon Entertainment Limited
Unit 8B, Harrier Court, Airfield Business Park, Elvington, York, YO41 4EA, England
T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
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Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The board provides strategic leadership for the group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the group implements in its business plans. The board defines a series of matters reserved for its decision and has approved terms of reference for its audit and remuneration (including nomination) committees to which certain responsibilities are delegated. The chair of each committee reports to the board on the activities of that committee.

The Audit Committee monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of the internal audit function and reviews external auditor independence.

The Remuneration Committee sets and reviews the compensation of executive directors including the setting of targets and performance frameworks for cash- and share-based awards.

The senior management team, consisting of the executive directors, operates as a management committee which reviews operational matters and performance of the business, and is responsible for significant management decisions while delegating other operational matters to individual managers within the business.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the group. He leads and chairs the board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the group and its shareholders.

The Chief Executive Officer provides coherent leadership and management of the group, leads the development of objectives, strategies and performance standards as agreed by the board, monitors, reviews and manages key risks and strategies with the board, ensures that the assets of the group are maintained and safeguarded, collaborates on investor relations activities with the chairman to ensure communications and the group's standing with shareholders and financial institutions is maintained, with the support of the chief executive officer, and ensures that the board is aware of the views and opinions of employees on relevant matters.

The Executive Directors are responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the group, providing executive leadership to managers, championing the group's core values and promoting talent management.

The Non-Executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide

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T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
www.paragonent.com

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constructive challenge to the executive directors and ensure that the group is operating within the governance and risk framework approved by the board.

The company secretarial function falls within the chief financial officer's remit, who is responsible for providing clear and timely information flow to the board and its committees and supports the board on matters of corporate governance and risk.

The matters reserved for the board are:

- Setting long-term objectives and commercial strategy.
- Approving annual operating and capital expenditure budgets.
- Changing the share capital or corporate structure of the group.
- Approving half-year and full-year results and reports.
- Approving dividend policy and the declaration of dividends.
- Approving major investments, disposals, capital projects or contracts.
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars.
- Approving changes to the board structure.

The board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the group evolves.

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www.paragonent.com

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

As a company listed on AIM, Paragon Entertainment Limited is not required to comply with the corporate governance requirements of a main listed company. However, the Directors are committed to maintaining high standards of corporate governance and will take account of recommendations in the UK Corporate Governance Code on Corporate Governance and endeavour to comply with the UK Corporate Governance Code as far as practicable given the size of the Group, and will make amendments to its corporate governance policies from time to time as the Group grows. Notice of AGM's can be found on the PEL website through the following link: <http://paragonent.com/investor-centre/regulatory-news>

The committees of the board are authorised to consider and refer decisions to the board of PEL and, once approved by the PEL board, to take all steps and sign all documents required to give effect to the PEL board's decision.

Audit Committee

The Company has an established audit committee which will consist of at least two members of the Board. The responsibilities of the audit committee include:

- Reviewing of the annual financial statements and interim reports prior to approval, focusing on changes in accounting policies and practices, major judgemental areas, significant audit adjustments, going concern and compliance with accounting standards, Stock Exchange and legal requirements;
- Receiving and considering reports on internal financial controls, including reports from the auditors and report their findings to the Board;
- Considering the appointment of the auditors and their remuneration including reviewing and monitoring of independence and objectivity;
- Meeting with the auditors to discuss the scope of the audit, issues arising from their work and any matters the auditors wish to raise;
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services;
- Reviewing the Group's corporate review procedures and any statement on internal control prior to endorsement by the Board; and
- Approving and monitoring any internal audit programme which may be implemented.

Other members may be invited to join the audit committee as deemed appropriate from time to time.

Remuneration & Nomination Committees

Paragon Entertainment Limited
Unit 8B, Harrier Court, Airfield Business Park, Elvington, York, YO41 4EA, England
T: +44 (0) 1904 608020 F: +44 (0) 1904 608011
www.paragonent.com

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The Company has an established remuneration committee which comprises of two members of the Board. The remuneration committee is responsible for:

- Reviewing and recommending the emoluments, pension entitlements and other benefits of the executive directors, non-executive directors other senior executives; and
- Reviewing the operation of share incentive plans and the granting of such awards; and
- Administering the Share Schemes including agreeing or amending the rules of the Share Schemes and performance conditions, authorising the establishment of trusts and changes thereto, agreeing when to operate the Share Schemes, authorising the giving of financial assistance, the terms of each operation, agreeing performance conditions and whether they have been achieved and approving and authorising execution of all relevant documents.

The Company may establish a nomination committee which comprises of two members of the Board and, in the absence of establishing a separate nomination committee, this function shall be fulfilled by the remuneration committee of PEL. The duties of the nomination committee are currently administered by the remuneration committee and comprise the following:

- to review the structure, size and composition (including the skills, knowledge and experience) of the board and make recommendations to the board with regard to any necessary adjustments;
- to prepare a description of the role and capabilities required for a particular appointment;
- to identify and nominate suitable candidates for the approval of the board to fill vacancies on the board as and when they arise;
- to assess and articulate the time needed to fulfil the role of Chairman, senior non-executive director and non-executive director and to perform performance evaluations to ensure that all members of the board are devoting sufficient time to fulfil their duties;
- to ensure on appointment that a candidate has sufficient time to undertake the role and review his or her commitments, bearing in mind the recommendations of the UK Corporate Governance Code on Corporate Governance as to which other commitments may or may not be appropriate;
- from time to time make recommendations to the board (where appropriate the affected persons recuse or remove themselves from such meetings), and concern the following:
 - (i) the post of Chairman, having made an assessment of that role;
 - (ii) the re-appointment of any non-executive director at the conclusion of his or her specified term of office; particularly when they have concluded their second term;
 - (iii) the continuation (or not) in service of any director who has reached the age of 70;
 - (iv) the re-election by shareholders of any director under the retirement by rotation provisions in the Company's articles of association;
 - (v) any matters relating to the continuation in office as a director of any director at any time;

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- (vi) the appointment of any director to executive or other office other than to the positions of Chairman or Chief Executive Officer the recommendation for which should be considered at a meeting of:
 - (A) the non-executive directors as far as the position of Chief Executive Officer is concerned;
 - (B) the board as far as the position of Chairman is concerned;
- (vii) items that should be published in the Company's annual report relating to the activities of the Committee;
- (viii) the membership and chairmanship of the Audit Committee; and
- address any other matters relating to the above referred to the Committee by the board

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