

Statement of Compliance with the QCA Corporate Governance Code

Last reviewed: 28 September 2018

Chairman's Introduction

The Board's task is to ensure that Wynnstay is well managed for the long-term benefit of all shareholders. Our corporate governance has evolved over many years, adopting and adapting practices and procedures to promote good governance that are considered appropriate for a company of Wynnstay's size, nature and structure. Good governance ensures effective and efficient decision-making and risk management.

The Board will now apply the Quoted Companies Alliance (QCA) Corporate Governance Code (the Code) following the London Stock Exchange's recent changes to AIM Rule 26. This change requires AIM-listed companies to give details on their websites of a recognised code that the board has decided to apply. The Code is constructed around ten broad principles, accompanied by explanations of their application and a set of disclosures. Companies are required to explain how each principle is applied, to the extent that the board judges these to be appropriate in the company's circumstances, and then provide an adequate explanation for the approach taken. Where a company departs from a principle or its application a well-reasoned explanation for doing so should be provided. This information has to be reviewed annually and websites should include the date on which the information was last reviewed.

This statement sets out how Wynnstay applies the Code and refers to our last published Annual Report. It will be reviewed and, if necessary, updated annually in our next Annual Report and/or on our website.

Philip Collins, Chairman 28 September 2018

The Code's Ten Principles of Corporate Governance

Companies need to deliver growth in long-term shareholder value. This requires an effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust.

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

Wynnstay is a long-established, successful property investment company focusing on acquiring, managing and developing commercial property primarily, but not exclusively, in the south and south-east of England.

Through careful property selection, active direct property management and promoting constructive business relationships with tenants, Wynnstay continues to grow and develop a diversified property portfolio. Wynnstay's strategy is to secure growth in net rental income and net asset value to provide shareholders with long-term value including a progressive dividend policy, consistent with an appropriate level of dividend cover.

Key challenges in the execution of this strategy are identifying and securing changes to the portfolio, whether by acquisition or disposal, and managing the risks of the commercial property market which are addressed under Principle No. 4 below.

2. Seek to understand and meet shareholder needs and expectations

Wynnstay encourages two-way communication with all its shareholders and seeks to respond promptly to questions raised and suggestions made by shareholders.

The AGM gives all shareholders the opportunity to communicate directly with the Board. Their attendance and participation has always been positively encouraged. There is also an opportunity for the Directors to receive the views of shareholders informally before and after the meeting.

The Company issues both mandatory and non-mandatory regulatory news announcements during the year, when appropriate, to update on financial, operational and other matters. These are available on the website and, in the case of significant announcements, are posted to all shareholders.

The Chairman, Philip Collins, and, as appropriate, the Senior Independent Director, Caroline Tolhurst, are available to meet any shareholder, however large or small their holding may be, to discuss the Company's affairs, subject always to ensuring that all shareholders are treated equally and that any matters involving business confidentiality and/or price-sensitive information are not addressed.

The Board considers that given the size and nature of the Company, and taking account of the voting results at AGMs, engagement with shareholders has been positive.

The Board would consider the outcome of voting decisions at general meetings and, in particular, would seek to understand motivations behind any significant votes against a resolution. Although it has not occurred, if any voting decision was not in line with the Board's recommendation it would seek to engage with those shareholders to understand their issues.

The Company Secretary, Toby Parker, is the first contact point for shareholder administration and liaison. He can be contacted by email at toby.parker@wynnstayproperties.co.uk or by telephone on 0207 554 8766.

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

Due to its size, nature and structure with no employees other than Executive Directors, all internal stakeholders attend Board meetings.

Wynnstay's main external stakeholders, apart from its shareholders, are its customers, i.e. its tenants, and its suppliers. The business promotes a good business relationship with external stakeholders, with feedback provided to the Board as necessary.

Engagement with tenants is mainly undertaken via frequent visits to and calls with tenants by the Managing Director so that their needs, interests and expectations are understood and any issues or points of concern can be identified and addressed at an early stage, before they become problematic. The Board considers that promoting and developing constructive business relationships with tenants has been a feature in maintaining high levels of occupancy and low levels of default over recent years within the portfolio.

Wynnstay's principal suppliers are bankers, property agents, valuers, professional advisers, auditors, insurance brokers, building and maintenance contractors and other service providers. Engagement is undertaken through regular contact by the Executive Directors in respect of their respective responsibilities.

Due to its size and nature, the Board does not consider that Wynnstay's impact on society, the communities and localities within which it operates or the environment are likely to have the potential to affect its ability to deliver shareholder value over the medium to long-term.

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

The Board is responsible for maintaining a sound system of internal controls to safeguard the Company's assets. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and is designed to provide a reasonable (but not an absolute) assurance against material misstatement or loss. The Board has considered the need for an internal audit function, but has concluded that the internal control system in place is currently the most appropriate solution for the size, nature and structure of the Company. The Board is directly responsible for the identification and evaluation of major risks and for determining the appropriate course of action to manage them.

The principal risks and uncertainties are those associated with the commercial property market, which is cyclical by its nature, and include changes in the supply and demand for space as well as the inherent risk of tenant failure. In the latter case, the Company seeks to reduce this risk by requiring the payment of rent deposits where appropriate and monitoring the income exposure to each tenant on a regular basis. Other risk factors include changes in legislation, policy or practice in respect of matters such as taxation, planning, leases and property construction as well as those associated with financing and treasury management.

Management of risks relating to financial instruments and capital management are set out in Note 18 to the Financial Statements for the year ended 25 March 2018 on pages 33-35 of the Annual Report 2018.

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

The Board comprises two Executive and four Non-Executive Directors, including the Chairman. The Board considers that all the Non-Executive Directors are independent.

Philip Collins, the Non-Executive Chairman, has been a Director for 30 years and Chairman for 20 years. He has become a significant shareholder, having decided to invest over this period, to demonstrate his confidence in Wynnstay's long-term prospects. He has always placed the interests of all shareholders, and Wynnstay's long-term success, at the centre of his chairmanship, as evidenced by his actions and reports to shareholders. His knowledge of the business and of shareholders, and his experience in both the private and public sectors, are all valuable to the Board's deliberations. There is no evidence that his tenure or his shareholding has had any adverse impact on his independent judgement.

Charles Delevingne has served as a Non-Executive Director since June 2002. Notwithstanding the length of his service, Mr Delevingne continues to demonstrate his commitment to fulfilling his role as a Non-Executive Director, providing

direction on business strategy and advice on business operations using his skills and experience in commercial property.. He is not involved in the daily management of the Company, nor in any relationships or circumstances that might interfere with his exercise of independent judgment. In addition, he continues to demonstrate the attributes of an independent non-executive director and there is no evidence that his tenure has had any adverse impact on his independent judgment.

Paul Mather and Caroline Tolhurst were appointed to the Board in March 2017 and were deemed independent on appointment and remain so. They are both Chartered Surveyors and have many years of experience in commercial property and property investment management as well as, in the case of Caroline Tolhurst, in corporate governance through her qualification and experience as a Chartered Secretary.

The Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. Overall the Non-Executive Directors are expected to spend a minimum of 10 days a year working for the Company. The following table shows directors' attendance at scheduled Board meetings in the past financial year ended 25th March 2018.

Director	Board meetings
Philip Collins	10/10
Paul Williams	10/10
Toby Parker	10/10
Charles Delevingne	10/10
Paul Mather	10/10
Caroline Tolhurst	10/10

In view of the Company's size and nature, the Board does not consider that the establishment of Board committees, such as a Remuneration Committee, a Nominations Committee or an Audit Committee, is appropriate. Some Non-Executive Directors will act as a group in relation to nominations as and when necessary. This occurred with the recent appointment of new Non-Executive Directors (see Principles No. 6 and 7 below).

Board members currently determine remuneration, with the Non-Executive Directors determining the remuneration of the Executive Directors and the Non-Executive Directors (other than the Chairman) determining the Chairman's remuneration. Directors' Fees are determined by the Board. Details of the Directors' remuneration are set out on page 10 of the Annual Report 2018. It is the Company's policy that the remuneration of Directors should be commensurate with the services provided by them to the Company.

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

The list of directors and their experience and skills is set out on the Company's website and on page 42 of the Annual Report 2018.

The Board considers that the experience and knowledge of each of the Directors is appropriate for the Company's current operations and strategy and gives them the ability to constructively challenge strategy, scrutinise performance and assess risk.

In November 2016, the Company advised shareholders that Terry Nagle wished to retire after 19 years on the Board. To find a replacement the Board adopted best practice and used an external firm of specialist consultants to conduct a search process. Meetings were held with a number of specialists before a firm was selected. Prior to conducting the search process, the Board reviewed the range of skills and experience considered appropriate, discussed these with the firm and took them into account in the selection process. The Non-Executive Directors who co-ordinated the process on behalf of the Board were the Chairman and Charles Delevingne.

On joining the Board in 2017, Caroline Tolhurst and Paul Mather took part in a formal induction process, during which they received presentations from the Executive Directors on strategy and finance, visited properties with the Managing Director and also met with the Company's nominated adviser.

Directors keep their skillset up to date with a combination of attendance at industry events, individual reading and study and experience gained from other board roles. The Company Secretary ensures the Board is aware of any applicable regulatory changes and updates the Board as and when relevant. Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. Directors also have direct access to the advice and services of the Company Secretary.

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

Historically there has been no requirement under the AIM Rules for a formal performance evaluation of the Board and accordingly none has been undertaken. Given the size and nature of the Company's business, the Board currently does not consider it would be an appropriate use of cash resources to engage an external firm to undertake a formal evaluation as the costs are likely to be disproportionate to any benefits. The Board will consider the merits of an internal self-evaluation of its performance.

Once a year the Chairman holds a meeting with the Non-Executive Directors individually and as a group without the Executive Directors being present. The Non-Executive Directors also meet annually without the Chairman being present to appraise the Chairman's performance.

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

The Board acknowledges that a corporate culture based on sound ethical values and behaviours is an asset and provides competitive advantages in the commercial property market where competition is intense and prospective and existing tenants are seeking good quality premises that are suited to their needs from a considerate, reliable landlord. Wynnstay aims to conduct its business with a high degree of professionalism, to operate within appropriate professional standards and legal and regulatory requirements and to act with honesty and integrity in a manner that gives confidence to those with whom it deals.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board considers that its governance structures and processes are in line with its corporate culture, and are appropriate to its size, nature, structure and complexity and its capacity, appetite and tolerance for risk. They have evolved over time in parallel with its objectives, strategy and business model and are suitable for the Company's growth plans in the short to medium term. The Board keeps them under review.

Wynnstay is headed by an effective Board, which leads and controls the Company. There is a clear division of responsibilities in running the Board and running the Company's business. The Board comprises two Executive and four Non-Executive Directors, including the Chairman. Directors submit themselves for re-election every three years by rotation in accordance with the Articles of Association.

The Chairman leads the Board. He sets the Board agenda, chairs Board meetings and ensures appropriate strategic focus and direction in the Board's work. He ensures that the Directors receive accurate and timely information and that adequate time is available for discussion of all agenda items, in particular strategic issues, and that all Directors, particularly the Non-Executive Directors, can contribute effectively. He is responsible for maintaining a constructive relationship between the Executive and the Non-Executive Directors. He chairs shareholder meetings and is the primary contact point for shareholders. He maintains high-level contacts with bankers, auditors and professional advisers.

The Managing Director has responsibility for all business operations concerning the portfolio. He is responsible for implementation of the business strategy, direction and policies approved by the Board and for development of the annual operating plan and capital expenditure budget. As well as undertaking the letting and management of properties, he manages relationships with tenants, ensures timely receipt of rents and manages suppliers to the portfolio. He has primary responsibility for acquisitions and disposals.

The Finance Director and Company Secretary has responsibility for all business operations concerning finance, cash management, accounting and corporate administration. He prepares and monitors annual budgets and regular cash-flow forecasts and is responsible for the operation and maintenance of the accounting system, preparation of financial accounts and reports to shareholders, as well as all statutory filings and returns. He undertakes analysis of tenant creditworthiness and of the financial implications of acquisitions and disposals. He has primary responsibility for the relationship with the auditors, bankers and the Company's nominated adviser and for compliance with AIM Rules.

The Senior Independent Director provides a sounding board for the Chairman, acts as an intermediary for other Non-Executive Directors and as another channel of communication for shareholders, where concerns are not resolved through the usual channels of the Chairman. The Senior Independent Director also leads the assessment of the Chairman's performance, as well as chairing the Board and shareholder meetings if the Chairman is unable to do so.

The Board is responsible for overall leadership of the Company. This includes reviewing, formulating and approving the Group's strategy, budgets and corporate actions and overseeing the Company's progress. Matters reserved for board approval include strategy and business plans; annual budgets; corporate structure and capital requirements; dividends and dividend policy; borrowing policy and bank facilities; financial reporting and controls; internal controls and policies on risk management; significant contracts and expenditure; communication with shareholders; remuneration and employment benefits; annual and half-yearly accounts and corporate announcements; approval and monitoring of

the internal financial control and risk management system; corporate governance arrangements; Board appointments and succession planning; and any transactions of significant value or major strategic importance.

The Board has a schedule of meetings with standing agenda items for each financial year. For each meeting, an agenda is set and papers circulated in advance so that all Directors can give due consideration to the matters in hand. As a minimum the Board meet eight times per annum. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted. Directors are able to ensure that any concerns they raise about the running of the Company or a proposed action are recorded in the minutes. There is regular communication between Executive and Non-Executive Directors between meetings, including updates on matters requiring attention prior to the next meeting.

The Board obtains an external independent valuation of the portfolio each year from BNP Paribas Real Estate, who perform their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards. The Executive Directors discuss the results of the independent valuation with the valuer who provides information on assumptions used and appropriate explanation and evidence for such assumptions. The external auditor has a separate discussion on the valuation with the valuer as part of the annual audit of the financial accounts.

The Board meets with the external auditor to consider the results, internal procedures and controls and any matters raised by the auditor. The Board considers the independence and objectivity of the auditor and the effectiveness of the audit process.

The external auditor has direct access to the Board, if appropriate, without the Executive Directors, and the external auditor also has direct access to the Non-Executive Chairman should there be any circumstances that either the auditor or the Chairman consider make this necessary.

Details of the Company's external advisers are set out on the Company's website and on page 2 of the Annual Report 2018.

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

Communication and dialogue with shareholders and other relevant stakeholders are addressed under Principles No. 2 and 3 above, as well as in the last Annual Report and on the website. The performance of the business during the last financial year is reviewed in detail in the Chairman's Statement and elsewhere in the latest Annual Report.

The Board considers that the existing communication and reporting structures allow open dialogue between shareholders and the Board and provide shareholders with a good understanding of the business.

Historical annual reports containing business reviews and other governance related material, including notices of all general meetings over the last five years, are available on the website. Details of directors' emoluments are contained in the annual reports and the Chairman's Statement in each annual report includes commentary on any bonuses awarded to the Executive Directors and the consideration of the Non-Executive Directors in awarding such bonuses.

The outcome of all votes cast by shareholders at general meetings is announced following the meeting through a regulatory announcement which is also available on the website. No recent resolutions resulted in a vote against which were 20% or more of the votes cast.