

Statement of Compliance with the QCA Corporate Governance Code

Last reviewed: 12 June 2019

Introduction

In 2018 changes to London Stock Exchange's AIM Rule 26, required AIM-listed companies to give details on their websites of a recognised corporate governance code that the board has decided to apply. The Board decided to apply the Quoted Companies Alliance Corporate Governance Code (the Code).

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.

The Company published on its website the first Statement of Compliance with the Code on 28 September 2019. The statement has now been reviewed in the light of the publication by the Company of its Annual Report and Financial Statements for the year ended 25 March 2019 (Annual Report 2019) which has been prepared to comply the the requirements of the Code and to follow the Code's recommendations regarding the location of the disclosures required.

This statement summarises and explains how Wynnstay now applies the Code and its recommendations with reference to our Annual Report 2019. It will be reviewed and updated, as necessary, and at least annually.

In addition to the specific cross-references contained in the Annual Report 2019 and in this statement, the table at the end of this statement contains the index required by the Code to signpost where the information required to be disclosed by the Code is located.

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.

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

A description of the application of Principle 1 is recommended by the Code to be included in the Annual Report and by company law is required to be included in the Strategic Report. Accordingly, Principle 1 is addressed in that report in the Annual Report 2019: see page 12.

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

A description of the application of Principle 2 is recommended by the Code to be included on a company's website and is therefore addressed in this statement.

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.

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

A description of the application of Principle 3 is recommended by the Code to be included on the Company's website and is therefore addressed in this statement.

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 and arrears 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 considers that Wynnstay's impact on society, the communities and localities within which it operates and the environment is low and is unlikely to have the potential to affect its ability to deliver shareholder value over the medium to long-term.

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

A description of the application of Principle 4 is recommended by the Code to be included in the Annual Report. Under company law, the Directors' Report must include a description of financial risk management objectives and policies and information on exposure to price risk, credit risk, liquidity risk and cash flow risk and the Strategic Report must include a description of the principal risks and uncertainties facing a company. Principle 4 is therefore addressed in these reports in the Annual Report 2019: see pages 8 to 13.

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

A description of the application of Principle 5 is recommended by the Code to be included in the Annual Report and thus is addressed in the Corporate Governance Report in the Annual Report 2019: see pages 15 and 16 which should be read together with the additional information required by the Code to be given under Principles 6, 7, 8 and 9 provided in this statement.

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

The application of Principle 6 is recommended by the Code to be included in the annual report and is therefore addressed in the Corporate Governance Report in the Annual Report 2019, pages 17 and 18 which should be read together with the information provided under Principles 5, 7, 8 and 9 in this statement.

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

The application of Principle 7 is recommended by the Code to be included in part in the annual report and in part on a company's website. The Company considers that it is convenient to deal with most of these matters in one place in the Corporate Governance Report in the Annual Report 2019: see pages 17 and 18.

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 developing further the internal self-evaluation and assessment of its performance.

After the end of each financial 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 to appraise the Chairman's performance following which the Senior Independent Director feeds back the outcome to the Chairman. These meetings are intended to provide an opportunity for open dialogue on individual and collective performance and on any necessary changes required.

The approach to succession planning and processes for appointments are addressed primarily by the Non-Executive Directors, or delegated to an ad hoc committee of them, appointed by and reporting, with recommendations, to the Board. The Company seeks to adopt, consistent with its size and resources, appropriate good corporate practice and, following a selection process, generally uses an independent external firm of specialist recruitment consultants or providers to identify potential candidates. Prior to

conducting the process, the Board reviews the range of skills and experience considered appropriate, discusses these with the specialist firm and takes them into account in the selection process.

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

The application of Principle 8 is recommended by the Code to be, and has thus been, addressed in the Corporate Governance Statement in the Annual Report 2019: see page 14. Ensuring the means to determine that values and behaviours are recognised and respected is addressed, as recommended by the Code, in this statement.

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.

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

A high-level explanation of the application of Principle 9 is recommended by the Code to be, and has thus been, provided in the Corporate Governance Statement in the Annual Report: see page 14.

The Code recommends that supplementary detail required by the Code (role and responsibilities of Directors, role of committees, matters reserved for the Board and plans for evolution of the governance framework) is addressed on the website and thus it is addressed in this statement.

The Board considers that its governance structures and processes are in line with its corporate culture, 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, are 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 maintaining a good standard of corporate governance including 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, as well as chairing the Board and shareholder meetings if the Chairman is unable to do so, and leading the assessment of the Chairman's performance.

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 2019.

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

The application of Principle 10 of the Code concerning dialogue on governance and performance with shareholders and other relevant stakeholders is recommended by the Code to be included in part in the annual report and in part on the website. The Company follows these recommendations and addresses the work of committees, including in relation to audit and remuneration and the identification and reasons for any non-publication of disclosures under the principles set out in the Code in the Corporate Governance Statement and the Corporate Governance Report in the Annual Report 2019: see pages 14 to 19.

The other matters required by the Code, being the outcome of all general meeting votes, intended actions on, and reasons for, significant votes cast against resolutions will be made available on the Company's website after the conclusion of meetings; and historical annual reports, notices of general meetings and other governance-related material are already available on the Company's website.

Communication and dialogue with shareholders and other relevant stakeholders are addressed under Principles No. 2 and 3 above, as well as in the Chairman's Statement in the Annual Report 2019: see pages 4 to 7. The performance of the business during the last financial year is reviewed in detail in the Chairman's Statement, the Directors' Report, the Strategic Report and the Financial Statements in the Annual Report 2019.

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

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 have resulted in a vote against of 20% or more of the votes cast.

The Code recommends the annual report to describe the work of committees and recommends inclusion in the annual report. As already mentioned above, the Board does not have formally constituted committees, with the Non-Executive Directors acting as a group in relation to audit and remuneration. The Annual Report 2019 describes the work of the Non-Executive Directors in relation to audit and remuneration matters in the Corporate Governance Report: see page 19.

INDEX SIGNPOSTING THE LOCATION OF INFORMATION DISCLOSED UNDER THE CODE

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The Company's website address is: www.wynnstayproperties.co.uk