GOVERNANCE

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

"Dear Shareholders,

The Committee's main focus this year has been the review of the Investment Management Agreement and the subsequent changes which were approved at the general meeting on 20 December 2016. As part of this process, we entered into a Service Level Agreement with the Manager to formalise the Board reporting provided by the Manager in light of the Company's established position in the FTSE 250 and its substantial growth since IPO. The enhanced Board reporting procedures are designed to maintain the quality and frequency of Board reports throughout the year thereby ensuring that the Board is kept well informed. We have also considered the service provided to the Company by each principal service provider and, as the Company has now celebrated its third anniversary, we have established a re-tender schedule in line with best practice."

Membership

Stephen Smith (Chairman)
Richard Jewson, Jim Prower, Mark Shaw*

Priorities for 2016

- Establish a schedule for re-tender of each principal service provider to the Company.
- Full review of the Investment Management Agreement and the Implementation of the Service Level Agreement to reflect the Company's considerable growth since IPO in December 2013.
- Consider whether every service provider is performing well for the Company and whether the Company receives best value.

Meeting attendance register

PERSON	MEETINGS ELIGIBLE TO ATTENDED	MEETINGS ATTENDED
Stephen Smith	2	2
Richard Jewson	2	2
Jim Prower	2	2
Mark Shaw[1]	0	0

* Until 11 May 2016

1 Resigned on 11 May 2016, in accordance with AIC Code provisions 15. No meetings were held during 2016 whilst Mark Shaw was still a member of this Committee.

The Management Engagement Committee's role is to review the performance of the Manager and the Company's other main service providers over the year and to recommend to the Board a schedule of re-tender for each appointment. The Committee is also responsible for overseeing any amendments to the Investment Management Agreement.

We met twice in the year to 31 December 2016, to review the Company's relationships with its main service providers, their performance and the terms of their appointment, and to review the Company's relationship with the Manager, the Manager's performance and the terms of the Manager's appointment.

We conducted a comprehensive review of the performance of the Manager and, together with the Manager, all of the Company's corporate advisers and principal service providers. This included an assessment of the ongoing requirement for the provision of such services, the fees paid to and the performance of such advisers and service providers and additional added value given by the Manager and the Company's service providers and advisers, and whether additional services were required. The review was for the period ending 30 June 2016 thereby allowing the Committee to refer to figures reviewed by the Auditor in its assessment of performance.

Under the terms of the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Company to the Manager, including sourcing of investment opportunities in line with the Company's Investment Policy, asset management of the existing portfolio, negotiation of debt facilities within the parameters of the Company's policy on gearing and liaising with the Company's advisers on equity fundraisings. As all of the Company's subsidiaries and therefore all of its assets are wholly owned and controlled by the Company, the Board exercises direct control in respect of the Group's holdings and the Manager is not required to vote on behalf of the Company.

To ensure open and regular communication between the Manager and the Board, the Manager is invited to attend all Board meetings to update the Board on the Company's investments and to discuss the market generally and the financial performance and strategy of the Company. Details of the Company's performance in 2016 have been set out in the Strategic Report. The Manager has adopted a focused approach to investing, acquiring 10 Big Boxes during the year, which offer opportunities for capital appreciation through

See Strategic Report p10-60

income growth and asset management initiatives. As a result of acquisitions sourced and executed by the Manager, the Company has diversified its portfolio by tenant and geography whilst providing a high level of income security. 48% of our rent roll is underpinned by leases of more than 15 years unexpired term.

The Manager increased the number of people it employs to ensure that the Company is well serviced and in 2016 it expanded the asset management team and the compliance team. A new property researcher will join the market research team in May 2017. The Company also agreed a new Service Level Agreement with the Manager to formalise and streamline the procedures which were already in place and to ensure that the service levels provided by the Manager remain at the highest level in response to the Company's continued and significant growth since IPO.

In addition, following an extensive review and full analysis, we agreed with the Manager that the performance of all of the Company's current service providers for the past year continued to be satisfactory, and in several cases exceptional, and, with the Manager's recommendation, that each be retained until the next review. We were also pleased to note that improvements identified as needing to be made were carried out over the course of 2016. The Committee also determined to include the review of the non-audit services and the implementation of the Service Level Agreement within its remit in 2017. We did not suggest any material changes to the engagement terms of any of the advisers or service providers. Our review did not reveal any material weaknesses in the advice and support provided to the Group and we are satisfied that the Company is benefiting from added value in respect of the services it procures.

However, in order to ensure that the Company continues to receive the very best service and value from its service providers, the Management Engagement Committee has recommended a schedule of re-tendering to the Board which sets out a timetable for each professional appointment to be re-tendered. The re-tendering programme will start next year. The re-tender process will then continue on a three year rolling basis thereafter such that the Company is regularly reviewing its long-term contractual arrangements with its service providers to ensure it continues to receive high quality service at an affordable and competitive price.

The Investment Management Agreement was reviewed by the Manager and the Board and the proposed amendments were passed at a general meeting of the Shareholders held on 20 December 2016. The main amendments are:

- the introduction of two new upper-tier fee bands will result in lower investment management fees being charged on NAV above £1.25 billion (details overleaf). This recognises the significant growth of the Company and the increasing value of the portfolio. The adjustments to the fee bands above the NAV threshold should have a beneficial effect on the total expense ratio of the Company and an improvement in the dividend cover level;

- an extension to the term which will provide additional security not only to the Manger and its employees but also to the Company and its Shareholders and stakeholders. The extension will also allow the Manager to continue to build long-term relationships with occupiers, developers and financing partners, thereby improving transaction opportunities for the Company and further aligning the interests of the Manager with the Company;

- changes to the conflict management undertakings requiring even greater focus from the Manager which should provide additional benefits to both company and investors.

A copy of the Circular detailing these amendments is available on the Company's website.

Management fee

Under the Investment Management Agreement, as amended on 20 December 2016, the Manager is entitled to a management fee in consideration for its services. This is payable in cash by the Company each quarter and is calculated as a percentage of the Company's Net Asset Value ("NAV"), disregarding cash or cash equivalents, announced before the end of the relevant quarter. 25% (net of associated costs) of the management fee is reinvested in shares of the Company within 60 days following the release of the Company's financial results to the market. If the Group buys or sells any assets after the date at which the relevant NAV is calculated, the NAV is adjusted pro rata for the net purchase or sale price, less any third-party debt drawn or repaid.

The management fee as a percentage of NAV is as set out below:

NAV	RELEVANT PERCENTAGE
Up to and including £500 million	1.0%
Above £500 million and up to and including £750 million	0.9%
Above £750 million and up to and including £1 billion	0.8%
Above £1 billion up to and including £1.25 billion	0.7%
Above £1.25 billion up to and including £1.5 billion	0.6%
Above £1.5 billion	0.5%

During specified periods after publication of the Company's annual or half year results the members of the Manager and relevant employees (and/or their connected parties) will use 25% of the management fee (net of any VAT, personal taxation liabilities and dealing costs, including stamp duty or stamp duty reserve tax) (the "net cash amount"), to subscribe for Ordinary Shares in the Company. The price will be equivalent to the prevailing NAV per share, adjusted for any dividend declared after the NAV per share is announced. Where this would result in Ordinary Shares to be issued at a price below the NAV per share, the Company's Broker will be instructed to acquire Ordinary Shares in the market for those persons, to the value as near a possible equal to the net cash amount. The Ordinary Shares may be issued to any members of the Manager or, at the discretion of the Manager, to any employee of the Manager.

On 27 May 2016, the Company issued 410,729 Ordinary Shares in respect of the net cash amount, relating to the six months to 31 December 2015. The issue price was 121.09 pence per Ordinary Share, equivalent to the prevailing NAV of 124.09 pence per Ordinary Share less the interim dividend of 3.0 pence per Ordinary Share, for which the shares did not qualify, paid to Shareholders on or around 9 March 2016. On 26 September 2016, the Company issued 466,874 Ordinary Shares in respect of the net cash amount, relating to the six months to 30 June 2016. The issue price was 124.48 pence per Ordinary Share, equivalent to the prevailing unaudited NAV of 127.58 pence per Ordinary Share less the interim dividend of 3.10 pence per Ordinary Share, paid to Shareholders on or around 25 August 2016 in respect of the period from 1 January 2016 to 30 June 2016. Following these issues of Ordinary Shares, the Manager as at the year end had the following beneficial interests:

TRITAX PARTNER OR PERSON CLOSELY ASSOCIATED	NUMBER OF MANAGEMENT SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2016
Mark Shaw	523,924	0.05%
Colin Godfrey	431,862	0.04%
James Dunlop	431,862	0.04%
Henry Franklin	333,572	0.03%
Tritax Management LLP	83,161	0.007%
Staff of Tritax Management LLP*	86,822	0.007%

* This figure comprises Ordinary Shares issued to staff and Partners at Tritax Management LLP under the terms of the Investment Management Agreement and at IPO, and does not include other shares that may have otherwise been acquired by such staff members.

Extension to term

The term of the Investment Management Agreement ("IMA") was extended on 20 December 2016 so that the earliest termination date of the IMA is 31 December 2021. In order to terminate on that date, 24 months' notice of termination would need to be given by either party by 31 December 2019. Thereafter either party can terminate the IMA by giving at least 24 months' notice. The provisions allowing the parties to terminate without notice in certain circumstances, including material breach and/or loss of key personnel, remain in place.

Conflict management

The restrictive conflict provisions contained in the IMA were tightened on 20 December 2016 so that the Manager is not permitted in any circumstance to manage another fund with an exclusive investment strategy focusing on distribution or logistics assets in excess of 300,000 sq ft located within the UK. The Manager is permitted to acquire and manage distribution of logistics assets which provide less than 300,000 sq ft of accommodation on behalf of other funds subject to certain caveats designed to ensure that any assets which may be of interest to the Company are offered to the Company in priority to other funds managed by the Manager.

We will review the continuing appointment of all of the Company's principal service providers and the performance of the Manager on an annual basis and ensure they are in the best interests of Shareholders as a whole.

Stephen Smith Chairman of the Management Engagement Committee
7 March 2017

http://tritaxbigbox.co.uk/investors/#company-documents