

# APPLICATION OF THE PRINCIPLES OF THE AIC CODE

The Company has applied the 21 Principles of the AIC Code as follows:

<b>THE BOARD</b>	
<b>1. The Chairman should be independent</b>	The Company's Chairman, Richard Jewson, is independent. In addition, the Board has appointed a Senior Independent Director who, among other things, will take the lead in the annual evaluation of the Chairman and will be an alternative contact for Shareholders.
<b>2. A majority of the Board should be independent of the Manager</b>	The Board currently comprises five Non-Executive Directors of which Richard Jewson, the Chairman and Susanne Given, Jim Prower and Aubrey Adams are independent of the Manager. Mark Shaw, who is a partner and chairman of the Manager, Tritax Management LLP is not considered to be independent.
<b>3. Directors should be submitted for re-election at regular intervals</b>	As the Company is a constituent of the FTSE 250, Richard Jewson, Susanne Given, Aubrey Adams and Mark Shaw will retire and stand for re-election at the AGM in May 2018. Aubrey Adams will stand for election to the Board at the AGM in May 2018.
<b>4. The Board should have a policy on tenure</b>	The Company's practice is to appoint Directors for a minimum two-year term subject to annual re-election.
<b>5. There should be full disclosure of information about the Board</b>	Full information about the Board, as a whole, and the Directors, as individuals, is set out, inter alia, in this Annual Report.
<b>6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company</b>	The Nomination Committee has undertaken a review of the Board's composition and appointed Aubrey Adams as a Non-Executive Director of the Company and as a member of the Audit Committee, Nomination Committee and Management Engagement Committee. In making appointments to the Board, the Committee considers the wide range of skills, knowledge and experience required to maintain an effective Board. The Nomination Committee Report is on pages 91-92.
<b>7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors</b>	The Board appointed Lintstock Limited to conduct a Board Evaluation. Details of the evaluation are set out on page 92.
<b>8. Directors' remuneration should reflect their duties, responsibilities and the value of their time spent</b>	The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration and sets remuneration appropriately so as to attract, retain and motivate Board members. The fees paid to the Directors are listed on page 104 of this report.
<b>9. The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the Annual Report</b>	The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on page 91-92.
<b>10. Director Induction Programme</b>	Aubrey Adams was appointed as a Non-Executive Director of the Company and as a member of the Audit, Management Engagement and Nomination Committees in 2017. Aubrey received a bespoke induction training programme designed to give him a comprehensive overview of the Company, including its business and strategic aims and its governance structure. The Company Secretary also provided Aubrey with a bespoke induction pack of documents and an introduction to the Company.
<b>11. The Chairman (and the Board) should be brought into the process of a new launch at an early stage</b>	The Company operates a single fund and has no plans to launch further funds. However, whenever the Company carries out equity fundraisings the Chairman and the Board are always involved and are integral to the process from an early stage.
<b>BOARD MEETINGS AND THE RELATIONSHIP WITH THE MANAGER</b>	
<b>12. Boards and Managers should operate in a supportive, co-operative and open environment</b>	The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors' views. The Non-Executive Directors provide objective, rigorous and constructive challenge to the Manager and communicate regularly among themselves.

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## 13. The primary focus at regular Board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues

The Chairman sets the agendas for the meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings. The Board has a schedule of matters specifically reserved for its decision which include the approval of budgets, setting investment and performance objectives and policies, the approval of the Company's financial statements and published reports, the approval of equity and debt fundraising.

Prior to each meeting, the Directors are provided with a comprehensive set of papers providing information on the Company's proposed investments, its financial position and performance, an update on relevant sectors including the commercial property and retail sectors, a monthly Shareholder analysis and a report on regulatory and governance matters.

## 14. Boards should give sufficient attention to overall strategy

The Board, together with the Manager, regularly considers the overall strategy of the Company in light of its performance and the sector overall.

## 15. The Board should regularly review both the performance of, and contractual arrangements with, the Manager

The performance of the Manager is assessed on a regular basis by the Management Engagement Committee. Further details of the review in 2017 are set out in the Management Engagement Committee Report see pages 101-103.

The Board together with the Audit Committee sets the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised in the Audit Committee Report on pages 96-99.

## 16. The Board should agree policies with the Manager covering key operational issues

The Board has an agreed set of policies with the Manager covering key operational areas and the implementation of such policies is subject to a regular, independent review. Further details of this review of internal controls are set out in Leadership on page 81. Langham Hall UK Depository LLP acts as depository for the Company and conducts an independent review of the internal controls of the Company. Further details of the role of Langham Hall UK Depository LLP are set out on page 95.

## 17. The Board should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it

The Board monitors the performance on the Company's share price both on an absolute level and relative to the prevailing Net Asset Value per Ordinary Share. The Directors have at their disposal the authority to buy back or issue Ordinary Shares (within certain parameters) which would allow them to address anomalies in the performance of the Ordinary Shares, if necessary. The Board works with the Company's joint financial advisers and corporate broker to maintain regular contact with the investors and monitor investor sentiment.

## 18. The Board should monitor and evaluate other service providers

The Management Engagement Committee together with the Manager reviews the continuing appointment of its service providers to ensure that terms remain competitive and in the best interests of Shareholders, through an annual review of the relevant contracts.

The Board has access to independent professional advisers at the Company's expense.

## SHAREHOLDER COMMUNICATIONS

## 19. The Board should regularly monitor the Shareholder profile of the Company and put in place a system for canvassing Shareholder views and for communicating the Board's views to Shareholders

Representatives of the Manager met regularly with Shareholders throughout 2017, providing the Board with feedback on Shareholder views and concerns. Please see Relations with Shareholders and stakeholders for further information on pages 104-105.

The Directors make themselves available at general meetings to address Shareholder queries and the Annual General Meeting, in particular, provides the Board with an important opportunity to meet with Shareholders, who are invited to meet the Board following the formal business of the meeting.

## 20. The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesperson

All communications with Shareholders are subject to sign off by one or more of the Directors, as appropriate. Any communications regarding major corporate issues are approved by the Board prior to release.

## 21. The Board should ensure that Shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares

The Board places great importance on communication with Shareholders. It aims to provide Shareholders with a full understanding of the Company's activities and performance and reports formally to Shareholders twice a year by way of the Half Yearly Report and the Annual Report, including in particular, the Strategic Report. The Strategic Report is set out on pages 1-75 and this provides information about the performance of the Company, the Investment Policy, strategy and the risks and uncertainties relating to the Company's future prospects.

This is supplemented by frequent notifications via a regulatory information service on developments such as asset acquisitions, debt financings and fundraising activities, and the Company's Website is regularly updated.