

Statement of compliance with the UK Corporate Governance Code

April 2019

Chairman's Introduction

We are grateful to all the Company's stakeholders for their ongoing commitment and support and recognise the need to ensure an effective corporate governance framework is in place to give confidence that we are committed to demonstrating high standards in this regard.

Compliance with UK Corporate Governance Code

For the year ended 31 December 2018, we reported against the 2016 UK Corporate Governance Code (the "Code") and this statement sets out in broad terms how we complied as at that date. In due course, for the accounting period which began on 1 January 2019, we will report against the 2018 version of the Code. We will also provide updates as things change. Full versions of the 2016 Code and the 2018 Code are available from the Financial Reporting Council website at www.frc.org.uk.

The Company's Corporate Governance Report is on pages 92-96 of the 2018 Annual Report.

A. Leadership

A.1 Role of the Board

The Board is collectively responsible for the long-term success of the Company.

The Directors are responsible for the determination and oversight of the Company's investing policy and strategy and have overall responsibility for the Company's activities, including the review of its investment activity and performance, and the activities and performance of the Executive Directors and other senior executives of the Company.

In addition, the Board is responsible for:

- Authorisation of significant transactions
- Dividend policy
- Internal controls and risk management (via the Audit & Risk Committee)
- Remuneration policy (via the Remuneration Committee)
- Shareholder circulars and listing particulars
- Matters relating to share capital
- Treasury policy and significant fundraising
- Appointment/removal of Directors.

The Board delegates specific responsibilities to the Board committees.

The Company maintains a Directors' and Officers' insurance policy for the benefit of its Directors.

Attendance at Board and Committee meetings

The Board meets regularly, convening 20 times (including three Board committee meetings) in the year ended 31 December 2018. A table summarising attendance at the board meetings and various committee meetings is contained in the Company's Corporate Governance Report on page 95 of the 2018 Annual Report.

Audit Committee

The Committee consists of three independent Non-Executive Directors and is chaired by John Whittle who has recent and relevant financial experience.

Risk Committee

The Committee consists of three independent Non-Executive Directors and is chaired by Andreea Petreanu.

Remuneration Committee

The Committee consists of three independent Non-Executive Directors and is chaired by Bruce Buck. The Remuneration Committee has as its remit, amongst other matters, the determination and review of the fees payable to Globalworth Investment Adviser ("GIAL"), the Company's subsidiary, and the related emoluments of the Executive Directors and other senior executives of the Company who are preference shareholders of GIAL and the terms of any performance or incentive plans of the Investment Adviser, including the setting of performance thresholds, the allocation of any such entitlements as between shares and cash and the setting of any vesting periods (in each case, taking such independent advice as it considers appropriate in the circumstances). In addition, the Remuneration Committee reports at least annually to the Board in relation to its activities and recommendations. The emoluments of the Directors are a matter for the Board, considering the recommendations received from the Remuneration Committee. No Executive Director may be involved in any decisions as to his own emoluments.

Nomination Committee

The Committee consists of three independent Non-Executive Directors and is chaired by Geoff Miller. Any proposal for a new Director will be discussed and approved by the Board, however, significant shareholders (Ioannis Papalekas and Growthpoint Properties Ltd) have the power to appoint additional Directors.

Investment Committee

The Investment Committee consists of Eli Alroy (Chairman of the Committee), Ioannis Papalekas, Dimitris Raptis, Norbert Sasse and George Muchanya. The Investment Committee was formed primarily for the purpose of considering:

- all acquisitions, disposals and developments or redevelopments of physical properties and letting enterprises in accordance with the thresholds set out in the delegated authority framework;
- capital expenditure, including refurbishments and developments or redevelopments of physical properties and letting enterprises in accordance with the thresholds set out in the delegated authority framework;
- periodic review of systems and processes for due diligence reviews relative to acquisitions of physical properties and letting enterprises;
- annual budgets for capital expenditure;
- annual valuations of physical properties and letting enterprises; philosophy, policies and strategy in respect of investment in physical properties and letting enterprises;
- loan and debt securitisation within the thresholds set out in the delegated authority framework; and
- lease agreements and amendments thereto within the thresholds set out in the delegated authority framework and making recommendations in respect thereof to the Board or any appropriate committee of the Board of the Company.

A.2 Division of responsibilities

There is a clear division of responsibilities at the head of the company, between the running of the Board and the executive responsibility for the running of the company's business and no one individual has unfettered power.

The roles of Chairman and Chief Executive are separate. The Chairman leads Board meetings and Board discussions and has responsibility for the Board's overall effectiveness. The Chief Executive is responsible for the achievement of the Group's strategic and commercial objectives, within the context of the Group's resources and the risk tolerances laid down by the Board.

A.3 The Chairman

The role of the Chairman is to lead the Board, ensuring it operates effectively and is composed of the right mix of skills and experience. He is also responsible for promoting a culture of openness and debate.

A.4 Non-executive directors

The close relationship and open communication between the Non-Executive and Executive Directors are integral to our governance process, allowing the smooth operation of the Board, and ensuring ongoing guidance for the Company.

Eli Alroy is our Senior Independent Director.

Meetings of the Non-Executive Directors without the Executive Directors being present are held at least annually, both with and without the Chairman.

During the year, if any Director has unresolved concerns about the running of the Company or a proposed action, this would be recorded in the minutes of the meeting.

B. Effectiveness

B.1 Composition of the Board

The Board comprises the Chairman, who is an independent Non-Executive Director, eight further independent Non-Executive Directors¹, two Non-Executive Directors who are not considered to be independent in view of the fact that they represent Growthpoint Properties Limited, a substantial shareholder, and two Executive Directors.

Details on the profiles and experience of the Executive and Non-Executive Directors are set out [here](#).

Currently, with the exception of the Company, the Investment Adviser and Growthpoint Properties Limited, there are no common directorships between members of the Board.

As such, the Board meets the Code requirements (as set out at B.1.2 of the 2016 Code and Provision 11 of the 2018 Code) that at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent.

B.2 Appointments to the Board

There is a nomination committee, consisting of three independent Non-Executive Directors and chaired by Geoff Miller. Any proposal for a new Director will be discussed and approved by the Board, however, significant shareholders (Ioannis Papalekas and Growthpoint Properties Ltd) have the power to appoint additional Directors.

B.3 Commitment

As part of the evaluation process the Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

B.4 Development

On joining the Board, new members receive a comprehensive induction. Individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues.

¹ Since 31 December 2018, the appointment of one of the independent Non-Executive Directors has terminated (effective and announced on 19 March 2019). Notwithstanding this, the Board continues to meet the 2016 and 2018 Code requirement that at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent.

B.5 Information and support

There is a regular flow of information to the Board to keep Directors up to date with the business. The Company Secretary is responsible for facilitating the flow of information to and from the Board. The Group Compliance Officer and the Company Secretary attend all Board meetings and are responsible for advising the Board on corporate governance matters. In addition, the Board and Committees have access to independent advice at the Company's expense.

B.6 Evaluation

The Board formally considers on an annual basis its effectiveness as a Board, the balance of skills represented and the composition and performance of its committees. The Board considers that it has an appropriate balance of skills and experience in relation to the activities of the Company. The Chairman evaluates the performance of each of the Directors on an annual basis, taking into account the effectiveness of their contributions and their commitment to the role. The performance and contribution of the Chairman is reviewed by the other Directors.

An evaluation of the performance of the Board members who served during the entire year ended 31 December 2018 was undertaken. The performance of the Chairman was also evaluated by the other Directors. The result of the evaluation carried out was that all Directors' performance is in line with the expectations set out at the point of their appointment to the Board.

B.7 Re-election

In accordance with the Company's Articles of Incorporation, the Company's Non-Executive Directors, except Bruce Buck (appointed pursuant to the right of the Founder, Ioannis Papalekas, to appoint a director), Akbar Rafiq (appointed pursuant to the right of York Capital to appoint a director), as well as Norbert Sasse, George Muchanya and Peter Fechter (appointed pursuant to the right of Growthpoint Properties Ltd to appoint a specified number of directors) and Richard van Vliet (appointed pursuant to Growthpoint's right to nominate a Guernsey based director), shall retire from office annually and may offer themselves for re-election by the Members.

Ioannis Papalekas and Dimitris Raptis are not required to submit themselves for re-election, unless required to do so by a two-thirds vote of the Directors.

C. Accountability

C.1 Financial and business reporting

As set out in the Board's statement on the Annual Report 2018, page 102, the directors consider that the report taken as a whole is fair, balanced and understandable.

See pages 104 to 108 of the Annual Report 2018 for the Audit Committee Report.

See pages 168 to 171 of the Annual Report 2018 for the Independent Auditors' report.

See pages 14 to 17 of the Annual Report 2018 for an explanation of the Company's business model and strategy.

C.2 Risk management and internal control

See pages 104 to 108 of the Annual Report 2018 for the Audit Committee Report and pages 72 to 78 of the Annual Report 2018 for the Risk Committee Report. See also the Viability Statement on page 79 of the Annual Report 2018.

D. Remuneration

The Remuneration Committee's activities during the previous reporting period are set out in the Remuneration Committee report on pages 112 to 115 of the Annual Report 2018.

E. Relations with shareholders

A report on shareholder communications is considered at each quarterly Board meeting. Regular trading updates are posted on the Company's website with commentary on significant events in the evolution of the Company's portfolio and performance.

The Company's senior management and its brokers maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board.

In addition, Board members are available to answer shareholders' questions at any time, and specifically at the Annual General Meeting ('AGM'). The Company Secretary is available to answer general shareholder queries at any time during the year. The Board monitors activity in the Company's shares and the discount or premium to net asset value at which the shares trade both in absolute terms and relative to the Company's peers.