



## Corporate Governance

### The Quoted Company Alliance (QCA) Code

#### Chairman's Introduction

The Company is not obliged to comply with the UK Corporate Governance Code (the “Code”). However, the Directors are committed to maintaining high standards of corporate governance and, in so far as is practicable and appropriate given First Property Group's (the “Group”) size and nature, they have elected to adopt (and seek to comply with) the Quoted Companies Alliance Corporate Governance (QCA) Code for Small and Mid-Size Quoted Companies. First Property Group embraces its core underlying principle being “to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term”. Given the Company's long standing commitment to good corporate governance no significant changes in governance-related matters have been required. No key governance matters have arisen since the publication of the last Annual Report.

To see how the Company addresses the key governance principles defined in the QCA code please refer to the below.

Alasdair Locke  
*Chairman*

#### **PRINCIPLE 1: establish a strategy and business model which promotes long term value to shareholders**

##### *Application*

- *express the board's shared view of the company's purpose, business model and strategy;*
- *set out how the company intends to deliver shareholder value in the medium to long-term;*
- *demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.*

First Property Group's business model is explained on the first page (inside front cover) of the Group's Report and Accounts for the year ended 31 March 2019.

The strategy is explained fully within our strategic report section on page 4 of the Group's Report and Accounts for the year ended 31 March 2019.

Our strategy is focused around building a growing and more balanced business between fund management and property investing with both divisions delivering resilient, recurring revenue of a contractual nature with high forward visibility.

The key risks and challenges to the business and how these are mitigated are set out on pages 18 and 19 of the Group's Report and Accounts for the year ended 31 March 2019.

## **PRINCIPLE 2: Seek to understand and meet shareholder needs and expectations**

### *Application*

- *directors to have a good understanding of the needs and expectations of all elements of the company's shareholder base;*
- *the board should manage shareholders' expectations and seek to understand the motivations behind shareholder voting decisions.*

The Board is committed to a conservative and sustainable dividend policy that recognises all the Group's cash contractual obligations and thereby sets an appropriate level of dividend.

First Property Group encourages communication with all its shareholders and responds quickly to all enquiries.

The Board recognises that the Annual General Meeting (AGM) is an important opportunity to meet shareholders. After the AGM the CEO gives a presentation with slides of the Group's recent financial results.

All Directors are available to listen to shareholders views and understand and address any issues.

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

### *Application*

- *the board needs to identify the company's stakeholders and understand their needs, interests and expectations (on the basis that long-term success relies upon good relations with a range of different stakeholder groups such as the workforce, suppliers, customers, regulators, and others);*
- *integrate into the company's strategy and business model matters that relate to the company's impact on society, the communities within which it operates and the environment, if those matters have the potential to affect the company's ability to deliver shareholder value over the medium to long-term;*
- *have systems in place that solicit, consider and act on feedback from all stakeholder groups.*

First Property Group recognises that its key stakeholder groups outside its shareholders are its fund investors, the tenants in all the properties that the Group manages and its employees.

Fund reporting, therefore, is seen as crucial to keep its fund's investors up to date and reliably informed of the performance of their interests. Regular contact is maintained by mail and with formal investor reports at least annually.

Visits to all the properties that the Group manages are made usually annually where practicable and contact meetings arranged with the tenants thereof.

The Group is a meritocratic and inclusive organisation in which all employees are engaged and fully understand their role within their team and are encouraged to develop their spheres of expertise and knowledge.

More information on employee relations is contained in our annual report on page 26 within the Directors' Report for the year ended 31 March 2019.

The Group does not have a formal sustainability policy with regard to its effect on the environment but as far as is practicable and financially viable it ensures that its properties comply with the highest environmental and energy efficiency guidelines. It will always consider environmental issues when making investment decisions for developing and improving the properties for which it has responsibility to manage.

The Group is sympathetic to the environment. It does not, for example, provide employees with exclusive use of company cars.

**PRINCIPLE 4: Embed effective risk management considering both opportunities and threats throughout the organisation**

*Application*

- *the board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy;*
- *a company needs to consider its extended business, including its supply chain, from key suppliers to end-customer; and*
- *in setting the company's strategy, the board needs to determine its risk tolerance and risk appetite – that is, the extent of exposure to the identified risks that the company is able to bear and willing to take.*

The principal Risks to First Property Group's business are identified and explained on pages 18 and 19 of our Report and Accounts for the year ended 31 March 2019.

We explain how these risks are mitigated and assess the perceived change in the identified risk over the last reporting period.

Strategy is set and developed taking into account the Board's assessment of both the impact and likelihood of the principle risks identified. The results of this assessment can be seen in a table on page 19 of the Report and Accounts entitled Principal Risks and Uncertainties.

**PRINCIPLE 5: Maintain the Board as a well-functioning, balanced team led by the Chair**

*Application*

- *ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair;*
- *board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements;*
- *the board and its committees should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight;*
- *the board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors – their independence is a judgement for the board;*
- *the board should be supported by committees (e.g. audit, remuneration and nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively; and*

- *directors must commit the time necessary to fulfil their roles.*

The Group is controlled by the Board which comprises two Non-executive Directors, both of whom are considered by the Board to be Independent, and two Executive Directors. The Board meets formally four times a year.

All Directors receive regular and timely information on the Group's financial performance. Relevant papers are circulated in advance of meetings. In addition minutes are circulated after each meeting and approved at the subsequent meeting. All directors have direct access to the advice and services of the Company Secretary and are able to take professional advice in the furtherance of their duties, if necessary, at the Company's expense.

There are separate audit and remuneration committees from which the executive directors are excluded and a nomination committee comprising all the directors. There is a separate schedule of matters reserved for the main Board of Directors.

**PRINCIPLE 6: Ensure that between them they have the necessary experience skills and capabilities AND 7: Evaluate Board performance based on clear and relevant objectives seeking continuous improvement**

*Application*

- *the board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities;*
- *the board should understand and challenge its own diversity, including gender balance, as part of its composition;*
- *the board should not be dominated by one person or a group of people;*
- *as companies evolve, the mix of skills and experience required on the board will change and board composition will need to evolve as a result;*
- *the board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors;*
- *the board performance review may be carried out internally or, ideally, externally facilitated from time to time;*
- *the review should identify development or mentoring needs of individual directors and the wider management team;*
- *succession planning is a vital task for the board. It is healthy for membership to be periodically refreshed; no director should become indispensable.*

When a new Board appointment is considered, the Nomination Committee will collectively nominate any new member having assessed each candidate's suitability, experience, and overall merit judged against pre-set objective criteria agreed before conducting a search. The Board does not carry out a formal audited evaluation of individual directors' performance, however the performance of each director is assessed each year.

All Board members are fully committed to the Company and the duties required of them. In matters where they may have a conflict then the Board adopts the Company's conflict of interest code of conduct with such matters noted and minuted.

All Directors are subject to re-election every three years.

**PRINCIPLE 8: Promote a Corporate Culture that is based on ethical values and behaviours**

*Application*

- *the board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use that culture as an asset and a source of competitive advantage;*
- *the policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team;*
- *corporate values should guide the objectives and strategy of the company;*
- *the culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement;*
- *the performance and reward system should endorse the desired ethical behaviours across all levels of the company;*
- *the corporate culture should be recognisable throughout the disclosures in the annual report, website and any other company statements.*

The Board strives to create a culture within the Company that promotes both an open and frank dialogue with fellow employees and members of the Board, and an ethic of hard work which is well rewarded dependent on objectives being achieved.

First Property Asset Management Limited (a 100% subsidiary of the Group) is Authorised and Regulated by the Financial Conduct Authority (FCA) and is an approved small scope Alternative Investment Fund Manager (AIFM). The Group is obliged to comply with anti-market abuse, anti-bribery and all other behavioural and reporting requirements.

**PRINCIPLE 9: Maintain governance structure and processes that are fit for purpose and support good decision making by the Board**

*Application*

- *the company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity and its capacity, appetite and tolerance for risk;*
- *the governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the company's development.*

Our corporate governance statement in the Report and Accounts for the year ended 31 March 2019 on page 20 by the Chairman details the Group's governance structures and why they are suitable and appropriate for it.

Following visits arranged by the Group's NOMAD with potential investors and by the Group's PR agent with the press, brokers and other market intermediaries, critical feedback is provided to the Board for consideration.

**PRINCIPLE 10: Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

*Application*

- *there should be a healthy dialogue between the board and all stakeholders (including shareholders) to enable all interested parties to come to informed decisions;*
- *appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base (and be described in the annual report or on the website), to assist:*
  - *the communication of shareholders' views to the board; and*
  - *the shareholders' understanding of the unique circumstances and constraints faced by the company.*

The Group communicates with its larger shareholders both through its broker and NOMAD and directly by meetings, email and telephone. It reacts promptly to enquiries from any shareholder and passes on material views and opinions expressed by shareholders or professional advisers to the Board.

Being an AIM listed company we are obliged to make public announcements of price sensitive information and other important events affecting the Group. These are reported via the Regulatory News Service (RNS) of the London Stock Exchange. A full history of these is retained on the Group's website.

The Board recognises the AGM as a good forum in which to meet private shareholders and after the AGM a presentation with slides is made in which all attendees are encouraged to ask questions and voice their views to the Board.