



Custodian REIT Plc

Matters reserved for the Board

Updated 31 May 2018

1. Notes

The following schedule sets out those matters reserved for the board in accordance with good corporate governance practice.

Items marked * are not considered suitable for delegation to a committee of the board, for example because of Companies Act requirements or because, under the recommendations of the Code, they are the responsibility of an audit, nomination or other committee, with the final decision required to be taken by the board as a whole.

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CA06 refers to the Companies Act 2006

Code refers to The UK Corporate Governance Code (September 2012)

GBE refers to the FRC Guidance on Board Effectiveness

DTR refers to the FCA's Disclosure and Transparency Rules

LR refers to the FCA's Listing Rules

PR refers to the FCA's Prospectus Rules

A reference to Investment Manager refers to Custodian Capital Limited or such other person appointed as external Investment manager by the board from time to time

References to Audit, Nomination, Remuneration or Management Engagement refer to the board committee which will consider the item and make recommendations to the board for its final decision.

As a closed-ended Investment fund, principle D1 and D2 of the Code are unlikely to apply to the Company while it has no executive directors.

2. Schedule of matters reserved for the board

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| 1. | Strategy and management | Code A.1. |
| 1.1 | Responsibility for the overall leadership of the Company and setting the company's values and standards. | Code A.1. |
| 1.2 | Approval of the Company's strategic aims and objectives. | Code A.1 |
| 1.3 | Approvals of the annual operating and capital expenditure budgets and any material changes to them. | |
| 1.4 | Oversight and monitoring of performance of the Investment Manager and its compliance with the terms of the management agreement between it and the Company. | Management Engagement |

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| 1.5 | Review the terms and operation of the Investment Management Agreement with the Investment Manager, considered a materially significant contract per Section 5. | Management Engagement |
| 1.6 | Oversight of the Company's operations and investment strategy ensuring: | Code C.2. Management Engagement |
| | <ul style="list-style-type: none"> • competent and prudent management; • consistency with the object of spreading investment risk; • sound planning; • no trading which is significant in the context of the Company as a whole; • maintenance of sound management and internal control systems; • adequate accounting and other records; and • compliance with statutory and regulatory obligations. | LR15 |
| 1.7 | Review of performance in the light of the Company's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken. | Code B.6 Management Engagement |
| 1.8 | Extension of the Company's activities into new business or geographic areas. | |
| 1.9 | Any decision to cease to operate all or any material part of the Company's business. | |
| 1.10 | Any decision to bring fund management internally and to become the Alternative Investment Fund Manager for the purposes of the Alternative Investment Fund Managers Directive (2011/61/EU). | |
| 2. | Structure and capital | |
| 2.1 | Changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs (including the use of treasury shares). | |
| 2.2 | Major changes to the Company's corporate structure, including, but not limited to acquisitions and disposals of shares which are material relative to the size of the Company in question (taking into account initial and deferred consideration). | |

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| 2.3 | Any change of Investment Manager. | |
| 2.4 | Changes to the Company's management and control structure. | |
| 2.5 | Any changes to the company's listing or its status as a plc. | |
| 3. | Financial reporting and controls | |
| 3.1 | Approval of the half-yearly report, and any preliminary announcement of the final results. | Code C.1. Audit DTR 4.1.- 4.4. |
| 3.2 | Approval of the annual report and accounts. | CA06 s414, s415 DTR 4, LR9.8. Code C.1. Audit |
| 3.3 | Approve and publish the Company's investment policy | LR 15 |
| 3.4 | Approve an annual valuation of its property portfolio | |
| 3.5 | Approval of the dividend policy. | |
| 3.6 | Declaration of interim dividends | LR 9.7. A.2. DTR 6.1.13. |
| 3.7 | Approval of any significant changes in accounting policies or practices | Code C.1. and C.3., Audit |
| 3.8 | Approval of treasury policies. | |
| 3.9 | Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances). | |
| 4. | Internal Controls | |
| 4.1 | <p>Ensuring maintenance of a sound system of internal control and risk management including:</p> <ul style="list-style-type: none"> • Approving the Company's risk appetite statements; • Receiving reports on, and reviewing the effectiveness of, the Company's and Investment Manager's risk and control processes to support its investment strategy and objectives; • Approving procedures for the detection of fraud and the prevention of bribery; • Undertaking an annual assessment of these processes; and • Approving an appropriate statement for inclusion in the annual report. | Code C.2., C.2.1, Audit UK Bribery Act 2010 |

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| | <ul style="list-style-type: none"> Reviewing reports of performance of the Investment Manager and property portfolio valuation. | |
| 5. | Contracts | |
| 5.1 | Contracts which are material strategically or by reason of size, entered into by the company in the ordinary course of business, for example bank borrowings. | |
| 5.2 | Contracts of the company not in the ordinary course of business set out in the Investment Management Agreement. | |
| 6. | Communication | |
| 6.1 | Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives. | Code E.1. |
| 6.2 | Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting | LR 13. |
| 6.3 | Approval of all circulars, prospectuses and listing particulars. | LR 13. PR 5.5. |
| 6.4 | Approval of press releases concerning non-administrative matters or relating to the Investment Manager carrying out its remit under the Investment Management Agreement decided by the Board | |
| 7. | Board membership and other appointments | |
| 7.1 | Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee. | Code B.1., Nomination |
| 7.2 | Ensuring adequate succession planning for the Board so as to maintain an appropriate balance of skills and experience within the company and on the board. | Code B.2. |
| 7.3 | Appointments to the Board, following recommendations by the Nomination Committee. | Code, B.2.1., Nomination |
| 7.4 | Selection of the chairman of the Board. | GBE 1.4. - 1.8, 1.12 -1.17, 4.1- 4.7 and Nomination |
| 7.5 | Appointment of the senior independent director. | Code A.4.1. GBE 1.9-1.11 Nomination |
| 7.6 | Membership and chairmanship of board committees following recommendations from the Nomination Committee. | Nomination |

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| 7.7 | Continuation in office of directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate | Nomination |
| 7.8 | Appointment or removal of the company secretary. | CA06 Part 12 s270-280, Code B.5.2 and GBE 2.1.-2.4. |
| 7.9 | Appointment or removal of the Investment Manager | |
| 7.10 | Appointment, reappointment or removal of the external auditor to be put to shareholders for approval in general meeting, following the recommendation of the Audit Committee. | CA06 s489 and s491, Code C.3.2. and Audit |
| 7.11 | Appointments to boards of subsidiaries. | |
| 8. | Remuneration | |
| 8.1 | Determining the remuneration policy for the directors, following the recommendation of the Nominations Committee. | Code D.2. |
| 8.2 | Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate, and following the recommendation of the Nominations Committee. | Code D.2.3 |
| 9. | Delegation of authority | |
| 9.1 | The division of responsibilities between directors. | Code A.2.1.1 |
| 9.2 | Establishing board committees and approving their terms of reference, and approving material changes thereto. | Code B.2.1., C.3.1. and D.2.1. |
| 9.3 | Receiving reports from board committees on their activities. | |
| 10. | Corporate governance matters | |
| 10.1 | Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors, and the division of responsibilities. | Code B.6 |
| 10.2 | Undertaking a formal annual review of the performance of the Investment Manager. | Management Engagement |
| 10.3 | Ensuring independence from and managing any conflicts with the Investment Manager | |

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| 10.4 | Determining the independence of non-executive directors in light of their character, judgment and relationships. | Code B.1.1. |
| 10.5 | Considering the balance of interests between shareholders, employees, customers and the community. | CA06, s172 |
| 10.6 | Review of the Company's overall corporate governance arrangements. | |
| 10.7 | Receiving reports on the views of the company's shareholders to ensure that they are communicated to the board as a whole. | Code E.1.1. |
| 10.8 | Authorising conflicts of interest where permitted by the Company's articles of association. | CA06 s177 |
| 11. | Policies | |
| 11.1 | Approval of internal policies including and conflicts policy | Code A.1 |
| 12. | Other | |
| 12.1 | The making of political donations. | |
| 12.2 | Approval of the appointment of the Company's principal professional advisers | |
| 12.3 | Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism outside of day-to-day matters carried out under the Investment Management Agreement | |
| 12.4 | Approval of the overall levels of insurance for the Company including directors' & officers' liability insurance. | Code A.1.3. |
| 12.5 | Any decision likely to have a material impact on the company or Company from any perspective, including, but not limited to, financial, operational, strategic or reputational. | |
| 12.6 | This schedule of matters reserved for board decisions. | |

Matters which the board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the board will receive reports and recommendations from time to time on any matter which it considers significant to the Company.

Ends