

CORPORATE GOVERNANCE STATEMENT
(SIGMA CAPITAL GROUP PLC “SIGMA” or “COMPANY” or “GROUP”)
28 September 2018

From 28th September 2018 as part of a change to the AIM Rules, the Company is required to maintain on its website details of a recognised corporate governance code; how the Company complies with this code; and an explanation of any deviations from the code.

To ensure good corporate governance, the Company has adopted The QCA Corporate Governance Code 2018 (“**QCA Code**”) and applies the ten principles of the QCA Code as set out in this statement.

The information in this statement will be reviewed annually and will include the date on which the information was last reviewed. Going forward this will be reviewed at the same time as the Annual Report and Accounts of the Company are prepared.

1. BUSINESS MODEL AND STRATEGY

Sigma delivers private rented sector (“**PRS**”) housing in the UK in partnership with local authority and investor partners through its unique, contractual platform.

In May 2017, Sigma successfully launched The PRS REIT plc (“**REIT**”) via an IPO, the first UK-quoted REIT focussed on private rented housing in the UK. At the date of this statement, the REIT has raised £500m of equity and has £200m committed debt facilities available with capacity for an additional £200m of debt. Once fully committed, this will equate to c.6,000 new homes.

As Investment Adviser and Development Manager to the REIT, Sigma is supporting the objective of the REIT to create a portfolio of over 10,000 high-quality rental homes in the UK through its platform. The board considers that the market conditions and shortage of high quality homes in the UK creates a big opportunity for Sigma to procure and deliver more housing on behalf of the REIT and the ability to generate secure, asset-backed long-term income for shareholders in the REIT will make this an attractive proposition for raising additional capital to grow scale and value, in turn delivering medium to long-term value for Sigma shareholders.

Sigma generates income in three principal areas:

- Development profits on PRS assets that it acquires, develops and forward sells to the REIT at market value following stabilisation;
- Development management fees for the assets Sigma procures and delivers on behalf of the REIT and other third party investors; and
- Asset management fees for the management of assets on behalf of the REIT (based on an adjusted net asset value) and other existing third party investors.

With the REIT’s capital in place and a strong pipeline of additional sites secured by Sigma’s existing contractual framework, the main variable is around timing of development profit and development fees relative to Sigma’s year end.

2. UNDERSTANDING SHAREHOLDER NEEDS AND EXPECTATIONS

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Board believes that Sigma has a successful and well-established programme which facilitates shareholder engagement.

The Board is committed to providing and encouraging, effective communication with the shareholders of the Company. The Board reports to the shareholders through the publication of interim and final financial results. These, other significant developments and regulatory announcements are disseminated through the London Stock Exchange’s Regulatory News Service (RNS) and by way of timely updates of the Company’s website. The Company attempts to maintain regular news flow and includes contact details, for the Company and its designated broker, on all its news releases to enhance the information it shares and to ensure ongoing dialogue with shareholders.

The Board views the Annual General Meeting as a forum for communication between the Company and all its shareholders and encourages and welcomes their participation in its agenda. The Executive and non-Executive directors attend the Annual General Meeting and are available to answer questions.

Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. In addition, the Executive directors meet with major shareholders, as part of a bi-annual roadshow or on an ad-hoc basis if required, to discuss the progress of the Company and provide periodic feedback to the Board following meetings with shareholders.

The Company retains a PR company to assist in shareholder communications, (KTZ Communications) and shareholders can contact the Company directly using the following email address: info@sigmacapital.co.uk.

3. WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES

In addition to shareholders, the Company has other stakeholders including employees, housebuilding partners, lettings partners, approved valuers, local authorities, shareholders of the REIT, brokers and the wider community.

Sigma has developed a number of key relationships over several years that comprise the basis of its PRS platform. It has contractual agreements and processes in place with its approved contractors, approved lettings agents and valuers for the procurement, delivery and management of PRS units for Sigma. These include framework agreements that secure identified sites for acquisition and development by Sigma on its own account or for its partners such as the REIT. The Executive directors meet regularly with representatives of its partners to discuss any issues that arise and any recommendations for improvements to working practices. It is a key part of the business strategy that these partner arrangements work for all parties to make them successful.

As Investment Adviser to the REIT, the Company:

- Attends and presents at quarterly REIT board meetings;
- Remains in regular contact with the board of the REIT out with the quarterly meetings;
- Has regular meetings with shareholders in the REIT to understand their expectations.

There is a well-documented shortage of good quality housing to rent in the UK providing security of tenure. Our institutional approach to investment means that good tenants can rent for as long as they like. This approach also benefits our local authority partners, where quickly delivered, well managed and maintained homes align with national policy and local housing targets. Sigma also organises events at the sites it manages to encourage integration and to help foster a sense community. In addition to providing much needed housing, development creates economic benefits from local employment, apprenticeships and increased custom for local businesses.

The Board also considers that employees are fundamental to the Group's success and are committed to the involvement and development of staff at all levels. The Group continues to keep its employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved effectively through regular informal meetings. In addition, all employees undergo an annual appraisal to agree performance/personal development targets and to allow employees the opportunity to raise issues and/or to suggest improvements to working practices. There is an employee share option scheme which is open to all employees at the discretion of the Board.

4. RISK MANAGEMENT

The Board is ultimately responsible for identifying and managing areas of significant business risk and ensuring effective risk management systems are in place. The Board has identified the following specific risks:

- The principal financial risk relates to the housing market where a deterioration in the macro-economic outlook, the cyclical nature of residential market and a fall in house prices may affect Sigma's income and its ability to raise or deploy finance for housing projects. The Board manages these risks by keeping abreast of any trends (e.g. through regular meetings with its partners) so that any likely down turn is anticipated, maintaining good funding relationships, ensuring a reputation of building a good quality product and having diversity in its income streams.
- Cost increases in connection with the development of the Company's own PRS units. This risk is mitigated by securing fixed price design and build contracts before the development commences.
- Reduction in the value of the Company's investment property. This risk is mitigated by the number of properties and their geographical location but also focusing on ensuring that the properties are let to good quality tenants and are professionally managed so providing customers with a high level of service. In addition, the Company seeks to acquire investment sites at competitive prices.
- Ability to secure new contracted property income streams from both residential and commercial property initiatives. The Company's own self-funded portfolio, along with the appointment as Investment Adviser and Development Manager to the REIT, have significantly increased the proportion of the Company's contracted revenue compared with one-off income streams.
- Development risk is managed by maintaining close control of pre-contract costs and by limiting the number of early stage developments financed by the Company at any one time.
- The main cash flow uncertainties of the business centre around the timing of rental income in respect of its investment properties, property project development fees and the receipt of profits arising out of the partnerships. The Company is dependent on its senior management for its success. There can be no assurance that the Group will be able to retain the services of these key personnel although historically the turnover of senior staff has been low.

In connection with its appointment as Investment Adviser to the REIT, the Company has also procured the appointment of G10 Capital Limited ("G10") to provide *inter alia* risk management and portfolio services to the REIT. G10 is part of the Lawson Conner group and is a leading provider of regulatory infrastructure and managed compliance services.

5. WELL FUNCTIONING BOARD OF DIRECTORS

The QCA Code recommends that the Board should have an appropriate balance between executive and non-executive directors and at least two independent non-executive directors. As at the date of this statement the Sigma Board composition complies with the QCA Code and each independent director has been assessed and is considered to be independent by the Board.

The Board considers that continuity and experience add significantly to the strength of the Board and, as such, does not impose an overall length of service of any of the directors. While serving on the Board for more than nine years is relevant to determining the independence of any non-executive director, it is also recognised that continued office can bring considerable stability to the Board and that there are significant benefits from the presence of non-executive directors who have, over time, gained valuable insight into the Group and its markets. Following a rigorous assessment, the Board is satisfied that David Sigsworth OBE, who has been a non-executive director for over nine years, remains independent in character and judgement and continues to present an objective and constructive challenge to the Board. The Board is satisfied that there are no other relationships or circumstances affecting David's independence.

Director	Position	Status	Audit Committee	Remuneration Committee	Nominations Committee
David Sigsworth OBE	Non-Executive Chairman	Independent	Member	Member (Chair)	Member (Chair)
Graham Barnet	Chief Executive Officer	Not Independent	-	-	-
Graeme Hogg	Chief Operating Officer	Not Independent	-	-	-
Malcolm Briselden	Finance Director	Not Independent	-	-	-
Duncan Sutherland	Regeneration Director	Not Independent	-	-	-
Gwynn Thomson	Property Investment Director	Not Independent	-	-	-
Jim McMahon	Non-Executive Director	Independent	Member (Chair)	Member	Member

All Directors are expected to devote the necessary time commitments required by their position and are expected to attend at least four Board meetings each year. The Board meets at least 4 times per annum. However, the Board meets more frequently than this on an ad hoc basis. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to the Board meetings.

The Audit Committee is scheduled to meet at least two times a year but may meet more frequently regarding the Company's audit.

The Remuneration Committee is scheduled to meet at least once a year.

The Nominations Committee meets periodically to evaluate the balance of skills, experience, independence and knowledge on the Board.

The Company will report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. This information will be disclosed in the Company's Annual Report and Accounts.

6. APPROPRIATE SKILLS AND EXPERIENCE OF THE DIRECTORS

The QCA Code states that the Board must have an appropriate balance of skills and experience and not be dominated by one person or group of people. Sigma complies with the QCA Code and full biographical details of the directors and their skills and experience can be found at www.sigmacapital.co.uk/investor-relations/board-of-directors.

The Directors who have been appointed to the Company have been chosen because of the range of skills and experience they offer and which are appropriate for the strategy and objectives for the Company. The Nominations Committee assists the Board in determining the composition and make-up of the Board. It is responsible for periodically evaluating the balance of skills, experience, independence and knowledge of the Board.

The Board recognises that it currently has a limited diversity and this will form a part of any future recruitment consideration

The Company encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Company. In addition, the Company's brokers and advisers are periodically invited to attend board meetings to discuss/present topics of relevance to the Board (e.g. directors' duties and responsibilities, Market Abuse Regulations etc). The Companies main strategic advisors can be found at www.sigmacapital.co.uk/investor-relations/advisors.

7. EVALUATING BOARD PERFORMANCE

The QCA Code states that the Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and individual directors.

Sigma reviews Board, Committee and individual director performance on an on-going basis in the context of its contribution to the Company's financial performance. The Board will undertake an internal Board evaluation process annually against specific criteria to be agreed by the Board. The results of the internal review will be considered by the Chairman and the wider Board and will implement changes to improve the effectiveness of the Board.

The articles of association provide that:

- At each AGM, one-third of directors subject to retirement by rotation shall retire from office and stand for re-election; and
- any Director who was not appointed or re-appointed at one of the preceding two annual general meetings retire and stand for re- election.

The Company has not adopted term limits for directors on the Board or other mechanisms of Board renewal but will periodically consider whether term limits or other mechanisms of Board renewal should be adopted and will implement changes when appropriate.

Succession planning is considered by the Board as a whole and the Nomination Committee.

8. CORPORATE CULTURE

The QCA Code states that the Board should promote a corporate culture that is based on ethical values and behaviours.

It is the Board's view that Sigma's corporate culture is consistent with its objectives, strategy and business model. The Board is also aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities are centred upon what needs to be an open and respectful dialogue with employees, partners and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

The Company ensures all employees are required to read the share dealing code.

9. MAINTENANCE OF GOVERNANCE STRUCTURES AND PROCESSES

The QCA Code states the Company should maintain governance structures and process in line with its corporate culture and appropriate to its size and complexity.

The Board is responsible for approving the Company strategy and policies, for safeguarding the assets of the Company, and is the ultimate decision-making body of the Company in all matters except those that are reserved for specific shareholder approval. Matters that are specifically reserved for the Board's decision include business acquisitions or disposals, material contractual arrangements, changes to the Company's capital structure, setting policies for the conduct of business, approval of budgets, remuneration policy of Directors and senior management and taking on debt and approval of financial statements. Other matters are delegated to the Committees of the Board and Executive Directors, supported by policies for reporting to the Board.

The primary responsibility of the CEO is to develop the Company's strategic plan; carry out a comprehensive operational planning and budgeting process; monitor the Company's financial performance against budget; and identify risks and opportunities in the Company's business and manage them accordingly. The CEO also has primary responsibility for meeting with the shareholders of the Company on a regular basis.

The primary responsibility of the Chair of the Board is to lead the board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. The Chair must have adequate separation from the day-to-day business to be able to make independent decisions. A good Chair will display clear vision and focus on strategy, acting in a manner that brings together the various characteristics, skills, qualities and experience of the other members of the Board. The role should foster a positive governance culture throughout the Company. The Chair should be visible in the role. Attendance at meetings with shareholders helps to signal that the Board's being run with the appropriate level of engagement and time commitment. The Chair is responsible for making sure that the Board agenda concentrates on the key issues, both operational and financial, with regular reviews of the Company's strategy and its overall implementation. The Chair should ensure that the Board receives accurate, timely and clear information and there should be good information flows within the Board and its committees as well as between the non- executive directors and senior management.

The Company's Audit Committee is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and in this capacity interacts as needed with the Company's External Auditors. The Committee also considers risk management and internal financial controls. The Audit Committee comprises both Non-Executive Directors: Jim McMahon (Chairman), and David Sigsworth OBE. The Finance Director is invited to and attends the audit committee meetings to provide his skills and knowledge in audit committee matters.

The Company's Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior executives. It comprises both Non-Executive Directors: David Sigsworth OBE (Chairman) and Jim McMahon.

The Nomination Committee assists the Board in determining the composition and make-up of the Board. It is responsible for periodically evaluating the balance of skills, experience, independence and knowledge on the Board. It comprises both Non-Executive Directors, David Sigsworth OBE (Chairman) and Jim McMahon.

The Board will assess the need to improve the Company's corporate governance structures and policies annually, or following a significant change to the businesses and Board's strategy, structure or personnel.

10. SHAREHOLDER COMMUNICATION

The QCA Code states a healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company.

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position. Details of all shareholder communications are provided on the Company's website. The Board holds meetings with significant shareholders and regards the annual general meeting as a good opportunity to communicate directly with all shareholders. The Company lists contact details on its website and on all announcements released should shareholders wish to communicate with the Board.

Sigma announces significant developments which are disseminated via various outlets including, the London Stock Exchange's Regulatory News Service (RNS) and updates of the Company's website.

The Board announces the results of resolutions through a news announcement distributed through the channels above. Where any resolution has a significant portion of votes cast against it the Company will investigate and engage in direct dialogue with the relevant shareholders, to understand the reasons behind any vote against and to investigate safeguards that can be put in place to obtain shareholder support.

The Company has an area of its website dedicated to shareholder information www.sigmacapital.co.uk/investor-relations. The Company website hosts a range of useful data for shareholders including and not exclusively, historical financial and operational reports, significant corporate governance, contact details for shareholder services and stock information.