

STATEMENT OF COMPLIANCE WITH THE QCA CORPORATE GOVERNANCE CODE

CHAIRMAN 'S INTRODUCTION

Our vision is to achieve an increasing market share of lettings and estate agency transactions, using a proven franchise model and clearly differentiated property brands.

Our objective is to enhance shareholder value and to ensure that the Company and Group is managed for the long-term benefit of its shareholders. Corporate governance is an important element of that management, mitigating the risks and helping to create sustainable growth for the long-term.

Richard Martin

Chairman

27 September 2019

Changes to corporate governance regime

Since our IPO in December 2013, we have stated that the Directors recognise the importance of applying sound corporate governance guidelines, to the extent appropriate for a Company of our nature and size, and we have observed and complied with the Corporate Governance Guidelines devised by the Quoted Companies Alliance ("QCA"). Following the London Stock Exchange's 2018 changes to the AIM rules requiring AIM-listed companies to state which recognised corporate governance code they have adopted; on 27 September 2018 our Board reconfirmed it's commitment by adopting the Quoted Companies Alliance Corporate Governance Code (Edition 2018) which contains ten principals. We believe this code provides us with the most appropriate governance code to allow us to successfully develop our business.

This report sets out how, in broad terms, we comply with this code. Furthermore, if we do not comply with any element of the code, our report explains why not. We will provide annual updates on our compliance with the code.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company is a holding company owning 6 property Franchise brands operated through 4 trading subsidiaries.

Our strategy to deliver growth is set out below:

A) Strategies

Buy & Build

The Group continues to investigate possible acquisitions either of property franchisors or complementary businesses whilst at the same time assisting franchisees with acquisitions of independent agents' businesses.

Operational Efficiency

We have continued to develop relationships with key suppliers in our sector and are now looking beyond to other sectors and their suppliers. We continue to ensure that all our traditional brands are on common platforms and to invest in developing our digital marketing capabilities.

Income Diversification

We aim to increase our earnings from property sales and financial services by leveraging the estate agency credentials acquired with Xperience together with the know-how acquired through the acquisition of EweMove. However, the Group's core focus will continue to be its lettings business.

Franchisee Recruitment/ Expansion

The recruitment of franchisees for new territories and for resales of existing territories is central to maintaining the health and vitality of the network as well as achieving our network aims. At the same time, we are assisting franchisees to expand through acquisitions in existing territories and to grow into new territories, often by buying out neighbouring franchisees.

B) Business model

We aim to create, maintain and develop a robust business model based around franchising which brings together the entrepreneurial drive and passion of local business owners with the specialist expertise of a central team committed to growth in an ever-changing market environment.

Proposition

We pride ourselves on the comprehensive start-up training and support we offer. As the success of our franchise owners on an ongoing basis is very important to us, we support them throughout their initial 5-year franchise agreement and beyond.

Our services

We provide ongoing support through a regional training programme, online training, acquisitions team and our business development team.

All franchisee offices have unlimited access to our business systems, helpdesk and to specialist "market intelligence" tools.

Marketing campaigns and collaterals are developed in coordination with the brands' marketing committees and made available through a digital hub.

We build, update and optimise our six brand websites.

We support our franchisees with regular customer targeted mailings/messages, PR and monthly newsletters.

We use specialist operational software and work with our providers to ensure all franchisees and their staff are competent users.

We have an internal audit team and conduct regular checks on the financial practices of our franchisees.

Principle 2: Seek to understand and meet shareholder needs and expectations

Relations with shareholders

The Board is committed to maintaining good communications with its shareholders to ensure that its strategy, business model and performance is clearly understood. The Directors pursue a dialogue

with shareholders, potential investors and analysts to understand what they think about our business and to help them gain greater clarity of our performance and pursuit of our vision. They achieve this through investor road shows, capital markets days and regular reporting.

The Group publishes an interim financial statement for its half-year results and an annual report for its full-year results. All reports are accessible via the Company's website at www.propertyfranchise.co.uk/investor-relations and the annual report is mailed to shareholders.

The Group have recently signed an agreement with Research Tree to enable access to the reports written by Cenkos on us, historical analysis of our financial performance and other published information on the Group.

The AGM is an important opportunity to meet and communicate with its shareholders, especially retail shareholders, and for shareholders to raise with the Board any issues or concerns they may have. All Directors attend the AGM and are available to answer any relevant questions raised by shareholders.

The Company dispatches the Notice of AGM at least 21 days before the meeting. Registered shareholders have direct access to the Company and receive a copy of the Annual Report, which contains the full financial statements of the Group. The results of the AGM are subsequently published on the Company's website.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Group's stakeholders include shareholders, employees, franchisees, suppliers, banks, regulators and industry bodies. Engaging with stakeholders strengthens the Group's relationships and helps the team to make better business decisions. The Board receives regular updates on stakeholders' views on the issues which are of significant common interest and considers these issues in its decision making.

People

Our employees are one of our most important stakeholder groups. To recognise their contribution to our success they all participate in our share option scheme once they qualify to do so. This is in recognition of their contribution and long-term commitment to our vision. Recently, our employees have formed a social committee with the Group's support to organise events during the year, including charitable fund raising events.

The Group is committed to equal opportunities. Recruitment and promotion are undertaken on the basis of merit, regardless of gender, race, age, marital status, sexual orientation, religion, nationality, colour or disability. If an employee becomes disabled during the course of their employment, adjustments are made where possible to enable the employee to carry on working despite their disability.

Franchisees

The Group is bound in partnership with our franchisees to help develop their franchise territories, offerings and turnover. One way in which we work together is through the brands' national marketing committees where our Group Marketing Director assists those committees to make decisions about where to spend the money raised through their respective marketing levies and to appraise the success of those decisions.

All our franchisees are required to participate in our half yearly regional business meetings which address key factors affecting the residential property market, explore opportunities to grow their

revenue and discuss ways of improving customer service. These are hosted by the franchise brand's managing director and often attended by the executive directors of the Company.

Our annual franchisee conference is hosted by our Chief Executive and attended by our key suppliers as well as guest speakers. It looks at what the year ahead may bring, discusses general franchisee performance over the past year and encourages interaction so as to gain feedback on how to address risks and opportunities. This conference is attended by Board directors.

Every week a newsletter called *In The Know* highlights any significant changes in the Group's processes and procedures, as well as new offerings, changes in the services available from third parties and training events.

Shareholders

See principle 2 above.

Conduct of Business

The Group strives to conform to all relevant legislation and codes of practice. This is regularly monitored by the Board.

The Board understands that the Group's conduct of its business can have social and environmental impacts and considers these impacts and what can be done to minimise any detriment in its decision-making.

The Group is committed to social and environmental awareness throughout its operations, notwithstanding the relatively low environmental impact of the Group's activities. The Group takes its obligation to its shareholders, franchisees, banks, regulators, industry bodies, employees, suppliers and the local community very seriously.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board carries out a risk review annually. Board directors and senior management all contribute to the drawing up of the risk review. The Audit and Risk Committee review the document, examine the risks, decide on the actions to recommend and then pass it on to the board for approval. The document sets out the name of the risk as well as describing it, considering the effect on the business, looking at the controls in place, looking for additional mitigating factors, and in respect of the threats deciding its seriousness by considering the probability of it occurring and what damage it would cause if the event occurred. Once a risk has been determined as requiring action, the Board allocates the responsibility to the appropriate Board member.

During the course of the year the Board review progress against the risks set out in the Risk Review. The key risks are set out in the Company's annual report and accounts under the section principal risks and uncertainties.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the non-independent Non-Executive Chairman (Richard Martin), two independent Non-Executive Directors (Paul Latham and Phil Crooks) and two Executive Directors who are the Chief Executive Officer (Ian Wilson) and the Chief Financial Officer (David Raggett) of the Company.

The Board is responsible for the overall performance of the Group, which includes the broad strategic direction, development and control of the Group. The policies and strategies of the Group

are formulated by the Board and the detailed considerations about the day-to-day operations are delegated to a senior management team under the leadership of the Executive Directors.

The Board regularly monitors the implementation of strategy and policy decisions to ensure that the operation of the Group is at all times in line with the Group's objectives.

The Board has regular contact with its advisers to keep up to date with corporate governance matters. The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with.

The Chairman's main function is to manage the Board so that the Group is run in the best interests of its stakeholders. It is also the Chairman's responsibility to ensure the Board's integrity and effectiveness.

The Chief Executive is responsible for the running of the Group's businesses. There is a schedule of matters specifically reserved for the Board's decision to ensure that the management and direction of the Company are under its control. Each Executive Director has his own sphere of responsibility. Decisions relating to strategy, major contracts, acquisitions, internal controls for example are taken at Board level.

The Executive Directors are employed on a 8.30 am to 5.30 pm basis and such additional hours as may be required for proper performance of their duties and responsibilities. Non-Executive Directors are required to allocate sufficient time to properly carry out their duties and perform their roles as the circumstances will dictate. This includes attendance at monthly Board meetings, committee meetings and the AGM. Non-Executive Directors are required to devote appropriate preparation time ahead of each meeting.

The Company Secretary and the executive directors prepare the agenda and the appropriate board papers in advance of the board meetings. These board papers are in a form and quality appropriate for the board to discharge its duties.

The Board is supported by an Audit and Risk Committee and a Remuneration Committee. The committee members are independent non-executive directors who have the necessary skills and knowledge to discharge their duties and responsibilities effectively. For a company of our size the Board do not feel it is appropriate to have a separate Nomination Committee.

The Board of Directors meets at least 9 times a year to review the implementation of strategy and policy decisions and to review the Group's progress to ensure that the operation of the Group is at all times in line with the Group's objectives. The Audit and Risk Committee and the Remuneration Committee meet at least two times a year. Full Director attendance tables are shown in our annual report.

The Board is satisfied that it has a suitable balance between independence, and knowledge of the business to enable it to discharge its duties and responsibilities effectively.

Further information on each individual Director is disclosed on the Company's website under the investor relations section.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the directors, it has an appropriate balance of skills, capabilities and experience, including in areas of residential property sales and lettings, franchising, finance and marketing. Each directors' biography is set out in the annual report which demonstrates the experience mix.

The Board are supported by strong senior management which contain managing directors of the franchisors, a marketing director and several qualified accountants.

During the past three years, the Remuneration Committee has sought advice from RSM and Deloitte in relation to share option schemes and other employee reward mechanisms.

All Directors are able to take independent professional advice in the furtherance of their duties and to attend seminars and training to assist them with the development of their own knowledge and expertise.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed, and the applicable rules and regulations are complied with.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board reviews its effectiveness internally by discussion, members suggest improvements and where agreed upon, these are implemented. However, the Board does not consider it appropriate for a Company of its size to carry out regular formal evaluations of its performance as a unit.

Appointments to the Audit and Risk Committee and Remuneration Committee are subject Board approval. These appointments are reviewed triennially by the Board.

Principle 8: Promote a culture that is based on ethical values and behaviours

The Directors lead by example encouraging staff to work hard and professionally for the Company and Group. Through monthly head office meetings via internal communications and through the policies it sets, the Directors encourage ethical values and behaviours.

Both Directors and employees are entitled to join the Property Franchise Group 2017 share scheme, once they qualify to do so. This helps to align the objectives of shareholders, employees and directors.

Recently, the employees have formed a social committee with the Group's support to organise events during the year, including charitable fund raising events

The Group is committed to equal opportunities. Recruitment and promotion are undertaken on the basis of merit, regardless of gender, race, age, marital status, sexual orientation, religion, nationality, colour or disability. If an employee becomes disabled during the course of their employment, adjustments are made where possible to enable the employee to carry on working despite their disability.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board of Directors meets at least 9 times a year to review the implementation of strategy and policy decisions and to review the Group's progress to ensure that the operation of the Group is at all times in line with the Group's objectives.

The Board has established an Audit and Risk Committee and a Remuneration Committee.

The Board

The Board is responsible for the overall performance of the Group, which includes the broad strategic direction, development and control of the Group. The policies and strategies of the Group are formulated by the Board and the detailed considerations about the day-to-day operations are delegated to a senior management team under the leadership of the Executive Directors.

The Board regularly monitors the implementation of strategy and policy decisions to ensure that the operation of the Group is at all times in line with the Group's objectives.

The Board has regular contact with its advisers to keep up to date with corporate governance matters. The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Group purchases appropriate insurance cover in respect of legal action against its Directors.

The Chairman's main function is to manage the Board so that the Group is run in the best interests of its stakeholders. It is also the Chairman's responsibility to ensure the Board's integrity and effectiveness.

The Chief Executive is responsible for the running of the Group's businesses. There is a schedule of matters specifically reserved for the Board's decision to ensure that the management and direction of the Company are under its control. Each Executive Director has his own sphere of responsibility. Decisions relating to strategy, major contracts, acquisitions, internal controls for example are taken at Board level. Items contained in the schedule of matters reserved for the Board include the following-Strategy and Management, Structure and Capital, Financial Reporting and Controls, Internal Controls, Contracts, Communications, Board memberships & other appointments, Remuneration, Delegation of Authority, Corporate Governance Matters, Policies and Other.

Non-Executive Directors/Board independence

The Company has two independent Non-Executive Directors, Paul Latham and Phil Crooks, who provide an important contribution to its strategic development. Paul Latham and Phil Crooks both meet the independence criteria which are set out in the UK Corporate Governance Code.

Board Committees

The Board has delegated specific responsibilities to the Audit & Risk and Remuneration Committees. The Board considers that all the members of each committee have the appropriate experience. All Board Committees have their own terms of reference which are available on request.

Remuneration Committee

The Remuneration Committee is chaired by Paul Latham and its other member is Phil Crooks. It meets at least twice a year. It is responsible for advising on the remuneration policy for Directors only.

The Remuneration Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for

Executive Directors including pension payments and compensation rights. It is also responsible for making recommendations for grants of options under the Share Option Plans.

The remuneration of Non-Executive Directors is a matter for the Board. No Director may be involved in any discussions as to their own remuneration.

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' remuneration report in the annual report.

Audit and Risk Committee

Phil Crooks is the Chair of the Audit and Risk Committee. Paul Latham is its other member. It meets at least twice a year.

The Audit and Risk Committee has the primary responsibility for ensuring that the financial performance of the Group is properly measured, reported on and monitored. It discharged its responsibilities by reviewing:

- the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon;
- the appropriateness of the Group's accounting policies;
- the potential impact on the Group's financial statements of certain events and risks;
- the external auditor's plan for the audit of the Group's accounts, which included key areas of audit focus, key risks, the proposed audit fee and approving the terms of engagement for the audit;
- internal assurance reporting;
- non-audit services;
- the dividend policy;
- the processes for identifying the risks to the business and managing those risks; and
- its terms of reference.

The Audit and Risk Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor. In making the recommendation on the annual re-appointment of the external auditor, it monitors the relationship to assess independence, objectivity and cost effectiveness of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditors is maintained, including reviewing non-audit services and fees.

The Directors meet regularly with the external auditor for the purpose of discussing matters relating to the financial reporting and internal controls of the Group. Furthermore, the Audit and Risk Committee's Chairman meets the external auditors to discuss matters relating to the Committee's remit and any issues arising from the audit.

Internal control

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established clear operating procedures and responsibility structures. These procedures include:

- monthly financial reporting against budget and the prior year;
- day-to-day financial control of operations;
- annual budgeting and quarterly forecasting;
- the monitoring and assessment of risk;
- performance monitoring and the taking of remedial action; and
- planning, reviewing, approving and monitoring major projects.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through the annual report, full-year and half-year announcements, trading updates, its Annual General Meeting and one-to-one meetings with existing institutional shareholders and potential new shareholders. A range of corporate information is also available on the Company's corporate website - propertyfranchise.co.uk.

The Board receives regular feedback on meetings with shareholders and analysts from its executive directors and from both its financial public relations agency and broker.

Monthly head office meetings are a source of feedback from employees and debate by employees over the effectiveness of current activities and of proposed future activities. Being a company of approximately 50 head office staff helps to maintain open dialogue.

In previous years an extensive survey of franchisees views on many subjects have been conducted. This is in addition to steering group meetings and regional business meetings with franchisees.