

Remuneration policy

Set out below is our policy on directors' remuneration, which will be proposed for a binding vote at the 2019 AGM. If approved, the policy will be effective from that date.

Changes to the remuneration policy

The main change to this remuneration policy, from the previous policy approved by shareholders at the 2016 AGM, and as described in Sally Walden's introductory letter, is the reduction in pension contributions (or equivalent cash allowance) for newly appointed executive directors from 25% to 17.5% of salary to bring it in line with all other employees in the organisation.

Executive directors

Element	Link with strategy	Operation
Salary	Fixed remuneration at a level appropriate to skills, experience and complexity of the role.	<p>Salaries are normally reviewed annually with effect from 1 December. Any increases are determined with reference to inflation and the salary increases for other employees, unless there is a change of role or responsibility or a new director is recruited (see recruitment policy).</p> <p>Sector and other relevant market data (eg against constituent companies of the FTSE 350 REIT Index) may be requested from remuneration advisors.</p> <p>The Committee recognises the importance of setting salaries at levels in the context of market median levels in the real estate sector, but which are not excessive in relation to the Group's particular strategy and features.</p> <p>The emphasis in the Group's remuneration policies is to place greater weight on performance-based rewards within the overall remuneration package.</p>
Annual bonus	To incentivise performance in the reporting year through the setting of targets at the beginning of the year. These annual targets are consistent with the Group's long-term strategy. The opportunity to defer the bonus and take it in shares seeks to align directors' interests with those of shareholders and discourage short-term decision making.	<p>Annual performance targets are set by the Committee at the beginning of the year and are linked to the Group's strategy and key business objectives.</p> <p>At the end of the financial year, the Committee evaluates performance against these objectives, whilst also taking into account overall financial performance and future prospects. The Committee also satisfies itself that short-term targets have not been met at the expense of long-term goals.</p> <p>Within the parameters of the scheme, the Committee has discretion to adjust bonus outcomes (upwards or downwards) as it considers appropriate, to ensure alignment of pay with overall performance and market conditions.</p> <p>Minimum performance required for any part of the bonus to be earned is calibrated so as to be appropriately stretching and achievable.</p> <p>Where directors take all or part of the bonus as an award of shares (in the form of a conditional award of shares or a nil-cost option), these awards vest after a minimum of three years from grant under the Company's deferred bonus plan. No further performance conditions apply.</p> <p>Awards may also, at the Committee's discretion, be settled in cash.</p> <p>Malus and clawback provisions apply to all elements of the bonus (as described elsewhere in this section).</p>
LTIP	To incentivise and reward performance over the long-term, aligning directors' interests with those of shareholders and to encourage the management of the Group's business in accordance with its long-term strategy and goals.	<p>Awards may be granted in the form of nil cost options, conditional share awards or, at the Committee's discretion, be settled in cash.</p> <p>At the end of the performance period, performance against the targets is calculated, and the percentage of awards that will vest is determined.</p> <p>Unless the Committee determines otherwise, vested awards will then be subject to an additional holding period before participants are entitled to receive their shares. A holding period will normally last for two years, unless the Committee determines otherwise.</p> <p>Malus and clawback provisions apply to the LTIP (as described elsewhere in this section).</p>

Remuneration

Maximum potential value	Performance measures and performance periods
<p>The Committee does not specify a maximum salary or maximum salary increase.</p> <p>Further details on salary levels and any increases are provided in the Annual Remuneration Report.</p>	None
<p>Directors have the choice to take a bonus in shares or cash, in full or part as follows:</p> <p>Up to 150% of salary if taken entirely in shares; or</p> <p>Up to 100% of salary if taken entirely in cash.</p>	<p>Performance targets are set by the Committee. Performance is assessed against a set of key financial and non-financial annual measures which may vary each year depending on the annual priorities of the business and prevailing market conditions. Measures will be weighted in alignment with the Group's objectives for each year. A substantial part of the total bonus will be based on quantitative KPIs. Further details of the measures, weightings and targets applicable are provided in the Annual Remuneration Report for that year.</p>
<p>Maximum value 150% of salary at date of grant in normal circumstances.</p> <p>Maximum value 200% of salary in exceptional circumstances such as executive recruitment (this has not been used to date).</p>	<p>The awards will be subject to performance targets measured over a three-year period. It is intended that these performance measures are aligned to strategic objectives and shareholder value. For awards under this policy, the performance measures will be as follows (equally weighted):</p> <ul style="list-style-type: none"> • Total Accounting Return (TAR) measured against a peer group of FTSE 350 REIT companies; • Net Asset Value Return, being growth in EPRA NAV together with dividends paid in the period measured on an absolute basis; and • Total shareholder return measured relative to a relevant index of peers. <p>Threshold vesting will be no higher than 25% of the each performance measure. The detailed targets are set out in the Annual Remuneration Report.</p> <p>The Committee will consider the Group's underlying financial performance over the performance period before determining the final vesting level.</p>

Executive directors continued

Element	Link with strategy	Operation
All employee plans	Part of overall package for all employees, encouraging share ownership.	Executive directors are eligible to participate in other share plans, which are offered on similar terms to all employees, for example Sharesave and SIP.
Pension	Part of overall package for executive directors providing appropriate remuneration and retirement benefits.	Contribution paid into a personal pension plan or taken as a cash equivalent, reduced for any resultant tax liability borne by the Group.
Other benefits	Part of overall package for executives providing comprehensive remuneration.	<p>Each executive director currently receives:</p> <ul style="list-style-type: none"> • car allowance • private medical cover • life insurance • permanent health insurance <p>Newly appointed directors will not receive a car allowance.</p> <p>Other benefits may be provided if considered reasonable and appropriate by the Committee, including, but not limited to, housing allowance and relocation allowance.</p>
Shareholding guidelines	To further encourage long-term alignment between executives and shareholders.	Executive directors are expected to build up a shareholding of 200% of salary (as at the date of appointment to the Board), to be accumulated over five years from appointment. Shareholding may include shares subject to deferred annual share bonus awards, though reduced in number to reflect that the holding is subject to income tax and national insurance deductions on exercise. Shares received under the LTIP and deferred annual share bonus scheme are required to be retained on a net of tax basis, until the minimum shareholding level is attained.

Notes to the table:

Performance measures

1 The performance measures set by the Committee for the annual bonus scheme reflect Group KPIs and short-term measures which are consistent with, and support, the Group's strategic goals of long-term growth in rental income and net asset value. The Committee may make reasonable changes to the measures or weightings each year in order to ensure continued alignment with strategy.

2 LTIP performance measures have been selected to align the interests of directors with those of shareholders. Performance targets are set by the Committee to be appropriately stretching and achievable taking into account the Group's strategic priorities and the economic environment in which the Group operates.

Non-executive directors and Chairman

Element	Link with strategy	Operation
Fees and benefits	To provide market-competitive director fees.	<p>Fees are normally reviewed every two years. Sector and other relevant market data (eg constituent companies in the FTSE 350 REIT Index) may be requested from remuneration advisors where required.</p> <p>A further fee is payable to reflect the additional time commitment required for other Board duties, such as chairing Board committees or acting as Senior Independent Director.</p> <p>The fee paid to the Chairman is determined by the Committee and fees to non-executive directors are set by the Board.</p> <p>No director takes part in discussions regarding their own remuneration. Benefits may be provided to non-executive directors if considered reasonable and appropriate by the Board.</p>

Maximum potential value	Performance measures and performance periods
The limits are as defined by HMRC from time to time.	None
For any executive director appointed after 8 February 2019, the maximum contribution (or cash allowance) is 17.5% of salary. For any executive director appointed prior to 8 February 2019, the maximum contribution (or cash allowance) remains 25% of salary.	None
There is no maximum value. Benefits are set at a level which the Committee determines is reasonable and appropriate. The value may vary depending on service provided, cost and market conditions.	None
N/A	N/A

Notes to the table continued:

3 The Committee may amend or substitute any performance measure applicable to an LTIP award if an event occurs that causes the Committee to determine an amended, or substituted, measure would be more appropriate and not materially less difficult to satisfy. The Committee reserves the right to make any remuneration payments, and payments for loss of office (including exercising any discretion available to it in connection with such payments), notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before 5 February 2016 (the date the Company's previous directors' remuneration policy approved by shareholders in accordance with section 439A of the Companies Act came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the

directors' remuneration policy (approved by shareholders in accordance with section 439A of the Companies Act) in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Maximum potential value	Performance measures and performance periods
As with the policy for the executive directors, the policy does not specify a maximum fee or level of increase.	None

Difference between policy for directors and employees

Pay and benefits throughout the Group are taken into consideration when setting remuneration policy. The 26 employees below Board level are offered the same remuneration package elements as executive directors, although not all employees are eligible for all benefits provided to executive directors. Individual salary levels, percentage levels of awards in the annual bonus and LTIP vary according to employees' level of responsibility. The same performance criteria, where relevant, are applied to executive directors and other employees.

As the same remuneration policy is applied to executive directors and all employees, the Committee did not consult employees when drawing up the policy.

Recruitment policy

Executive directors

A newly-appointed director's remuneration would be proposed by the Committee and approved by the Board in line with the policy. The Group offers salary, benefits, annual bonus and awards under the LTIP. If the Group considered it appropriate to buy out any pre-existing variable pay arrangements of an incoming director, it would only be with replacement awards structured on a comparable basis eg in terms of vesting period, performance conditions etc. In doing so, the Committee would consider relevant factors when structuring such awards, including the likelihood of those pre-existing conditions being met. The Committee has the discretion to implement a one-off arrangement for the purposes of buy-out awards only, in accordance with Listing Rule 9.4.2 R.

External appointment

Element	Approach	Maximum annual grant value*
Salary	The salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current salary. Where new appointees have initial salaries set below market, any shortfall will be managed with phased increases within three years, subject to the individual's development in the role.	
Annual bonus	In line with the limits set out in the policy table. For executive directors joining part way through a year, awards would be pro-rated. The Committee may determine different performance targets for the new recruit, to reflect the shortened period in role.	150% of salary
LTIP	New appointees will be granted awards under the LTIP under the limits described in the policy table. The Committee may amend or alter the performance targets for the new recruit, as it considers appropriate.	200% of salary
All employee share plans, pension and other benefits	In line with the limits as described in the policy table.	

*excludes compensation for variable remuneration lost on leaving a former employer

Internal appointment

In the event of appointing a new executive director by way of internal promotion, the policy will be consistent with that for external appointees as detailed above. Further detail on the policy for employees below board level is set out above.

Non-executive directors

Newly appointed non-executive directors are paid fees at a level consistent with existing non-executive directors. Fees would be paid pro-rata in their first year.

Loss of office payment

Provisions for payments on termination contained in executive directors' service contracts are set out below:

	Date of appointment	Date of current contract	Notice period	Termination arrangements
Brian Bickell	1.10.2011	6.6.2011	One year's notice	One year's salary and benefits payable in event of termination without notice. Director's duty to mitigate loss
Simon Quayle	1.10.1997	8.10.1997	One year's notice	Termination by payment of annual salary
Tom Welton	1.10.1997	8.10.1997	One year's notice	Termination by payment of annual salary
Chris Ward	9.1.2012	3.10.2011	One year's notice	One year's salary and benefits payable in event of termination without notice. Director's duty to mitigate loss

Any new executive director would be appointed on the same loss of office terms as Brian Bickell and Chris Ward, namely twelve months' salary and benefits, with a duty to mitigate loss on termination.

The terms of appointment of non-executive directors are documented in letters of appointment. Non-executive directors have a one-month notice period and their appointment would terminate without compensation if not re-elected at an AGM.

All contracts are available for inspection at the Company's registered office.

Approach to other remuneration payments on termination of employment and change of control

In addition to the contractual provisions regarding payment on termination set out above, the Group's incentive plans and share schemes contain provisions for termination of employment:

Component	Good leaver*	Bad leaver*	Change of control**
Annual bonus	May be eligible, at the discretion of the Committee, to receive an award based on the achievement of the performance targets and reduced pro-rata for time served in the year. Paid in cash with no uplift.	Outstanding award forfeited	At the discretion of the Committee
Deferred Annual Share Bonus Scheme	Awards vest on the normal vesting date unless the Committee determines the award should vest following cessation of employment.	Will receive the lower of the value of the original cash bonus (before any uplift for deferral) or the value of any deferred shares on the date of cessation	Awards vest at date of change of control
LTIP	Unvested awards will vest at the same time as if the individual had not left the Group, unless the Committee determines the award should vest following the cessation of employment. Vested awards remain subject to the two-year post-vesting holding period***. The extent to which an unvested award vests will be determined by the Committee, taking into account normal performance conditions, and, unless the Committee determines otherwise, the proportion of the vesting period the participant has served.	Outstanding unvested awards are forfeited Vested awards remain subject to the two-year post-vesting holding period	Awards vest (and are released) taking into account, in the case of unvested awards, the performance conditions and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed
All employee plans	In line with HMRC rules	In line with HMRC rules	In line with HMRC rules

* Good leaver provisions relate to termination of office or employment by reason of death, disability, injury, retirement with the agreement of the Company, the participant's office or employment being with a company or business which ceases to be a member of the Group or, in other exceptional circumstances, at the discretion of the Committee (including redundancy). Bad leaver provisions apply under all other circumstances.

** Alternatively, on a change of control, awards may be exchanged for equivalent awards of shares in a different company. In the event of a demerger, delisting, special dividend or other event which, in the Committee's opinion, would materially affect the current or future value of the Company's shares, the Committee may allow awards to vest and be released early on the same basis as for a change of control. Alternatively, in these circumstances or in the event of a variation of the Company's share capital, the Committee may adjust the number of shares subject to an award.

*** If a participant leaves during a holding period for any reason, his award will normally be released at the same time as if he had not left the Group, unless the Committee determines it should be released following his cessation of employment. However, if a participant is summarily dismissed, his award will immediately lapse.

The use of any discretion described above would be disclosed in the Annual Report for the relevant year.

Remuneration

Consideration of shareholder views

Shareholders, representing almost 70% of the Company's issued share capital, have been given the opportunity to comment and question the Committee on the remuneration policy and the proposed change. The Chairman of the Committee was available to discuss the policy with shareholders and governance bodies. Shareholder responses were reported to, and considered by, the Committee. Of those that responded, all were supportive of the proposals.

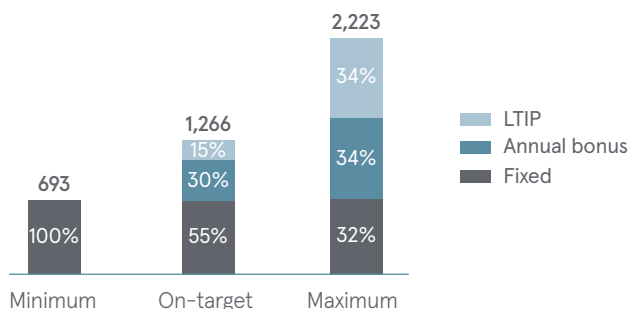
External appointments

Executive directors are permitted to accept external appointments, with the prior approval of the Board, where there is no adverse impact on their role. Any fees arising from such appointments may be retained by the executive director where the appointment is unrelated to our business.

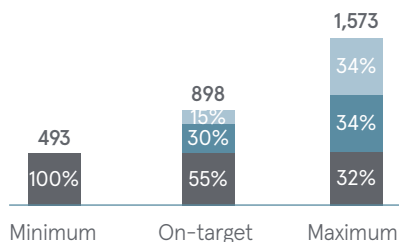
Potential remuneration for directors

The charts below set out the potential remuneration receivable by directors for below threshold, on-target and maximum performance. Potential reward opportunities are based on this policy and applied to salaries as at 1 December 2018. Note that the projected values exclude the impact of any share price movement or dividend accrual.

Brian Bickell (£'000)



Simon Quayle, Tom Welton and Chris Ward (£'000)



The minimum scenario reflects salary, pension and benefits (ie fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to future performance. The on-target scenario reflects fixed remuneration as above, plus bonus payout of 75% of salary and LTIP threshold vesting at 25% of maximum award. The maximum scenario reflects fixed remuneration, plus full payout of all incentives. It assumes a maximum bonus of 150% of salary which would be receivable fully in shares.