

Remuneration Committee



The Remuneration Committee is chaired by Maria Bentley

Terms of reference

The Committee's terms of reference are available on the Company's website. The principal functions of the Committee as set out in the terms of reference include the following matters:

- Review the ongoing appropriateness and relevance of the Directors' Remuneration Policy;
- Determine the remuneration of the Chairman, Executive Directors and such members of the executive management as it is designated to consider;

- Review the design of all share incentive plans for approval by the Board; and
- Appoint and set the terms of reference for any remuneration consultants.



Visit our website
www.picton.co.uk

The Remuneration Committee is chaired by Maria Bentley. The other members of the Committee are Nicholas Thompson, Mark Batten and Roger Lewis.

Advisers

During the year, Deloitte LLP has provided independent advice in relation to market data, share valuations, share plan administration and content of the Remuneration Report. Total fees for the year were £34,800 (calculated on a time spent basis). Deloitte LLP is a founding member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. In addition, Deloitte also provided taxation services and advice to the Company during the year. The Committee has reviewed the nature of this additional advice and is satisfied that it does not compromise the independence of the advice that it has received.

Other attendees at Committee meetings during the year were Michael Morris and Andrew Dewhirst. Neither participated in discussions relating to their own remuneration.

Annual statement

Dear Shareholders

Introduction

On behalf of the Board, I am pleased to introduce the Remuneration Committee report for the year ended 31 March 2020.

This report comprises three sections:

- This annual statement;
- Summary of the Directors' Remuneration Policy; and
- The Annual Report on Remuneration for the year ended 31 March 2020.

The Committee met seven times during the year and set out below is a summary of its activity.

Our current Remuneration Policy was approved by shareholders in 2018, so this is the second year of application. The Committee is satisfied that the Policy has operated as intended so there are no changes to the Policy being proposed this year.

Governance

Remuneration Report continued

Covid-19 impact

This year's remuneration review takes place against the backdrop of the Covid-19 pandemic, which is causing unprecedented levels of uncertainty and volatility in the UK economy. Many businesses are facing financial hardship from a severe drop in earnings, giving rise to cost cutting measures and even closure in some cases. We are working with our occupiers through this difficult period to find workable solutions that help them but also maintain value for all our stakeholders. We have also taken the difficult decision to reduce our dividend and our share price is now at a substantial discount to the net asset value, although this is in common with many other property companies. It is in this context that the Committee has considered this year's salary review, bonus and LTIP awards. Picton has a small team and is unusual in having a high degree of alignment for all employees, not just the Executive Directors.

We have recognised previously, when our current Remuneration Policy was set, that the base salaries of our Executive Directors are low relative to the market, and that a greater emphasis would be placed on the performance related variable elements of remuneration. Although we have concluded that there will be no increase in base salary for the Executive Directors, we have decided that the formulaic outcome for both the annual bonus and LTIP awards are a fair reflection of the Group's performance for the respective performance periods and that no further adjustment is required. In particular we took into account the upper quartile relative performance achieved for the total return, total property return and total shareholder return metrics. For the forthcoming LTIP awards we recognise that the current share price discount to net asset value potentially could lead to an unusually high share award and windfall gains on vesting. As a result, we have scaled back the LTIP awards by 30% this year. Taken together, we believe this is an appropriately balanced set of decisions by the Committee.

As in prior years, a proportion of 2020/21 annual bonus and LTIP awards will be based on EPS targets. In these highly unusual circumstances we have decided to delay setting these targets

until later in the year when the economic outlook will hopefully be more certain to enable us to set appropriate target ranges.

Group performance and alignment

We have set out on pages 24 to 27 the key performance indicators (KPIs) that we currently use to monitor the success of the business. In order to appropriately align executive remuneration with business performance, we incorporate KPIs within our incentive schemes. In both 2019/20 and 2020/21 the KPIs that we are using to determine variable remuneration are:

- Total return
- Total property return
- Total shareholder return
- Growth in EPRA earnings per share

The precise application of these measures to both the annual bonus and the Long-term Incentive Plan is set out later in the Report.

Annual bonus awards for 2019/20

The Executive Directors were set a number of challenging targets for this year, comprising a combination of financial measures and corporate and personal objectives.

The three financial measures were total return, total property return and growth in EPRA earnings per share. The actual outcomes are set out in the Annual Remuneration Report, but the overall result was that the Directors earned an estimated 67% of the maximum award available under these financial measures.

The corporate and personal objectives were set to ensure that specific key strategic targets were reached. The main objective related to leading the business and making progress against its strategic priorities. Other corporate objectives set were targets for dividend cover and loan to value ratio. This year there were personal objectives set individually for the Executive Directors, relating to occupancy, IT, sustainability and borrowings. The Committee considered that the Executive Directors had made significant progress in many areas. More detail is provided later in this Remuneration Report, but overall the Committee

considered that outcomes of 74% and 83% of the maximum award for the two Executive Directors was merited against the corporate and personal objectives.

In aggregate, annual bonus awards for the two Executive Directors are 70% and 73% of the maximum award (2018/19 – 79% of maximum).

The Committee considered the formulaic bonus outcome in the context of the Group's overall performance for the year. Performance has been discussed earlier in the Report but particular points considered by the Committee included:

- The return from the property portfolio was upper quartile compared to the MSCI UK Quarterly Property Index for the year, and our long-term record of outperformance has been maintained over three, five and ten years;
- The Group's profit for the year was £23 million, giving a total return of 4.5%. Although this is lower than the previous year, it was achieved under difficult market conditions and when many other companies have reported significant losses. Compared to the peer group, our return was again upper quartile;
- EPRA earnings for the year were lower, but largely due to the active management projects taking place at a number of properties;
- The loan to value ratio has fallen following the repayment of borrowings.

The Committee concluded that it was satisfied the formulaic bonus outcome was a fair reflection of overall Group performance during the past financial year.

Long-term Incentive Plan awards (performance period to 31 March 2020)

The awards made under the Long-term Incentive Plan (LTIP) in June 2017 were based on three performance conditions measured over the three-year period ending on 31 March 2020. The LTIP provides the link between the long-term success of the Company and the remuneration of the whole team. The Committee has assessed the extent to which these three performance conditions have been met.

The three equally weighted performance conditions were total shareholder return, total property return and growth in EPRA earnings per share. The actual outcomes for these conditions are set out in the Annual Report on Remuneration, and give rise to an overall award of 67% of the maximum granted. The Committee agreed that the formulaic outcome was a fair reflection of overall Group performance over the performance period.

Salary review for 2020/21

In considering the salary review for 2020/21, the Committee took into account a number of factors. They received an independent benchmarking report covering each of the roles within the Picton team and considered publicly available data and other market intelligence. As a result and in order to maintain a competitive package the Committee determined that there would be an overall average rise for the workforce as a whole of 2.6% in base salaries with effect from 1 April 2020. However, the Committee agreed that there would be no salary increases this year for the Executive Directors.

Corporate Governance Code 2018

This year we are reporting against the provisions of the 2018 Code for the first time.

We have reviewed the provisions of the 2018 Code in respect of remuneration and believe that our approach is compliant. In particular, we operate a consistent level of pension provision across our workforce; LTIP awards are only released five years after award; and malus and clawback provisions apply to all incentive awards. We have provisions in the rules of our remuneration share plans that prevent, other than in exceptional circumstances, accelerated vesting of awards when an employee leaves Picton. However, in light of evolving market practice, we will consider the introduction of a more formal post-employment shareholding guideline when the Remuneration Policy is reviewed next year.

The remuneration arrangements provide alignment with shareholders through the use of financial metrics and corporate objectives. All members of the team participate in the annual bonus and LTIP, not just the Executive Directors. The Remuneration Policy and its components are clearly set out in this Report and the rules of the variable remuneration schemes are available to the whole team. We use standard performance metrics, which are also Key Performance Indicators for the business, to determine awards. There are clear target and maximum levels for each condition.

The Committee believes that the variable remuneration schemes in place are fair and proportionate, and align the remuneration of the team with the Group's performance. We are also satisfied that the remuneration structure does not encourage inappropriate risk-taking. The Committee does retain discretion over formulaic outcomes if it considers that these are not a fair reflection of the Group's performance.

Implementation of policy

Our remuneration structure will remain unchanged for the year to 31 March 2021 although this year we have reduced the LTIP awards for the Executive Directors by 30% to reflect the lower share price and discount to net asset value, and to avoid any windfall gains arising on vesting.

The bonus deferral policy for Executive Directors will continue, with 50% of any annual bonus award being deferred into Picton shares for a period of two years before vesting. The Executive Directors are expected to build up a shareholding of 200% of base salary under our shareholding guidelines.

We have set short-term objectives for the business while we navigate through the current Covid-19 pandemic. We will review and update these as appropriate at the mid-year stage to form the corporate targets for the Executive Directors. At this stage we will also confirm the personal targets for the Executive Directors and the LTIP performance targets.

We intend to maintain our current pension arrangements for the Executive Directors, as these are consistent with those of the rest of the workforce.

As a Committee, we are committed to ongoing dialogue with our shareholders. We look forward to receiving your continued support at the forthcoming Annual General Meeting.

Maria Bentley

Chair of the Remuneration Committee

22 June 2020

Remuneration at a glance

Total remuneration for 2019/20

Fixed Pay

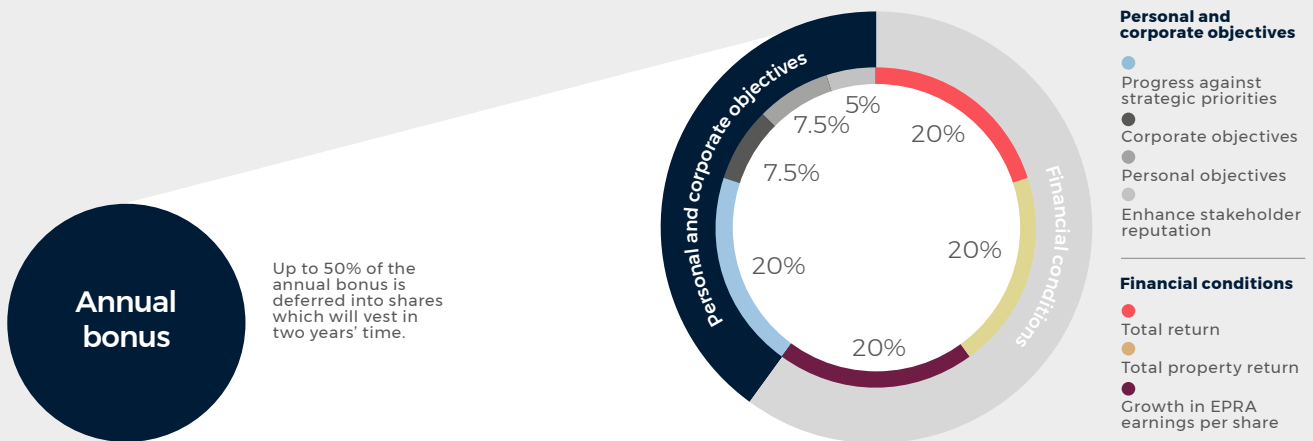


Read more on pages 77-83

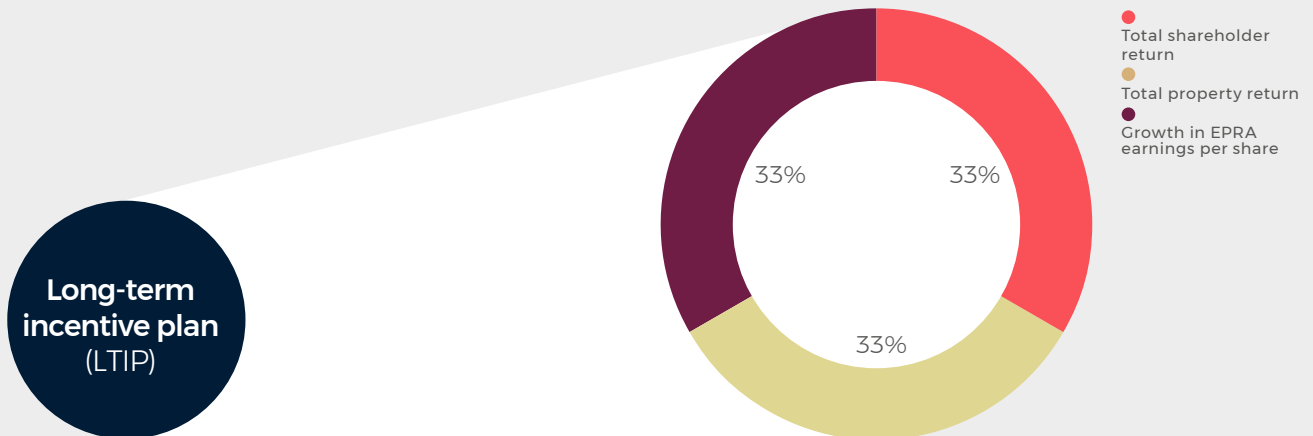
+

Variable pay

The annual bonus for 2019/20 is determined by:

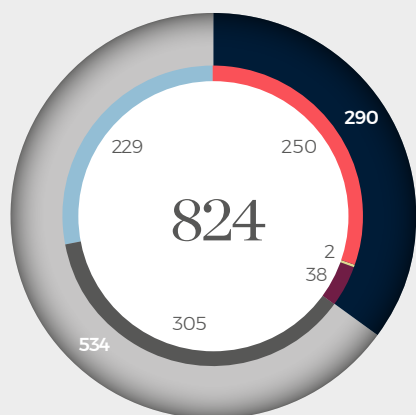


The LTIP is based on three financial metrics, each measured over three years:

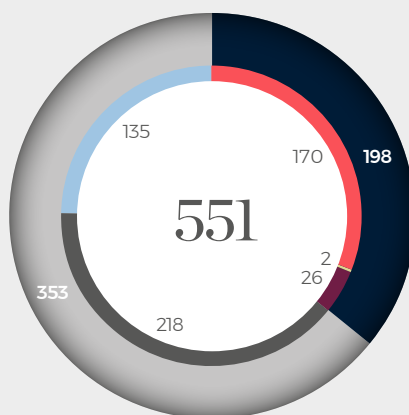


The single figure of remuneration for the Directors for the year 2019/20 (in £ thousands) is:

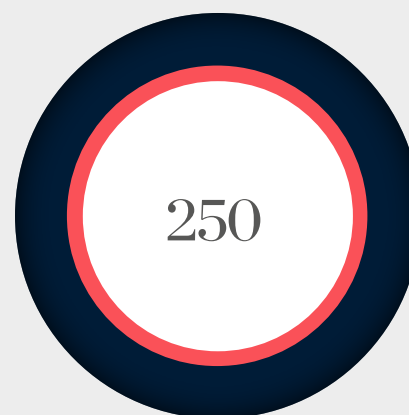
Chief Executive



Finance Director



Non-Executive Directors



Key:

- Salary
- Benefits
- Pension
- Annual bonus
- Long-term incentive plan
- Total fixed
- Total variable

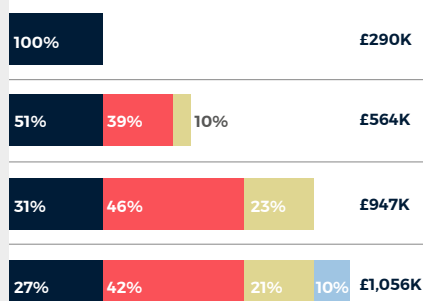
The potential remuneration of the Executive Directors for the year to 31 March 2021 is:

The following charts show the composition of the Executive Directors' remuneration at three performance levels:

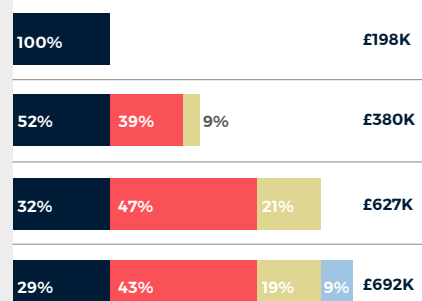
- **Fixed pay** - this comprises base salary from 1 April 2020, benefits and pension salary supplement of 15% of base salary
- **On target** - this is fixed pay plus target vesting for the annual bonus (at 50% of maximum opportunity for illustrative purposes) and threshold vesting for the LTIP (at 25% of maximum award)
- **Maximum** - fixed pay plus maximum vesting for both the annual bonus (175% of base salary) and the LTIP (87.5% (Chief Executive) and 77% (Finance Director) of base salary)
- **Maximum with share price growth** - maximum scenario incorporating assumption of 50% share price growth during LTIP vesting period

Other than where stated, the charts do not incorporate share price growth or dividend equivalent awards.

Chief Executive



Finance Director



Key:

- Total fixed
- Annual bonus
- LTIP
- Share growth

Remuneration in context

Percentage change in remuneration of the Chief Executive

The table below shows the percentage change in the Chief Executive's total remuneration between the years ended 31 March 2019 and 31 March 2020 compared to the average remuneration of all other employees of the Group.

	Change from previous year		
	Base salary	Benefits	Annual bonus
Chief Executive	4.2%	4.4%	-8.7%
Average of all employees	7.2%	6.9%	6.9%

Relative importance of spend on pay

The table below shows the expenditure and percentage change on employee costs compared to other key financial indicators.

	31 March 2020 £000	31 March 2019 £000	% change
Employee costs	3,273	3,672	-11%
Dividends	19,039	18,860	1%
EPRA earnings	19,912	22,912	-13%

Governance

Remuneration Report continued

Summary of Directors' Remuneration Policy

The objective of the Group's Remuneration Policy is to have a simple and transparent remuneration structure aligned with the Group's strategy.

The Group aims to provide a remuneration package which will attract and retain Directors who possess the skills and experience necessary to manage the Group and maximise shareholder value on a long-term basis. The remuneration policy aims to incentivise Directors by rewarding performance through enhanced shareholder value.

A summary of the Remuneration Policy approved by shareholders at the 2018 Annual General Meeting is set out below. The full Policy is contained in our 2018 Annual Report which is available on our website at www.picton.co.uk.

Executive Directors' Remuneration Policy

Base salary

Purpose	A base salary to attract and retain executives of appropriate quality to deliver the Group's strategy.
Operation	Base salaries are normally reviewed annually with changes effective on 1 April. When setting base salaries the Committee will consider relevant market data, as well as the scope of the role and the individual's skills and experience.
Maximum	No absolute maximum has been set for Executive Director base salaries. Any annual increase in salaries is set at the discretion of the Remuneration Committee taking into account the factors stated in this table and the following principles: <ul style="list-style-type: none"> – Salaries would typically be increased at a rate consistent with the average employee salary increase; – Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group); – Larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary.
Performance measures	None
Clawback	None

Pension

Purpose	To provide a competitive remuneration package.
Operation	The Company has established defined contribution pension arrangements for all employees. For Executive Directors, the Company pays a monthly salary supplement in lieu of Company pension contributions.
Maximum	The salary supplement is set at 15% of base salary.
Performance measures	None
Clawback	None

Benefits

Purpose	To provide a competitive remuneration package.
Operation	This principally comprises: <ul style="list-style-type: none"> – Private medical insurance – Life assurance – Permanent health insurance The Committee may agree to provide other benefits as it considers appropriate.
Maximum	Benefits are provided at market rates.
Performance measures	None
Clawback	None

Annual bonus

Purpose	A short-term incentive to reward Executive Directors on meeting the Company's annual financial and strategic targets and on their personal performance.
Operation	The Committee may determine that up to 50% of the annual bonus will be paid in the Company's shares and deferred for two years. Dividend equivalents may be awarded and paid at the end of the deferral period in cash.
Maximum	The maximum bonus will be 175% of base salary.
Performance measures	The annual bonus is based on a range of one-year financial, strategic and individual targets set by the Committee at the beginning of each year. The weightings will also be determined annually to ensure alignment with the Company's strategic priorities although at least 50% of the award will be assessed on corporate financial measures. For corporate financial measures, 50% of the maximum bonus opportunity will be payable for on target performance and, if applicable, up to 25% for threshold performance.
Clawback	Malus and clawback provisions apply.

Long-term incentive plan

Purpose	A long-term incentive plan to align executives' interests with those of shareholders and to promote the long-term success of the Company.
Operation	Awards are granted annually in the form of a conditional share award or nil cost option. Awards will normally vest at the end of a three-year period subject to meeting the performance conditions and continuing employment. The Remuneration Committee may award dividend equivalents on awards that vest. The Committee may apply a holding period of a further two years to awards that vest.
Maximum	Annual awards with a maximum value of up to 150% of base salary may be made.
Performance measures	There will initially be three performance conditions, each measured over a three-year performance period. Each condition will be equally weighted, but the Committee has the flexibility to vary this. For threshold levels of performance 25% of the award vests, rising to 100% for maximum performance.
Clawback	Malus and clawback provisions apply.

Shareholding guidelines

Purpose	To align Executive Directors with the interests of shareholders.
Operation	Executive Directors are expected to build up and thereafter maintain a minimum shareholding equivalent to 200% of base salary.
Maximum	Not applicable
Performance measures	Not applicable
Clawback	Not applicable

Governance

Remuneration Report continued

Non-Executive Directors' Remuneration Policy

Fees

Purpose	To provide competitive Director fees.
Operation	<p>Annual fee for the Chairman, and annual base fees for other independent Non-Executive Directors.</p> <p>Additional fees for those Directors with additional responsibilities chairing a Board Committee. All fees will be payable quarterly in arrears in cash.</p> <p>Fees will usually be reviewed independently every three years.</p> <p>The independent Non-Executive Directors are not eligible to receive share options or other performance-related elements, or receive any other benefits other than where travel to the Company's registered office is recognised as taxable benefit, in which case a Non-Executive Director may receive the grossed-up costs of travel as a benefit. Non-Executive Directors are entitled to reimbursement of reasonable expenses.</p>
Maximum	The Company's Articles set an annual limit for the total of Non-Executive Directors' remuneration of £300,000.
Performance measures	None
Clawback	None

Notes to table:

- The Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Committee may adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. The Committee also retains discretion to make downward or upward adjustments resulting from the application of the performance measures if it considers that the outcomes are not a fair and accurate reflection of business performance. In the event that the Committee were to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report.
- Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Remuneration Committee based on a range of relevant reference points including, for Group financial targets, the Company's business plan and are designed to be appropriately stretching.
- The Committee may amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans.
- Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Targets are considered ahead of each grant of LTIP awards by the Remuneration Committee taking into account relevant external and internal reference points and are designed to be appropriately stretching.
- The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions 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 the policy set out above came into effect or (ii) 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 Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Policy for other employees

Remuneration for other employees broadly follows the same principles as for Executive Directors. A significant element of remuneration is linked to performance measures. All employees currently participate in the Long-term Incentive Plan and in the annual bonus. The weighting of individual and corporate measures are dependent on an individual's role.

The Committee does not formally consult with employees when determining Executive Director pay. However, the Committee is kept informed of general management decisions made in relation to employee pay and is conscious of the importance of ensuring that its pay decisions for Executive Directors are regarded as fair and reasonable within the business.

Annual Report on Remuneration

Total remuneration for the year

The table below sets out the total remuneration receivable by each of the Directors who held office during the year to 31 March 2020, with a comparison to the previous financial year:

		Salary/fees £000	Benefits £000	Pension salary supplement £000	Annual bonus £000	Deferred bonus £000	Long-term incentive plan £000	Total £000
Executive								
Michael Morris	2020	250	2	38	153	152	229	824
	2019	240	2	36	167	167	308	920
Andrew Dewhirst	2020	170	2	26	109	109	135	551
	2019	80	1	12	56	56	181	386
Non-Executive								
Nicholas Thompson	2020	98	-	-	-	-	-	98
	2019	98	-	-	-	-	-	98
Roger Lewis	2020	45	-	-	-	-	-	45
	2019	45	-	-	-	-	-	45
Mark Batten	2020	48	-	-	-	-	-	48
	2019	46	-	-	-	-	-	46
Maria Bentley	2020	49	-	-	-	-	-	49
	2019	23	-	-	-	-	-	23
Nicholas Wiles	2020	10	-	-	-	-	-	10
	2019	-	-	-	-	-	-	-
Robert Sinclair	2020	-	-	-	-	-	-	-
	2019	24	-	-	-	-	-	24
Vic Holmes	2020	-	-	-	-	-	-	-
	2019	23	-	-	-	-	-	23

Benefits comprise private medical insurance and life assurance.

Executive Directors receive a salary supplement of 15% of base salary in lieu of company pension contributions.

The above figures for 2019 for the Executive Directors for annual bonus and LTIP awards have been re-stated. The estimated figures for annual bonus included in last year's report were £313,500 (Michael Morris) and £104,500 (Andrew Dewhirst). The estimates included an outcome of 50% for the relative total return metric. The final outcome was determined to be 77%, and the awards were adjusted to £333,500 (Michael Morris) and £111,200 (Andrew Dewhirst). The above LTIP awards for 2019 for the Executive Directors have been re-stated to reflect the share price at vesting (95.0p) rather than the average for the quarter (87.56p) and to include dividend equivalents of £25,700 (Michael Morris) and £15,100 (Andrew Dewhirst).

Andrew Dewhirst and Maria Bentley joined the Board on 1 October 2018.

Robert Sinclair and Vic Holmes retired from the Board on 30 September 2018.

Nicholas Wiles joined the Board on 1 January 2020 and resigned on 20 May 2020.

The value of LTIP awards are based on the number of shares to be awarded to the Executive Directors and the average share price over the quarter ended 31 March 2020 of 92.64 pence, and the estimated value of dividend equivalents.

Maria Bentley received additional fees at the rate of £5,000 per annum while serving as Chair of the Nomination Committee.

Annual bonus for 2019/20

The annual bonus for the year ended 31 March 2020 for the Executive Directors was based on a combination of financial metrics (60%) and corporate and personal objectives (40%).

The financial metrics comprised three equally weighted components: total return relative to a comparator group of similar companies, set out later in this report; total property return compared to the MSCI UK Quarterly Property Index; and growth in EPRA earnings per share over the financial year.

Governance

Remuneration Report continued

The targets set for the year ended 31 March 2020 and the assessment of actual performance achieved are set out in the table below.

Performance condition	Basis of calculation	Range	Actual	Awarded (% of maximum)	Awarded (% of salary)
Total return versus comparator group	Less than median – 0% Equal to median – 50% Equal to upper quartile – 100%	Median -2.3% Upper quartile 2.4%	4.5%	100%	35%
Bonus weighting: 20%					
Total property return versus MSCI Index	Less than median – 0% Equal to median – 50% Equal to upper quartile – 100%	Median 0.6% Upper quartile 2.9%	5.3%	100%	35%
Bonus weighting: 20%					
Growth in EPRA EPS	Less than 1% – 0% Equal to 1% – 25% Equal or greater than 9% – 100%	1% – 4.29p 9% – 4.63p	3.66p	0%	0%
Bonus weighting: 20%					

The corporate and personal objectives for the Executive Directors for the year to 31 March 2020 were determined by the Remuneration Committee and accounted for 40% of the maximum award.

The corporate objectives applying to both executives, and the assessment of performance against these, are as follows:

Performance condition	Assessment	Awarded (% of maximum)	Awarded (% of salary)
Dividend cover for the year to be in excess of 110%	Dividend cover is 105% for the year, so this target has not been met.	0%	0%
Bonus weighting: 3.75%			
The Group's overall loan to value ratio to be below 25% at the end of the financial year	The LTV at 31 March 2020 is 21.7%, so this target has been met.	100%	6.6%
Bonus weighting: 3.75%			
Lead the business and make progress against the strategic pillars: – Property Performance – Operational Excellence – Acting Responsibly	The Committee assessed the progress made against each of the strategic pillars. They noted particularly the following factors: – Significant capital expenditure programme across multiple assets; – Two disposals in Croydon and Lutterworth made capturing significant upside against March 2019 valuation; – During the year both revolving credit facilities have been fully repaid ahead of re-financing. The new facility will provide financial flexibility for five years mitigating cash drag and with no repayment fees; – Team repositioned and appointment of Head of Occupier Services, with lower cost base; – Efficiency has been improved through the introduction of new asset management and operational software; – Working with occupiers to undertake letting and regear transactions in Bristol, Rushden, Grantham and Radlett; – Continued use of LTIP and deferred bonus; share awards hedged through purchases at discount to net asset value during the year;	90%	31.5%
Bonus weighting: 20%			
Enhance reputation with stakeholders	– Consistently positive investor feedback from Kepler, JPMorgan and Stifel – Enhanced activity with Edison – Increased digital led engagement with investors and occupiers	90%	7.9%
Bonus weighting: 5%			
			45.9%

The personal objectives for the individual Directors and the assessment of performance are as follows:

Performance condition	Assessment	Awarded (% of maximum)	Awarded (% of salary)
Michael Morris			
The EPRA vacancy rate to be at or less than 7% at the end of the financial year	Vacancy rate at 31 March 2020 was 11%, so this target was not met.	0%	0%
Bonus weighting: 3.75%			
Further develop Picton Promise Initiative – Focus on Action, Community, Technology, Sustainability and Support	Content and branding finalised, occupier packs issued and with messaging displayed in vacant accommodation and reception areas.	90%	5.9%
Bonus weighting: 3.75%			
			5.9%
Andrew Dewhirst			
Manage IT transition effectively	The IT transition comprised initially an upgrade to the main accounting system, followed by migration to a new hosting platform. This was completed successfully within the agreed timescale.	100%	6.6%
Bonus weighting: 3.75%			
Combine and extend the existing revolving credit facilities to a maturity date in 2024	A new £50 million revolving credit facility has been completed subsequent to the year end. The new facility is for an initial three-year term with two one-year extensions available.	90%	5.9%
Bonus weighting: 3.75%			
			12.5%

As discussed in the Committee Chair's statement on pages 69 to 71, the Committee considered the formulaic bonus outcome in the context of the Group's overall performance for the year and concluded that it was satisfied the formulaic bonus outcome was a fair reflection of overall Group performance during the year. The Committee was also satisfied that the above performance was achieved within an acceptable risk profile.

The overall annual bonus outcome for the Executive Directors is, therefore, as follows.

	Financial metrics (out of maximum 60%)	Corporate objectives (out of maximum 32.5%)	Personal objectives (out of maximum 7.5%)	Overall bonus % of maximum	Bonus % of salary	Total bonus £
Michael Morris	40.0	26.3	3.4	69.6	121.8	304,600
Andrew Dewhirst	40.0	26.3	7.1	73.4	128.4	218,300

In accordance with the Directors' Remuneration Policy, the Committee has determined that 50% of the annual bonuses awarded to the Executive Directors should be deferred and payable in shares in two years' time. Dividend equivalents will accrue on the shares and these will be paid when the awards vest.

Governance

Remuneration Report continued

Long-term Incentive Plan

The LTIP awards granted on 16 June 2017 were subject to performance conditions for the three years ended 31 March 2020. The performance conditions and the actual performance for these were as follows:

Performance condition	Basis of calculation	Range	Actual	Weighting (% of award)	Awarded (% of maximum)
Total shareholder return versus comparator group	Less than median – 0% Equal to median – 25% Equal to upper quartile – 100%	Median -5.4% Upper quartile 5.8%	7.3%	33.3%	100%
Total property return versus MSCI Index	Less than median – 0% Equal to median – 25% Equal to upper quartile – 100%	Median 5.5% Upper quartile 7.1%	8.5%	33.3%	100%
Growth in EPRA EPS	Less than 3% per annum – 0% Equal to 3% per annum – 25% Equal or greater than 9% per annum – 100%	3% – 4.16p 9% – 4.93p	3.66p	33.3%	0%

The Committee was satisfied that the above performance was achieved within an acceptable risk profile. The Committee was satisfied the formulaic outcome was a fair reflection of overall Group performance during the period. Based on the vesting percentage above, the shares awarded and their estimated values, using an average share price of 92.64 pence for the quarter ended 31 March 2020, are:

Director	Maximum number of shares at grant	Number of shares vesting	Number of lapsed shares	Estimated value ^{1,2} £
Michael Morris	334,150	222,767	111,383	229,092
Andrew Dewhirst	196,898	131,265	65,633	134,993

1. The estimated value includes dividend equivalent awards which will be made in relation to vested LTIP awards at the point of vesting. The value of the dividend equivalent awards is £22,722 (Michael Morris) and £13,389 (Andrew Dewhirst).

2. £17,204 (Michael Morris) and £10,138 (Andrew Dewhirst) of this value relates to share price growth since the date of grant.

The following awards in the Long-term Incentive Plan were granted to the Executive Directors on 19 June 2019:

	Number of shares	Basis (% of salary)	Face value per share (£)	Award face value (£)	Performance period	Threshold vesting
Michael Morris	328,153	125%	0.9523	312,500	1 April 2019 to 31 March 2022	25%
Andrew Dewhirst	214,218	120%	0.9523	204,000	1 April 2019 to 31 March 2022	25%

The face value is based on a weighted average price per share, being the average of the closing share prices over the three business days immediately preceding the award date. Awards will vest after three years subject to continued service and the achievement of the same performance conditions as applied to the June 2017 LTIP award set out above. Vested awards will be subject to a two-year holding period. Any LTIP vesting will also be subject to the Remuneration Committee confirming that, in its assessment, the vesting outturn was achieved within an acceptable risk profile.

The Executive Directors have the following outstanding share awards under the Long-term Incentive Plan and Deferred Bonus Plan:

	Date of grant	Performance period	Market value on date of grant	At 1 April 2019	Granted in year	Exercised in year	Lapsed in year	As at 31 March 2020
Michael Morris								
2016 LTIP	27 January 2017	1 April 2016 to 31 March 2019	79.085p	358,791	-	-	(61,976)	296,815
2017 LTIP	16 June 2017	1 April 2017 to 31 March 2020	84.917p	334,150	-	-	-	334,150
2018 LTIP	8 June 2018	1 April 2018 to 31 March 2021	90.80p	330,396	-	-	-	330,396
2019 LTIP	19 June 2019	1 April 2019 to 31 March 2022	95.23p	-	328,153	-	-	328,153
2019 DBP	19 June 2019	1 April 2018 to 31 March 2019	95.23p	-	175,137	-	-	175,137
				1,023,337	503,290	-	(61,976)	1,464,651

	Date of grant	Performance period	Market value on date of grant	At 1 April 2019	Granted in year	Exercised in year	Lapsed in year	As at 31 March 2020
Andrew Dewhirst								
2016 LTIP	27 January 2017	1 April 2016 to 31 March 2019	79.085p	211,418	-	-	(36,519)	174,899
2017 LTIP	16 June 2017	1 April 2017 to 31 March 2020	84.917p	196,898	-	-	-	196,898
2018 LTIP	8 June 2018	1 April 2018 to 31 March 2021	90.80p	193,833	-	-	-	193,833
2019 LTIP	19 June 2019	1 April 2019 to 31 March 2022	95.23p	-	214,218	-	-	214,218
2019 DBP ¹	19 June 2019	1 April 2018 to 31 March 2019	95.23p	-	116,758	-	-	116,758
				602,149	330,976	-	(36,519)	896,606

1. The number of shares awarded to Andrew Dewhirst in 2019 under the Deferred Bonus Plan is the total awarded. This differs from the Single Figure Remuneration table where 50% of this award is included, as he was a Director from 1 October 2018 only.

Awards under the Long-term Incentive Plan normally vest three years after the grant date. Awards from 2019 onwards are subject to a further two-year holding period. Awards under the Deferred Bonus Plan normally vest two years after the grant date.

Comparator group

The Committee has agreed that the following companies are used as a comparator group for the total shareholder return and total return metrics in determining variable remuneration. A smaller group is used for the total return metric due to the different reporting periods of some companies. The criteria for inclusion in the groups are:

- Listed companies paying an above average dividend yield, principally directly investing in the UK in one or more of the main commercial property sectors and with a market capitalisation of less than £2 billion.

Company	Total shareholder return	Total return
AEW UK REIT plc	✓	✓
BMO Commercial Property Trust Limited	✓	✓
BMO UK Real Estate Investments Limited	✓	✓
Capital & Regional plc	✓	✓
Custodian REIT plc	✓	✓
Ediston Property Investment Company PLC	✓	✓
LondonMetric Property PLC	✓	✓
McKay Securities PLC	✓	✓
NewRiver REIT PLC	✓	✓
RDI REIT PLC	✓	✓
Regional REIT Limited	✓	✓
Schroder Real Estate Investment Trust Limited	✓	✓
Standard Life Investments Property Income Trust Limited	✓	✓
Supermarket Income REIT PLC	✓	✓
UK Commercial Property REIT Limited	✓	✓
Warehouse REIT plc	✓	✓

Both Hansteen Holdings plc and Mucklow (A.&J.) PLC have been removed from the comparator group following corporate events in the year and will not be included in the performance metrics of any current or future awards.

Supermarket Income REIT and Warehouse REIT were added to the group for awards made from 2019 onwards.

Tritax Big Box REIT was included in the group for awards made in 2017 only.

Governance

Remuneration Report continued

Statement of Directors' shareholdings

Directors and employees are encouraged to maintain a shareholding in the Company's shares to provide alignment with investors.

The numbers of shares beneficially held by each Director (including connected persons) as at 31 March 2020, were as follows:

	Beneficial holding 2020	Beneficial holding 2019	Holding as a % of salary	Outstanding LTIP awards ¹	Outstanding DBP awards
Michael Morris	53,596	53,596	19%	1,289,514	175,137
Andrew Dewhirst	28,500	28,500	15%	779,848	116,758
Nicholas Thompson	215,000	215,000			
Roger Lewis	600,000	600,000			
Mark Batten	-	-			
Maria Bentley	74,436	-			
Nicholas Wiles	-	-			

1. The outstanding number of LTIP shares includes 296,815 shares (Michael Morris) and 174,899 shares (Andrew Dewhirst) that have vested but not yet been exercised.

The percentage holding for the Executive Directors is based on base salaries as at 31 March 2020 and a share price of £0.89. The beneficial holdings of shares include any held by connected persons.

Executive Directors are now required to maintain a shareholding of 200% of base salary and both Directors are currently in the process of building up to that level. The Executive Directors intend to retain at least 50% of any share awards (post-tax) until the guidelines are met.

There have been no changes in these shareholdings between the year end and the date of this Report.

Payments to past Directors or payments for loss of office

There were no payments to past Directors or payments for loss of office to Directors during the year ended 31 March 2020.

Historical total shareholder return performance

The graph below shows the Company's total shareholder return (TSR) since 31 March 2010 as represented by share price growth with dividends reinvested, against the FTSE All-Share Index and the FTSE EPRA NAREIT UK Index. These indices have been chosen as they provide comparison against relevant sectoral and pan-sectoral benchmarks.



The table below shows the remuneration of the Chief Executive for the past two years, together with the annual bonus percentage and LTIP vesting level. The Company has only had a Chief Executive since 1 October 2018 and therefore the table below shows his remuneration for the past two years.

	Total remuneration (£000)	Annual bonus (% of maximum)	LTIP vesting (% of maximum award)
2020	824	70%	67%
2019	920	79%	83%

Implementation of Remuneration Policy in 2020/21

		Change from prior year
Executive Directors		
Base salaries	Michael Morris (Chief Executive) – £250,000 Andrew Dewhurst (Finance Director) – £170,000	There are no salary increases for the Chief Executive and Finance Director this year. The average increase for the rest of the workforce is 4.6%.
Pension and benefits	15% salary supplement in lieu of pension plus standard other benefits.	No change. All employees may receive 15% salary pension provision.
Annual bonus ¹	Maximum bonus of 175% of salary with 50% of any bonus deferred in shares for two years. 60% of bonus to be determined by corporate financial metrics of relative total return, relative total property return and growth in EPRA earnings per share, with the remaining 40% determined by strategic and personal measures.	No change
LTIP ¹	Award of shares worth: – Michael Morris (Chief Executive) 87.5% of salary – Andrew Dewhurst (Finance Director) 77% of salary Shares released after three-year performance and two-year holding period. Vesting of shares based equally on relative total shareholder return, relative total property return and growth in EPRA earnings per share measures. Target ranges for the relative measures are set out on page 78. Targets for the EPS measure will be set and disclosed later in the year.	Awards to the Executive Directors have been reduced by 30% this year to avoid the potential for windfall gains on vesting.
Non-Executive Directors		
Fees	Chairman – £98,000 Director – £40,000 Supplementary fee for Chair of the Property Valuation or Remuneration Committee – £5,000 Supplementary fee for Chair of the Audit and Risk Committee – £7,500	No change

1. The Remuneration Committee has discretion to override the formulaic outcomes in both the annual bonus and LTIP.

The Committee also confirms that performance has been achieved within an acceptable risk profile before payouts are made. Incentive payouts are subject to malus and clawback provisions.

Statement of voting at the last Annual General Meeting

The following table sets out the voting for the Remuneration Report, which was approved by shareholders at the Annual General Meeting held on 14 November 2019, representing 51% of the issued share capital of the Company, and also for the Remuneration Policy, which was approved by shareholders at the Annual General Meeting held on 13 September 2018, representing 31% of the issued share capital of the Company.

	Remuneration Report		Remuneration Policy	
	Votes cast	%	Votes cast	%
For	270,048,780	96.88	148,636,904	94.98
Against	8,700,568	3.12	7,853,028	5.02
Votes cast	278,749,348	100.0	156,489,932	100.0
Withheld	337,816		10,100,551	

Maria Bentley

Chair of the Remuneration Committee

22 June 2020