

Welcome to Governance

The UK Corporate Governance Code 2018 (the Code) applied for the financial year ended 31 March 2022. Our Statement of Compliance is set out in the Directors' Report on page 109. A summary of the system of governance adopted by the Company and how we have applied the principles of the Code are set out in this section of the Annual Report.

Chair's Introduction

68 An overview of our governance activities over the year

Board and Team

70 Board of Directors
72 Our Team

Leadership and Purpose

74 The Company's purpose and values
75 Board and Committee attendance
75 Conflicts of interest
76 The Board's activities during the year
78 How the Board has engaged with its stakeholders this year

Division of Responsibilities

80 The role of the Board and its Committees
81 The roles of each Director

Composition, Succession and Evaluation

82 Board composition and diversity
83 Nomination Committee Report
84 Board evaluation

Audit, Risks and Internal Controls

85 Overview of controls and risk management
86 Audit and Risk Committee Report
89 Property Valuation Committee Report

Remuneration Report

91 Introduction from the Chair of the Remuneration Committee
96 Remuneration at a glance
98 Directors' Remuneration Policy
101 Annual Report on Remuneration

Directors' Report

109 Directors' Report

Introduction to the Corporate Governance Report

On behalf of the Board, I am pleased to introduce our 2022 Corporate Governance Report.

Dear Shareholder

This year we have transitioned to a more normal working balance as we have moved out of the Covid-19 pandemic. We have maintained our schedule of Board and Committee meetings throughout the year and have started holding our main meetings in person. We intend to continue with a blend of physical and virtual meetings over the coming year to maximise productivity and social capital as a Board and with the wider team.

As with last year we held our Annual General Meeting virtually but also included a presentation to shareholders by the Executive team, which I hope was useful and informative.



Visit our website picton.co.uk



“

This year we will hold our Annual General Meeting in September, earlier than usual.

Lena Wilson CBE
Chair

Board activities

Under the Leadership section of this Report we have set out the activities of the Board and its Committees during the year. We have had a busy and productive year, with a particular focus on sustainability issues and the development of our pathway to net zero carbon, which is discussed more fully elsewhere within this Report and our Sustainability Report.

Board composition

There have been no changes in the composition of the Board this year.

UK Corporate Governance Code

Our Statement of Compliance with the Corporate Governance Code is set out within the Directors' Report. I am pleased to report that we have fully complied with the Code this year.

The following sections describe the workings of the Board and the Committees and how these interact with the provisions of the Corporate Governance Code.

Annual General Meeting

At last year's Annual General Meeting we put forward our new Directors' Remuneration Policy to shareholders for their approval. Although the new Policy received over 96% of votes in favour, our Annual Remuneration Report for 2020/21, while still approved, received some 72% of votes in favour. We recognised that the new remuneration proposals for our Executive Directors were being made at a time of increased sensitivities around executive pay, but we believe that the proposals are fair and justified in our particular circumstances. We have published an update to the voting outcome, and within this year's Remuneration Report there is a full response set out.

This year we will hold our Annual General Meeting in September, earlier than usual, and we will provide further information on this shortly.

Our people and culture

This year we have started to return to office working, whilst embracing more flexibility for our employees. The team are currently working in the office three days a week, with two from home. We will continue to keep this policy under review. In last year's employee survey, it was clear that flexible arrangements were valued and that the team would like to see them continued. Returning to physical Board meetings has also given the Directors the opportunity to meet the whole team on an informal basis, for the first time since the pandemic started. I believe that this will help us to maintain strong working relationships across the whole team, including the Board.

We have again carried out an employee engagement survey this year, and the feedback is set out on page 65. Due to the small number of employees it is possible that the results may be skewed from year-to-year, but overall the feedback was very positive.

Our stakeholders

Our occupier focused approach is a key part of our business culture. During the pandemic our engagement with occupiers was invaluable, ensuring that appropriate support was given when needed. We will continue to maintain this approach, which will become increasingly important as we seek to reduce carbon emissions, both our own and those of our occupiers, along our net zero carbon pathway.

Reporting

I am pleased to report that last year's Annual Report and Sustainability Report both received an EPRA Gold award, reflecting our aim to report our activities and results clearly and concisely.

Board evaluation

This year we have carried out a Board evaluation, the results of which are set out in the Composition, Succession and Evaluation section. It was appropriate that this year should be an internal review, since I had recently joined as Chair and the pandemic had created unusual working conditions. Leading the evaluation myself also gave me the opportunity for in-depth conversations with each Director. We intend for the next Board evaluation to be carried out externally.

Lena Wilson CBE

Chair
25 May 2022

We have the relevant skills and experience for future growth.



Lena Wilson CBE
Chair
Chair of the Nomination Committee

Appointed to the Board
 January 2021

Responsible for ensuring the Board is effective in setting and implementing the Company's direction and strategy, including reviewing and evaluating the performance of the CEO.

Key strengths and skills

- Over a decade of Non-Executive, Senior Independent Director and Chair experience including FTSE 100 companies across the financial and industrial sectors
- Multi-disciplinary global career across private and public sectors
- Experienced CEO leading organisations with an international footprint

Principal external commitments

- Chair of Chiene + Tait LLP
- Non-Executive Director NatWest Group plc
- Non-Executive Director and Senior Independent Director Argentex Group PLC
- Chair of AGS Group

Previous experience and appointments

- Chief Executive of Scottish Enterprise
- Senior Investment Advisor at the World Bank
- Non-Executive Director Intertek PLC
- Non-Executive Director Scottish Power Renewables



Mark Batten
Chair of the Audit and Risk Committee
Senior Independent Director

Appointed to the Board
 October 2017

Responsible for financial reporting and accounting policies, audit strategy and the evaluation of internal controls and risk management systems.

Key strengths and skills

- Chartered Accountant and restructuring specialist
- Extensive experience in banking, insurance, real estate, debt structuring and restructuring
- Broad real estate knowledge, covering most sub-sectors

Principal external commitments

- Chair, Assured Guaranty UK
- Non-Executive Director and Chair of the Audit and Risk Committee - Reliance National Insurance Company (Europe)
- Chair, Governing Body, Westminster School

Previous experience and appointments

- Partner, PricewaterhouseCoopers LLP (restructuring and corporate valuation practices)
- Non-Executive Director, L&F Indemnity
- Senior adviser to UK Government Investments
- Non-Executive adviser and Chair of the Finance Committee, Royal Brompton and Harefield NHS Clinical Group



Maria Bentley
Chair of the Remuneration Committee

Appointed to the Board
 October 2018

Responsible for leading on the recommendation of remuneration policies and levels, for effective succession planning and employee engagement.

Key strengths and skills

- Business head leading change across global teams
- Expertise in human resources
- Extensive experience in financial services

Principal external commitments

- Non-Executive Director of BlueBay Asset Management LLP and Chair of the Remuneration Committee
- Non-Executive Director of Daiwa Capital Markets Europe Limited and Chair of the Remuneration Committee
- Non-Executive Director of Peel Hunt Limited

Previous experience and appointments

- Senior Managing Director & Global Head of HR, Wholesale & Head of HR EMEA at Nomura International plc
- Group Managing Director & Global Head of HR, UBS Investment Bank
- Managing Director, Global Head of HR for Equities and Fixed Income, Goldman Sachs International

The Board is responsible for the long-term success of the business, providing leadership and direction with due regard and consideration to all stakeholders in the business.



Richard Jones
Chair of the Property Valuation Committee

Appointed to the Board
September 2020

Responsible for overseeing the review of the quarterly valuation process and making recommendations to the Board as appropriate.

Key strengths and skills

- Significant real estate investment experience
- Broad experience of property asset management
- Extensive experience of property valuation

Principal external commitments

- Investment Committee of Henley Secure Income Property Unit Trust
- Transport for London's Commercial Property Advisory Group
- Special Advisor to Clearbell UK Strategic Trust

Previous experience and appointments

- UK Managing Director on Aviva's Investors' Global Real Estate Board
- Special Director of Ribston UK Industrial Property Unit Trust
- Non-Executive Director of Royal Brompton and Harefield Hospital NHS Foundation Trust



Michael Morris
Chief Executive

Appointed to the Board
October 2015

Responsible for overall strategic direction and execution of the Group's business model.

Key strengths and skills

- Successful track record of driving investment strategy and delivering results for shareholders
- Proven leadership skills
- In-depth understanding of real estate equity capital markets

Principal external commitments

None

Previous experience and appointments

- 25 years' wide-ranging commercial real estate market experience
- Senior Director and Fund Manager at ING Real Estate Investment Management



Andrew Dewhirst
Finance Director

Appointed to the Board
October 2018

Responsible for strategic financial planning and reporting for the Group.

Key strengths and skills

- Chartered accountant with extensive experience in financial planning and reporting
- In-depth knowledge of financial services, capital markets and real estate funds
- Expertise in debt and equity financing

Principal external commitments

None

Previous experience and appointments

- Director of Client Accounting at ING Real Estate Investment Management
- Director at Hermes Administration Services

With extensive experience across real estate management and financial services, our team have an in-depth knowledge and understanding of the UK commercial property market.

01 \ Louisa McAleenan
Research Analyst

Louisa has 15 years of experience in real estate research and is responsible for all aspects of research and analysis, contributing to the direction of the Group's investment strategy and is a member of the Responsibility Committee.

02 \ James Forman
Director of Accounting

James is a Certified Accountant and has worked with the Group since its launch in 2005 and has over 20 years of experience in the real estate sector. He is responsible for all the accounting and financial reporting for the Group and is a member of the Transaction and Finance Committee.

03 \ Mark Alder
Head of Occupier Services

Mark is a Chartered Surveyor with over 35 years of property management experience. He is responsible for delivering effective property management and strengthening our relationship with our occupiers.

04 \ Michael Morris
Chief Executive

Michael has over 25 years of experience within the UK commercial property sector and is responsible for the strategic direction and effective execution of the Group's business model.

05 \ Melissa Ricardo
Office Manager

Melissa joined in 2017 and is responsible for the day-to-day management of the office and oversees the administrative aspects of the Company.

06 \ Tim Hamlin
Director of Asset Management

Tim is a Chartered Surveyor with over 14 years of real estate experience and is responsible for creating and implementing asset level business plans in line with the portfolio's strategic direction and is a member of the Responsibility Committee.

07 \ Andrew Dewhirst
Finance Director

Responsible for the financial strategy and reporting for the Group, Andrew has over 30 years of experience within the financial services and real estate sectors.

08 \ Jay Cable
Senior Director and Head of Asset Management

A Chartered Surveyor with over 20 years of real estate experience, Jay has worked with the Group since its launch in 2005. He is responsible for the proactive asset management of the portfolio and overseeing its strategic direction, and is a member of the Executive Committee and the Transaction and Finance Committee.

09 \ Lucy Stearman
Assistant Accountant

Lucy has over ten years of experience within financial services and joined the Group in April 2019 to assist with the accounting and financial reporting.



Leadership and purpose

Purpose

Our purpose is to be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

The role of the Board

The Board is responsible for the long-term success of the business. It provides leadership and direction, with due regard to the views of all of the stakeholders in the business. The Board operates in an open and transparent way, and seeks to engage with its shareholders, employees, occupiers and local communities.

The Board has full responsibility for the direction and control of the business, and sets and implements strategy, within a framework of strong internal controls and risk management. It establishes the culture and values of the Group.

The Board has a schedule of matters reserved for its attention. This includes all acquisitions and significant disposals, significant leasing transactions, dividend policy, gearing and major expenditure.

The Board has collectively a range of skills and experience that are complementary and relevant to the business.

These are set out in the biographies of the individual Directors on pages 70 and 71.

Our culture and values

Principled

We are professional, diligent and strategic.

Demonstrated through our transparent reporting, occupier focused approach, alignment with shareholders, delivery of our Picton Promise, our commitment to sustainability and positive environmental initiatives.

Perceptive

We are insightful, thoughtful and intuitive.

Demonstrated through our long-term track record, our gearing strategy, diverse sector allocation and engagement with our occupiers.

Progressive

We are forward-thinking, enterprising, and continually advancing.

Demonstrated through our culture, work ethic, and proactive asset management.

Board meetings

The Board has a regular schedule of meetings throughout the year. There are normally two scheduled Board meetings each quarter; the first to deal with regular operational matters such as approval of the dividend and to review key portfolio activity; and the second to consider more strategic matters and thematic discussions. Meetings are also scheduled for the approval of the annual and half-year results. External advisers are invited to attend Board meetings on a regular basis. Meetings this year have been a mixture of in person and virtual.

Attendance at Board and Committee meetings

Board members	Date appointed	Board	Audit and Risk	Remuneration	Property Valuation	Nomination
Lena Wilson	01.01.2021	9/10	-	5/5	4/4	2/2
Michael Morris	01.10.2015	10/10	-	-	-	-
Andrew Dewhirst	01.10.2018	10/10	-	-	-	-
Mark Batten	01.10.2017	10/10	4/4	5/5	4/4	2/2
Maria Bentley	01.10.2018	10/10	4/4	5/5	4/4	2/2
Richard Jones	01.09.2020	10/10	4/4	5/5	4/4	2/2
Total number of meetings		10	4	5	4	2

The above meetings were the scheduled Board and Committee meetings. Additional meetings were held to deal with other matters as required and are not included above. Lena Wilson was unable to attend one Board meeting due to a medical issue.

Board Committees

The Board has established four Committees: Audit and Risk, Remuneration, Property Valuation and Nomination. These are comprised entirely of Non-Executive Directors and operate within defined terms of reference.



The terms of reference are available on the Company's website.

Conflicts of interest

Directors are required to notify the Company of any potential conflicts of interest that they may have. Any conflicts are recorded and reviewed by the Board at each meeting. No conflicts have been recorded during the year.

Board activities in 2021/22

The Board met on ten occasions during the year, as well as having a more informal Strategy Day. Here we have set out the key activities and approvals over the year. Throughout the year we have maintained a programme of Board education within the schedule of regular meetings, with relevant external input. How the Board has engaged with all its stakeholders is set out on pages 78 and 79, and consideration of Section 172 matters is described on pages 58 and 59.

2021

April/May

June/July

September

The following recurring matters were considered and discussed at these meetings

- Review of quarterly management accounts
- Review of portfolio activity
- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary
- Review of quarterly management accounts
- Review of portfolio activity
- Health and safety matters across the portfolio
- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary

The Board considered and approved the following matters

- The quarterly dividend for the January to March 2021 period at the rate of 0.8 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of the 31 March 2021 independent valuation
- The significant rent review at Washington, Tyne and Wear.
- The new fee rates for the Non-Executive Directors with effect from 1 April 2021.
- The Annual Report for the year ended 31 March 2021 and the Stock Exchange announcement of the results
- The Directors' Remuneration Policy
- The salary and bonus awards for the year ended 31 March 2021
- The disposal of Victoria Street Huddersfield
- The updated Health and Safety policy
- Deferred Bonus and LTIP share awards for the team
- The acquisition of Madleaze Trading Estate Gloucester
- The quarterly dividend for the April to June 2021 period at an increased rate of 0.85 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of the 30 June 2021 independent valuation
- Corporate bonus objectives for the Executive Directors for 2021/22
- The Company's Modern Slavery Statement for the year ended 31 March 2021

The Board discussed the following one-off items of business

- Actions arising from the previous Strategy Day and the agenda for the forthcoming Strategy Day
- Initial salary review and bonus proposals for the team
- Feedback from shareholders in relation to the Policy consultation
- Consideration of a corporate transaction proposal and feedback received from financial adviser
- Review of independent benchmarking report on market remuneration levels, both for employees and directors
- The appointment of JLL as consultant for the net zero and TCFD projects
- Results and action points from the previous Board evaluation
- Format of the forthcoming Annual General meeting

October → 2022 → January → March

- Review of quarterly management accounts
- Review of portfolio activity
- Health and Safety matters across the portfolio
- Review of the external auditor

- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary

- Review of quarterly management accounts
- Review of portfolio activity

- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary

- The quarterly dividend for the July to September 2021 period at the rate of 0.85 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of reappointments to the various Committees
- Acceptance of the recommendation from the Nomination Committee in respect of the 30 September 2021 independent valuation
- The updated ESG Policy
- The acquisition of Mill Place Gloucester

- The Half Year Report to 30 September 2021 and the Stock Exchange announcement of the results
- Capital expenditure at 180 West George Street Glasgow

- The quarterly dividend for the October to December 2021 period, increasing the rate to 0.875 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of the 31 December 2021 independent valuation

- The acquisition of Charlotte Terrace London
- The additional loan facility to be provided by Canada Life, and amendment to the terms of the existing facility
- The proposed net zero carbon pathway, with a target date of 2040
- The annual approval of policies

- Options for increasing the Group's loan facilities
- Consideration of resource within the team
- Making the Better Buildings Partnership Climate Change Commitment once the net zero pathway has been completed
- Arrangements for the forthcoming Annual General Meeting

- Progress on the development of the carbon net zero pathway
- Feedback from the Annual General Meeting, and in particular the communications received from shareholders in respect of the Remuneration report
- A presentation on property technology and how this could be of relevance to Picton
- Consideration of corporate transaction proposal and offer letter

- The results of the Board Evaluation and actions arising
- Review of feedback received on corporate proposal

- Reviewed the feedback from the latest employee engagement survey, and considered actions arising

Engagement with stakeholders

We believe that taking into account the views of our key stakeholders is critical to the long-term success of the business. We engage with all of our stakeholders to understand what is important to them. The following table sets out our key stakeholders and how we effectively engage with them.

Our section 172 statement for the year ended 31 March 2022 is on pages 58 to 59 and sets out how some of the key decisions made by the Board during the year were guided by stakeholder engagement.

Stakeholders and what is important to them



Our people

- Fair and equal treatment
- Career development
- Fair pay and conditions
- Good work/life balance
- Positive work culture and values



Local communities and charities

- Local employment opportunities
- Positive contribution to local economy
- Safe and clean environment



Our occupiers

- Cost effective space suited to their needs
- Fair lease terms
- Well-managed, efficiently run and sustainable buildings
- Good relationships



Our investors

- Clear strategy
- Regular dividends
- Financial performance
- Clear and transparent reporting



Suppliers

- Prompt payment
- Fair terms of business
- Long-term relationships

How we engage

We have a small team and engage regularly with them. We have an appraisal process where each member of the team will discuss their performance and objectives with their line manager twice a year. We carry out an annual employee survey, and the results of this are discussed at a meeting held with our designated Non-Executive Director for employee engagement, Maria Bentley.

We are committed to improving local communities where we own buildings, whether providing space to local businesses, improvement of local areas or minimising the environmental impact of buildings themselves. We engage through our charity and community initiatives and through our occupier engagement programme.

One of our key priorities is to work with our occupiers, so that we can understand their needs and aim to meet their current and future requirements. Our asset managers, guided by our Picton Promise, maintain regular contact with occupiers and discuss with them any issues regarding the buildings and any future plans we have. Our Head of Occupier Services has developed an occupier engagement programme and attends occupier meetings and other events. We send out an occupier newsletter regularly with relevant and helpful information.

We value the views of all our shareholders and senior management hold regular meetings to update shareholders on progress and activity. We issue regular investor updates with key financial highlights and updates on the portfolio. Our website provides investors with up-to-date information about the Group. This year we again held the Annual General Meeting as a closed meeting but hope in the future that we will be able to return to open meetings and would welcome shareholder attendance.

We seek to maintain productive and long-term relationships with our business partners. We have in place a framework for conducting business across the Group in a way that makes a positive contribution to society, while minimising any negative impact on people and the environment

What we have done this year

We have returned to the office this year on a flexible basis, so that the team spend three days a week in the office. The results of the employee survey showed the team remained positive and morale was good.

Our charitable donations for the year were £16,000. We supported a range of charities, including the children's charity Coram. Tim Hamlin, our Director of Asset Management, successfully completed the London Marathon in October, raising funds for Coram.

We have continued our engagement with occupiers this year as the impacts of the pandemic have still been felt. We have also engaged with occupiers on the impacts of climate change, and what actions can be taken to improve energy efficiency at our properties and reducing carbon emissions.

We have increased the dividend on two occasions this year, and we have now restored it back to the pre-pandemic level, as our rent collection rates have returned to normal.

We sought consultation from our major shareholders regarding our new Directors' Remuneration Policy ahead of it being put to the Annual General Meeting. We have subsequently had further discussions with shareholders following the meeting and will consult further ahead of this year's Annual General Meeting.

We have continued to ensure that our suppliers are paid promptly and within payment terms.

The role of the Board and its Committees

The Board
Chair: Lena Wilson CBE
Comprises: 2 Executive Directors and 4 Non-Executive Directors
Responsibilities:

- Direction and control of the business
- Overall long-term success
- Sets and implements strategy
- Establishes the culture and values of the business
- Promotes wider stakeholder relationships

Board Committees

Audit and Risk
Chair: Mark Batten
Comprises: 3 Non-Executive Directors
Responsibilities:

- Oversees financial reporting
- Monitors risk management
- Reviews system of internal controls
- Evaluates external auditor

Remuneration
Chair: Maria Bentley
Comprises: 4 Non-Executive Directors
Responsibilities:

- Determines remuneration policy
- Sets remuneration of Executive Directors
- Reviews remuneration of whole workforce
- Approves bonus and LTIP awards

Property Valuation
Chair: Richard Jones
Comprises: 4 Non-Executive Directors
Responsibilities:

- Oversees the independent valuation process
- Recommends the appointment and remuneration of the valuer
- Ensures compliance with applicable standards

Nomination
Chair: Lena Wilson CBE
Comprises: 4 Non-Executive Directors
Responsibilities:

- Recommends Board appointments
- Considers succession planning
- Board evaluation
- Board composition and diversity

Management Committees

Executive Committee
Chair: Michael Morris
Comprises: 2 Executive Directors and 1 senior executive
Responsibilities:

- Implementation of strategy
- Manages operations
- Day-to-day management of the business
- Employee remuneration and development

Transaction and Finance
Chair: Michael Morris
Comprises: 2 Executive Directors and senior management
Responsibilities:

- Reviews and recommends portfolio transactions
- Monitors portfolio costs
- Reviews compliance with lending covenants

Responsibility
Chair: Andrew Dewhirst
Comprises: 1 Executive Director and senior management
Responsibilities:

- Determines sustainability policy and strategy
- Monitors compliance with relevant standards and legislation
- Oversees Health and Safety Committee
- Approves sustainability reporting
- Employee wellbeing

Responsibilities of the Directors

The roles and responsibilities of each of the Directors are explained below:

Role	Responsibilities
Chair Lena Wilson CBE	<ul style="list-style-type: none"> – Leads the Board – Responsible for overall Board effectiveness – Promotes Company culture and values – Sets the agenda and tone of Board discussions – Ensures that all Directors receive full and timely information to enable effective decision making – Promotes open debate at meetings – Ensures effective communication with stakeholders – Fosters productive relationships between Executive and Non-Executive Directors
Chief Executive Michael Morris	<ul style="list-style-type: none"> – Develops and recommends strategy to the Board – Responsible for the implementation of strategy set by the Board – Manages the business on a day-to-day basis – Manages communication with shareholders and ensures that their views are represented to the Board
Senior Independent Director Mark Batten	<ul style="list-style-type: none"> – Leads the evaluation of the Chair – Available for communication with shareholders when other channels are not appropriate
Non-Executive Directors Mark Batten Maria Bentley Richard Jones	<ul style="list-style-type: none"> – Bring independent judgement and scrutiny to the decisions of the Board – Bring a range of skills and experience to the deliberations of the Board – Monitor business progress against agreed strategy – Review the risk management framework and the integrity of financial information – Determine the remuneration policy for the Group and approve performance targets in line with strategy
Executive Director Andrew Dewhirst	<ul style="list-style-type: none"> – Supports the Chief Executive in the formulation of strategy – Manages the financial operations of the Group – Develops and maintains the system of financial controls within the Group – Recommends the risk management framework to the Audit and Risk Committee and the Board

Board composition and diversity

These charts set out the Board’s composition, tenure and diversity characteristics.

The Board currently comprises the Chair, two Executive Directors and three independent Non-Executive Directors. The Non-Executive Directors bring a variety of skills and business experience to the Board. Their role is to bring independent judgement and scrutiny to the recommendations of the Executive Directors. Each of the Non-Executive Directors is considered to be independent in character and judgement.

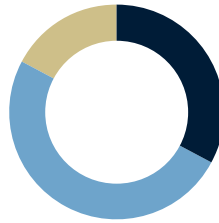
As at 31 March 2022 the Board comprised 50% independent Non-Executive Directors.

The biographies of the Directors can be found on pages 70 and 71, which set out their skills and experience, and their membership of each of the Committees.



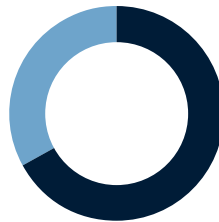
Function

- Non-Executive Chair – 1 (17%)
- Executive Directors – 2 (33%)
- Independent Non-Executive Directors – 3 (50%)



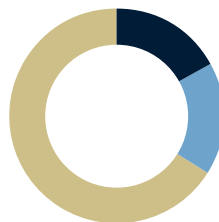
Tenure

- 0 to 3 years – 2 (33%)
- 3 to 6 years – 3 (50%)
- 6 to 9 years – 1 (17%)



Diversity

- Male – 4 (67%)
- Female – 2 (33%)



Age

- 45 to 50 years – 1 (17%)
- 55 to 60 years – 1 (17%)
- 60 to 65 years – 4 (66%)

Nomination Committee

The members of the Nomination Committee are Lena Wilson, Richard Jones, Mark Batten and Maria Bentley.

The role of the Committee is to consider the size, structure and composition of the Board to ensure that it has the right balance of skills, knowledge, experience and diversity to carry out its duties and provide effective leadership. In making any new appointment the Board will consider a number of factors, but principally the skills and experience that will be relevant to the specific role and that will complement the existing Board members.

It is also the Committee's role to consider succession planning for the Board and for the Executive team, and to lead on the appointment process, ensuring that this is formal, rigorous and transparent.

The Committee makes recommendations to the Board regarding the composition of the Remuneration, Audit and Risk, Nomination and Property Valuation Committees, taking into account individuals' time commitments and experience.



Terms of reference

The Committee's terms of reference include consideration of the following issues:

- Review and make recommendations regarding the size and composition of the Board;
- Consider and make recommendations regarding succession planning for the Board and senior management;
- Identify and nominate candidates to fill Board vacancies as they arise;
- Review the results of the Board evaluation relating to composition;
- Review the time requirements for Directors; and
- Recommend the membership of Board Committees.



Visit our website picton.co.uk

Activity

The Committee met twice during the year ended 31 March 2022 and considered the following matters:

- The reappointment of members to the Property Valuation, Audit and Risk and Nomination Committees;
- The recommendation of appointments to the Board;
- The process for carrying out this year's Board evaluation; and
- The results of the Board evaluation and the actions arising.

Board evaluation

In accordance with the requirements of the Code, the Board undertakes a review of the effectiveness of its performance and that of its Committees every year. An external review is normally carried out every three years, with internal reviews in the intervening years. This year the Board agreed that, notwithstanding that the previous external evaluation had been undertaken in 2019, an internal review would be performed as the Board's composition, including the Chair, had recently been refreshed. An internal review also gave the Chair the opportunity to deepen her relationships with the other Directors in her first year in office. It is intended that an external review will be carried out in 2023.

The aim of the review was to assess the effectiveness of the Board and to identify actions which would improve this. The review took the form of interviews between the Chair and each Director, following an agreed framework covering 12 focus areas. The results of the review were discussed at the Board meeting held in January 2022. The focus areas covered were:

- Engagement with shareholders
- Corporate strategy
- Governance and regulatory compliance
- Board focus and priorities
- Risk management
- Board composition
- Board culture
- Engagement with the management team

- Decision making
- Director performance
- Quality of Board materials
- Committee effectiveness

The process also covered the effectiveness of individual Directors, and the Senior Independent Director held one-to-one discussions with the other Directors in order to provide feedback to the Chair.

The discussions held were candid, open and constructive, with no significant divergence in views. The Board culture is positive, open and respectful, but appropriately challenging. No major weaknesses were identified.

The review concluded that the Board, its Committees and the individual Directors continue to operate effectively.

The actions that were identified following the review were:

- Establish an ongoing programme of shareholder engagement with clarity on roles
- Incorporate relevant external perspectives to Board meetings and strategy sessions
- Review strategy statements to ensure they reflect ambition
- Highlight relevant governance updates in Board packs
- Establish external annual review of governance and director training
- Prepare annual governance calendar
- Ensure proactive approach to governance topics
- Focus on key items in Board materials and discussions
- Reduce business as usual topics
- Implement thematic calendar for meetings
- Develop focused risk reporting for Board
- Undertake in-depth reviews of specific risk areas
- Ensure annual review of Board composition
- Establish programme of engagement with team

The Committee will review progress against the actions arising and will report on these in its next Report.

Tenure and re-election

The tenure of Non-Executive Directors, including the Chair, is limited to nine years in accordance with the Corporate Governance Code.

The provisions of the Corporate Governance Code recommend that all Directors be subject to annual re-election at the Annual General Meeting. The Board will follow this recommendation at this year's Annual General Meeting.

Diversity policy

The Company is committed to treating all employees equally and considers all aspects of diversity, including gender, when considering recruitment at any level of the business. All candidates are considered on merit but having regard to the right blend of skills, experience and knowledge at Board and Executive level, and amongst our employees generally.

Lena Wilson CBE

Chair of the Nomination Committee
25 May 2022

Audit, risks and internal controls

The Board has established procedures to manage risk, oversee the framework of internal controls and determine its risk appetite to achieve its long-term strategic objectives.

The Board and the Audit and Risk Committee are responsible for ensuring that the Group has an effective internal control and risk management system and that the Annual Report provides a fair reflection of the Group's activities during the year following its review of the methodology.

The Property Valuation Committee has oversight of the independent valuers and the valuation process. It recommends the adoption of the quarterly valuations by the Board, following its review of the methodology and assumptions used by CBRE Limited, the independent valuers.

Internal control and risk management

The Board is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Internal control systems are designed to manage the achievement of business objectives, rather than eliminate the failure to achieve them and can only provide reasonable, and not absolute, assurance against material misstatement or loss. They have therefore established an ongoing process designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. Such review procedures have been in place throughout the full financial year, and up to the date of the approval of the financial statements, and the Board is satisfied with their effectiveness.

This process involves a review by the Board of the control environment within the Group's service providers to ensure that the Group's requirements are met.

The Group does not have an internal audit function. Given the scale of the Group's operations, the Board determined that additional procedures carried out by the external auditor in conjunction with the audit of the Group's accounts would provide the Board with sufficient assurance regarding

the internal control systems in place. The Board continues to place reliance on the Company's Administrator's internal control systems.

These systems are designed to ensure effective and efficient operations, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable, but not absolute, assurance against the risk of material misstatement or loss.

The effectiveness of the internal control systems is reviewed annually by the Audit and Risk Committee and the Board. The Audit and Risk Committee has a discussion annually with the auditor to ensure that there are no issues of concern in relation to the audit opinion on the financial statements and representatives of senior management are excluded from that discussion.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mark Batten. The other members of the Committee are Richard Jones and Maria Bentley.

Meetings of the Audit and Risk Committee are attended by the Group's Finance Director and other members of the finance team, and the external auditor. The external auditor is given the opportunity to discuss matters without management presence.

“

The Committee was satisfied that the 2022 Annual Report is fair, balanced and understandable.

Mark Batten
Chair of the Audit and Risk Committee



Terms of reference

The Committee's terms of reference include consideration of the following issues:

- Financial reporting, including significant accounting judgements and accounting policies;
- Development of a comprehensive Risk Management Policy for the adoption by the Group;
- Evaluation of the Group's risk profile and risk appetite, and whether these are aligned with its investment objectives;
- Ensuring that key risks, including climate-related risks, are being effectively identified, measured, managed, mitigated and reported;
- Internal controls, controls testing and risk management systems;
- The Group's relationship with the external auditor, including effectiveness and independence;
- Internal audit; and
- Reporting responsibilities.



Visit our website picton.co.uk

Activity

The Audit and Risk Committee met four times during the year ended 31 March 2022 and considered the following matters:

- External audit strategy and plan;
- Audit and accounting issues of significance;
- The Annual and Interim Reports of the Group;
- Reports from the external auditor;
- The effectiveness of the audit process and the independence of KPMG Channel Islands Limited;
- Review of the Group's Risk Management Policy and appetite;
- Review of the risk matrix and mitigating controls;
- Review of internal audit services; and
- Stock Exchange announcements.

Financial reporting and significant reporting matters

The Committee considers all financial information published in the annual and half-year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and the key judgements made by management in preparing the financial statements.

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee considered whether the 2022 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's strategy, business model and performance.

The key area of judgement that the Committee considered in reviewing the financial statements was the valuation of the Group's investment properties.

The valuation is conducted on a quarterly basis by independent valuers and is subject to oversight by the Property Valuation Committee. It is a key component of the annual and half-year financial statements and is inherently subjective, requiring significant judgement. Members of the Property Valuation Committee, together with members of the Picton team, meet with the independent valuer on a quarterly basis to review the valuations and underlying assumptions, including the year-end valuation process. The Chair of the Property Valuation Committee reported to the Audit and Risk Committee at its meeting in April 2022 and confirmed that the following matters had been considered in discussions with the independent valuers:

- Property market conditions;
- Yields on properties within the portfolio;
- Letting activity and vacant properties;
- Covenant strength and lease lengths;
- Estimated rental values; and
- Comparable market evidence.

The Audit and Risk Committee reviewed the Report from the Chair of the Property Valuation Committee including the assumptions applied to the valuation and considered their appropriateness, as well as considering current market trends and conditions, and valuation movements compared to previous quarters. The Committee considered the valuation and agreed that this was appropriate for the financial statements.

The Committee was satisfied that the 2022 Annual Report is fair, balanced and understandable and included the necessary information as set out above, and it has confirmed this to the Board.

Risk Management Policy

The Committee has considered and developed a comprehensive Risk Management Policy which has been adopted by the Group.

The purpose of the Risk Management Policy is to strengthen the proper management of risks through proactive risk identification, measurement, management, mitigation and reporting in respect of all activities undertaken by the Group. The Risk Management Policy is intended to:

- Ensure that major risks are reported to the Board for review;
- Result in the management of those risks that may significantly affect the pursuit of the stated strategic goals and objectives;
- Embed a culture of evaluation and identify risks at multiple levels within the Group; and
- Meet legal and regulatory requirements.

Internal controls and internal audit

The Board is responsible for the Company's internal control system and for reviewing its effectiveness. It has therefore established a process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

As part of this process, a risk matrix has been prepared that identifies the Company's key functions and the individual activities undertaken within those functions. From this, the Board has identified the Company's principal risks and the controls employed to manage those risks. These are reviewed at each Audit and Risk Committee meeting. Also, the Committee has agreed a programme of additional controls testing which is carried out by the external auditor, in order to provide the Board with comfort that the controls are operating as intended and have been in place throughout the year. The Board also monitors the performance of the Company against its strategy and receives regular reports from management covering all business activities.

The Committee has received and reviewed a copy of CBRE Limited's Real Estate Accounting Services – Service Organisation Control Report as at 31 December 2021, prepared in accordance with International Standard on Assurance Engagements 3402, in respect of property management accounting services provided to Picton Property Income Limited.

The Committee has reviewed the current arrangements in place for the testing of internal controls and has recommended to the Board that an internal audit service provided by a third party would provide greater assurance that the Group's internal controls are robust and are operating effectively. The Committee intends to make an appointment shortly for a third party provider to undertake internal audit services on behalf of the Group for the financial year 2022/23.

Independence of auditor

It is the policy of the Group that non-audit work will not be awarded to the external auditor if there is a risk their independence may be conflicted. The Committee monitors the level of fees incurred for non-audit services to ensure that this is not material, and obtains confirmation, where appropriate, that separate personnel are involved in any non-audit services provided to the Group. The Committee must approve in advance all non-audit assignments to be carried out by the external auditor.

The fees payable to the Group's auditor and its member firms are as follows:

	2022	2021
	£000	£000
Audit fees	174	174
Interim review fees	16	16
Non-audit fees	16	16
	206	206

The non-audit fees include £16,000 for additional controls testing, carried out by KPMG Channel Islands Limited.

Annual auditor assessment

On an annual basis, the Committee assesses the qualifications, expertise and independence of the Group's external auditor, as well as the effectiveness of the audit process. It does this through discussion and enquiry with senior management, review of a detailed assessment questionnaire and confirmation from the external auditor. The Committee also considers the external audit plan, setting out the auditor's assessment of the key audit risk areas and reporting received from the external auditor in respect of both the half-year and year-end reports and accounts.

As part of the review of auditor independence and effectiveness, KPMG Channel Islands Limited have confirmed that:

- They have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditor and to ensure the objectivity of the audit report;
- The total fees paid by the Group during the year do not represent a material part of their total fee income; and
- They consider that they have maintained their independence throughout the year.

In evaluating KPMG Channel Islands Limited, the Committee completed its assessment of the external auditor for the financial period under review. It has satisfied itself as to their qualifications and expertise and remains confident that their objectivity and independence are not in any way impaired by reason of the non-audit services which they provide to the Group.

KPMG Channel Islands Limited have been auditor to the Group since the year ended 31 December 2009. They were reappointed as the Group's auditor following a tender process in February 2020. The current audit engagement partner, Deborah Smith, has now served five years as audit partner, and will rotate away from the audit after this year.

The Committee recommends that KPMG Channel Islands Limited are recommended for reappointment at the next Annual General Meeting.

Mark Batten

Chair of the Audit and Risk Committee
25 May 2022

Property Valuation Committee

The Property Valuation Committee is chaired by Richard Jones. The other members of the Committee are Lena Wilson, Mark Batten and Maria Bentley.



Terms of reference

The Committee shall review the quarterly valuation reports produced by the independent valuers before their submission to the Board, looking in particular at:

- Significant adjustments from previous quarters;
- Individual property valuations;
- Commentary from management;
- Significant issues that should be raised with management;
- Material and unexplained movements in the Company's net asset value;
- Compliance with applicable standards and guidelines;
- Reviewing findings or recommendations of the valuers; and
- The appointment, remuneration and removal of the Company's valuers, making such recommendations to the Board as appropriate.



Visit our website picton.co.uk

Activity

The Committee met four times during the year ended 31 March 2022. Members of the Property Valuation Committee, together with management, met with the independent valuer each quarter to review the valuations and considered the following matters:

- Property market conditions and trends;
- Movements compared to previous quarters;
- Yields on properties within the portfolio;
- Letting activity and vacant properties;
- Covenant strength and lease lengths;
- Estimated rental values; and
- Comparable market evidence.

The Committee was satisfied with the valuation process throughout the year.



The Committee was satisfied with the valuation process throughout the year.

Richard Jones

Chair of the Property Valuation Committee

External valuer

CBRE Limited are appointed as the external valuer of the Group and they carry out a valuation of the Group's property assets each quarter, the results of which are incorporated into the Group's half-year and annual financial statements, and the quarterly net asset statements. The valuations are done in accordance with the Royal Institution of Chartered Surveyors Red Book valuation standards.

The Committee reviewed the performance of the valuer and recommended that the appointment be continued for a further 12 months.

The Committee is aware of the recent RICS Review of Real Estate Investment Valuations and the proposed recommendations. We have responded to the consultation and will be monitoring the results.

Richard Jones

Chair of the Property Valuation Committee
25 May 2022

Remuneration Committee

The Remuneration Committee is chaired by Maria Bentley. The other members of the Committee are Lena Wilson, Mark Batten and Richard Jones.

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

“

Our objective is to provide straightforward remuneration packages for our Executive Directors, fair and reasonable for all stakeholders.

Maria Bentley
Chair of the
Remuneration Committee



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 picton.co.uk

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 £36,150 (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.

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 2022.

This report comprises three sections:

- This annual statement;
- A Summary of the Directors' Remuneration Policy; and
- The Annual Report on Remuneration for the year ended 31 March 2022.

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

Implementation of the Remuneration Policy in 2022/23

Our objective is to provide straightforward remuneration packages for our Executive Directors, fair and reasonable for all stakeholders, which are designed so as to attract and retain the right talent and to fairly reward delivery of strategic priorities and enhanced shareholder value. In last year's Remuneration Report, I explained why we had not met aspects of this objective. I also set out a three-year transitional plan to address those issues whereby the Executive Directors' remuneration packages would be adjusted to more fairly reflect their responsibilities as Directors of a listed company (an adjustment that did not take place when we transitioned to a UK REIT in 2018). That transitional plan was the subject of a prior consultation in early 2021 with larger shareholders, proxy agencies and other stakeholders and I would like to again thank all those who were willing to engage in this exercise.

At the 2021 Annual General Meeting, we sought shareholder support for our transitional three-year plan. The resolution approving the new Remuneration Policy had near unanimous support (97% in favour) but the resolution approving the Remuneration Report for the year ended 31 March 2021 was passed albeit with lower overall support (72% in favour).

The Committee was pleased by the high level of shareholder support for the new Policy and also that a majority of shareholders were supportive of the Remuneration Report. The Remuneration Committee gave careful consideration to executive remuneration during the early part of 2021 and sought external input including a prior consultation with larger shareholders, proxy agencies and other stakeholders prior to determining its proposals for Executive Directors under the new Remuneration Policy. The views of all our shareholders are important to us and as such we have taken feedback from shareholders whom we are aware voted against the Remuneration Report resolution to better understand their specific concerns. The feedback that we received indicated some concerns primarily related to the proposed phased three-year transition of the Executive Directors' remuneration packages and specifically to the proposed percentage salary increases, despite the proposed reduction in annual variable pay, which was intended to offset these increases.

“

In order to appropriately align executive remuneration with business performance we incorporate KPIs within our incentive schemes.

Maria Bentley

Chair of the Remuneration Committee

Recognising these concerns, the Committee has carefully considered the Company's and the Executive Directors' performance in the last year to ensure that the approved Policy terms for 2022/23 remain appropriate.

The key performance highlights noted by the Committee included:

- The Group's profit for the year was £147 million, giving a total return of 28%, significantly higher than the previous year;
- The Group's net asset value increased by 24% to £657 million, or 120 pence per share;
- The total property return was ahead of the MSCI UK Quarterly Property Index for the year, and our long-term record of outperformance has been maintained over one, three, five and ten years, and since inception;
- EPRA earnings rose by 5% compared to 2020/21, reflecting an increase in occupancy, reduced provisions against debtors and additional income from acquisitions;
- Dividends were increased twice during the year, returning to the pre-pandemic level;
- One of the loan facilities was re-financed, increasing the term and re-setting the interest to a lower rate;
- The net zero carbon pathway has been published;
- An assessment of the Group's climate-related risks has been undertaken;
- The proportion of the portfolio's EPC ratings (A to C) has increased to 71% from 64% last year;
- The number of green leases in place increased by 42 over the year, and
- Scope 1 and 2 greenhouse gas emissions fell by -27% compared to the 2019 baseline.

The Committee is satisfied that it is appropriate for the second stage of the transition to proceed. Accordingly, as outlined in last year's Remuneration Report, the base salaries of the Chief Executive and Finance Director will be increased by 15% to £330,625 and £224,825 respectively from 1 April 2022 and their annual bonus opportunity for 2022/23 will be reduced to 155% of salary (2021/22: 165%). The Committee will undertake a similar review next year ahead of the proposed final stage of the transitional plan.

Group performance and alignment

We have set out on pages 28 to 31, 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 2021/22 and 2022/23 the KPIs that we are using to determine variable remuneration are set out below.

Measure	Comparator	Annual bonus	Long-term Incentive Plan
Total return	Relative to comparator group	✓ (30% weighting)	
Total property return	Relative to MSCI UK Quarterly Property index	✓ (30% weighting)	✓ (33% weighting)
Total shareholder return	Relative to comparator group		✓ (33% weighting)
EPRA EPS	Absolute target range		✓ (33% weighting)

The remaining 40% of the annual bonus is determined by corporate objectives.

Annual bonus awards for 2021/22

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

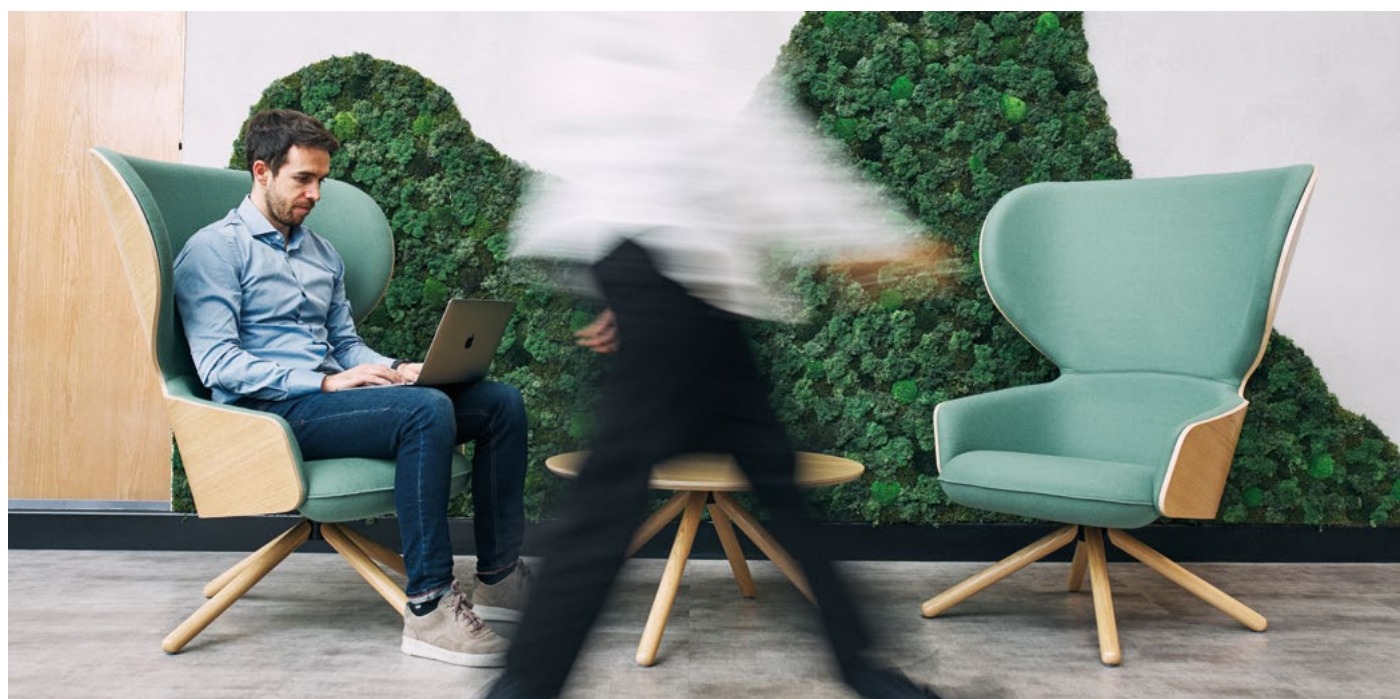
The two financial measures were total return and total property return. The actual outcomes are set out in the Annual Remuneration Report, but the overall result was that the Directors earned an estimated 46% of the maximum award available under these financial measures.

The corporate objectives were set to ensure that specific key strategic targets were reached. These included targets relating to ESG matters, such as the publication of a net zero carbon pathway. The Committee considered that the Executive Directors had largely met the corporate objectives, evidenced by the record profit, growth in earnings and environmental progress. More detail is provided later in this Remuneration Report, but overall the Committee considered that outcomes of 90% of the maximum award for the two Executive Directors were merited against the corporate objectives.

In aggregate, annual bonus awards for the two Executive Directors are 64% of the maximum award (2020/21 - 76% of maximum).

The Committee considered the formulaic bonus outcome in the context of the Group's overall performance for the year. The key highlights of performance for the year are set out earlier in this Statement.

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 2022)

The awards made under the Long-term Incentive Plan (LTIP) in June 2019 were based on three performance conditions measured over the three-year period ended on 31 March 2022. 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 Remuneration Report and give rise to an overall award of 54% of the maximum granted. As explained above, the Committee concluded that it was satisfied the formulaic outcome was a fair reflection of overall Group performance over the performance period.

Employee remuneration and engagement

As in prior years, the Committee received an independent benchmarking report covering each of the roles, which detailed market trends. Having considered the report, the Committee determined that, for the team as a whole (excluding the Executive Directors), there would be an overall average rise of 8.8% in base salaries with effect from 1 April 2022. The average employee bonus (excluding the Executive Directors) increased by 13.2% reflecting alignment between employee pay and our strong business performance.

In my role as designated Non-Executive Director with responsibility for employee engagement I had an informal meeting with the whole team, excluding the Executive Directors, in May 2021, which covered a number of topics including the remuneration process and how the Committee considered market data and other factors in determining salary and bonus awards. Additionally, we have carried out the annual employee survey, the results of which are set out elsewhere in the Report.

Corporate Governance Code 2018

We have considered the provisions of the 2018 Code in respect of remuneration and believe that our approach remains compliant. In particular, we operate a consistent level of pension provision across our workforce; LTIP awards are only released to Executive Directors 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. We also have post-employment shareholding guidelines in place.

“

Our remuneration structure will be in accordance with the Policy for the year to 31 March 2023.

Maria Bentley

Chair of the Remuneration Committee

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 metric.

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 be in accordance with the Policy for the year to 31 March 2023.

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 maximum annual bonus potential for 2022/23 will fall to 155% from 165% of base salary for the Executive Directors as outlined above. As in previous years the annual bonus will be determined 60% by financial metrics and 40% by corporate objectives. For 2022/23 we will continue to use two financial metrics, being total return, relative to a comparator group, and total property return, relative to the MSCI UK Quarterly Property Index.

The awards under the Long-term Incentive Plan will be at a level consistent with last year. For the awards to be made in June 2022 for the three-year period to 31 March 2025 we will retain the three performance measures used previously, being:

- Total shareholder return, compared to a comparator group
- Total property return, compared to the MSCI UK Quarterly Property Index
- Growth in EPRA earnings per share

For the growth in EPRA earnings per share, we intend to use an absolute range of targets based on forecasts over the performance period.

As a Committee, we are committed to ongoing dialogue with our shareholders and welcome any feedback regarding our remuneration practices. We look forward to receiving your continued support at the forthcoming Annual General Meeting.

Maria Bentley

Chair of the Remuneration Committee
25 May 2022

Remuneration at a glance

The components of remuneration for 2021/22 are:

Fixed pay



Read more on pages **101-107**



Base salary



Benefits



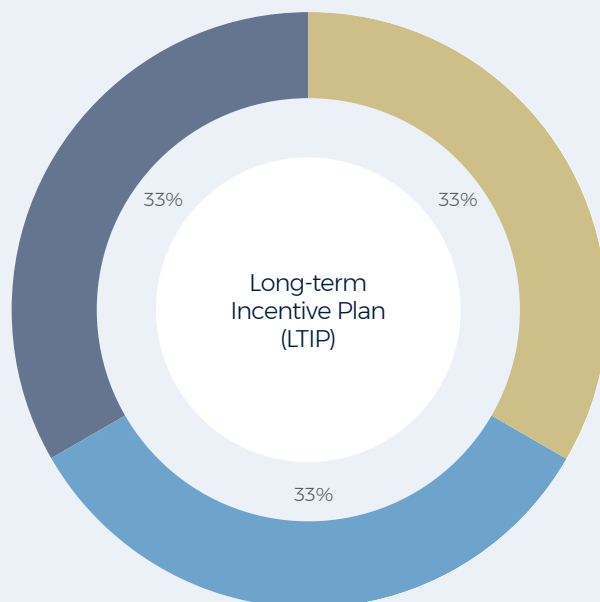
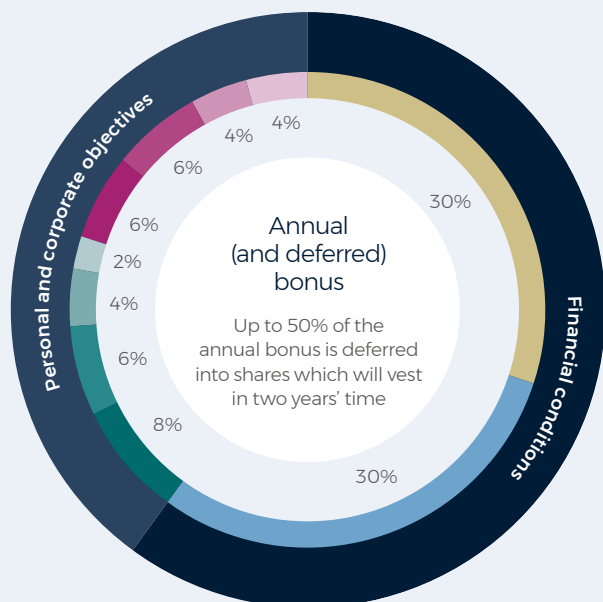
Pension contributions



Variable pay

The annual bonus for 2021/22 is determined by:

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



Personal and corporate objectives

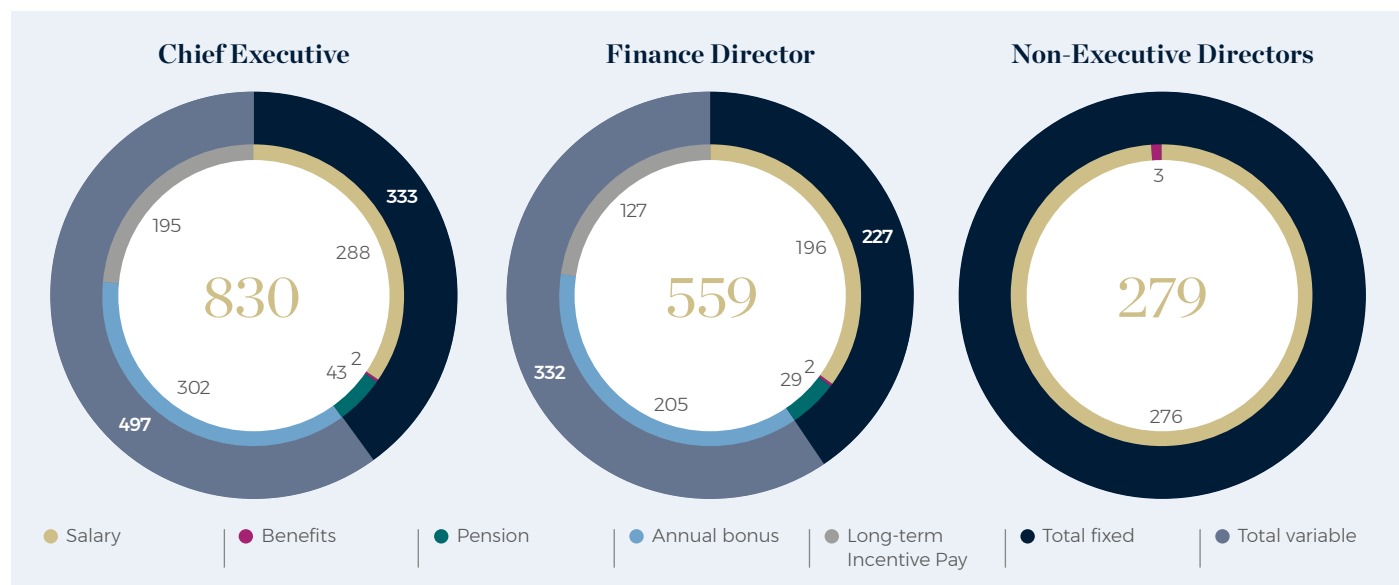
- Improve occupancy and income profile
- Devise and publish net zero carbon pathway
- Improve portfolio environmental factors
- Embed Picton flexi-leasing on smaller assets

- Complete key refurbishment projects on budget and on time
- Consider options to improve operating efficiency
- Positive stakeholder engagement
- Identify and evaluate growth opportunities

Financial conditions

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

The single figure of remuneration for the Directors for the year 2021/22 (in £ thousands) is:



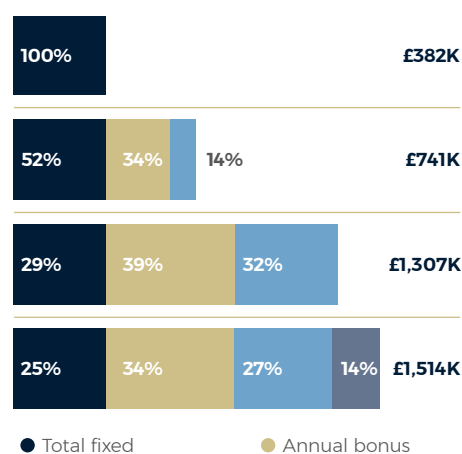
The potential remuneration of the Executive Directors for the year to 31 March 2023 is:

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

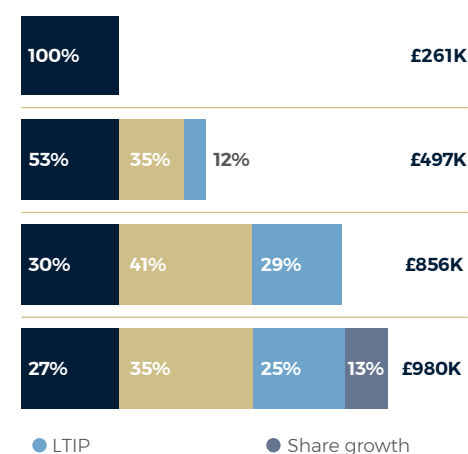
- **Fixed pay** – base salary from 1 April 2022, benefits and pension salary supplement of 15% of base salary
- **On target** – fixed pay plus target vesting for the annual bonus (at 50% of maximum opportunity for illustrative purposes) and threshold vesting for the LTIP (at 25% of maximum award)
- **Maximum** – fixed pay plus maximum vesting for both the annual bonus (155% of base salary) and the LTIP (125% (Chief Executive) and 110% (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



Percentage change in remuneration

The table below shows the percentage change in total remuneration for each of the Directors between the years 2019/20 to 2020/21 and 2020/21 to 2021/22 compared to the average remuneration of the employees of the Group.

	Change from 31 March 2021 to 31 March 2022			Change from 31 March 2020 to 31 March 2021		
	Base salary/ Fees	Benefits	Annual bonus	Base salary/ Fees	Benefits	Annual bonus
Michael Morris	15.0%	15.8%	-9.4%	0%	0.6%	14.4%
Andrew Dewhirst	15.0%	16.1%	-9.4%	0%	0.8%	8.6%
Lena Wilson	11.2%	-	-	n/a	n/a	n/a
Mark Batten	10.5%	-	-	0%	-	-
Maria Bentley	16.7%	-	-	0%	-	-
Richard Jones	16.7%	-	-	n/a	n/a	n/a
Nicholas Thompson	n/a	n/a	n/a	0%	-	-
Roger Lewis	n/a	n/a	n/a	0%	-	-
Average of all other employees	6.4%	15.0%	13.2%	4.6%	8.1%	15.4%

The Non-Executive Director fees were last reviewed in 2018, and then in 2021.

Summary of Directors' Remuneration Policy

Principles

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 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 Directors' Remuneration Policy approved by shareholders at the 2021 Annual General Meeting is set out below. The full Policy is contained in our 2021 Annual Report which is available on our website at www.picton.co.uk.

Executive Directors' Remuneration Policy Table

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	Part of 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	A consistent rate of pension provision (15% of base salary) applies to all employees including Executive Directors.
Performance measures	None
Clawback	None

Benefits

Purpose	Part of a competitive remuneration package.
Operation	This principally comprises: <ul style="list-style-type: none"> - Private medical insurance - Life assurance - Permanent health insurance <p>The Committee may agree to provide other benefits as it considers appropriate.</p>
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 will be paid at the end of the deferral period (in the form of shares or cash).
Maximum	The maximum bonus permitted under the Policy will be 175% of base salary. The level of bonus opportunity within this maximum will be determined by the Committee each year. In 2022/23, the maximum opportunity will be limited to 155% of base salary.
Performance measures	The annual bonus is based on a range of financial, strategic, ESG, operational and individual targets (measured over a period of up to one year) set by the Committee. 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 may be applied in the event (within two years of bonus determination/grant of the deferred bonus shares) of a material misstatement of the audited financial results, an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or is released, a material failure of risk management, material misconduct on the part of the award holder or a corporate failure.

Long-term Incentive Plan

Purpose	A long-term incentive plan to align Executive Directors' interests with those of shareholders and to promote the long-term success of the Company.
Operation	Awards are granted annually usually 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 (in the form of shares or cash) on awards that vest. The Committee will usually 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	Vesting will be subject to performance conditions, aligned to the corporate strategy, as determined by the Committee on an annual basis. There will 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 each award. For threshold levels of performance up to 25% of the award vests, rising usually on a straight-line basis to 100% for maximum performance.
Clawback	Malus and clawback provisions may be applied in the event (within five years of grant) of a material misstatement of the audited financial results, an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or is released, a material failure of risk management, material misconduct on the part of the award holder or a corporate failure.

Shareholding guidelines

Purpose	To align Executive Directors with the interests of shareholders.
Operation	<p>Whilst in employment, Executive Directors are expected to build up and thereafter maintain a minimum shareholding equivalent to 200% of base salary.</p> <p>The Committee will review progress towards the guideline on an annual basis and has the discretion to adjust the guideline in what it feels are appropriate circumstances.</p> <p>Executive Directors will also be expected to remain compliant with the above guideline for a period of two years post-employment.</p>
Maximum	Not applicable
Performance measures	Not applicable
Clawback	Not applicable

Non-Executive Directors Policy Table

Fees

Purpose	To provide competitive Director fees.
Operation	<p>Annual fee for the Chair, and annual base fees for other Non-Executive Directors.</p> <p>Additional fees for those Directors with additional responsibilities such as chairing a Board Committee. All fees will be payable monthly 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 an adjustment is appropriate (for example, if the outcomes are not deemed by the Committee to be a fair and accurate reflection of business performance). In the event that the Committee was 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, provided that the terms of the payment were consistent with the shareholder approved Remuneration Policy in force at the time they were agreed; 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 usually participate in the Long-term Incentive Plan, and in the annual bonus. The weighting of individual and corporate measures is 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

The table below sets out the total remuneration receivable by each of the Directors who held office during the year to 31 March 2022, with a comparison to the previous financial year:

		Salary/ fees £000	Benefits £000	Pension salary supplement £000	Total fixed £000	Annual bonus £000	Deferred bonus £000	Long-term Incentive Plan £000	Total variable £000	Total £000
Executive										
Michael Morris	2022	288	2	43	333	151	151	195	497	830
	2021	250	2	38	290	167	166	213	546	836
Andrew Dewhirst	2022	196	2	29	227	103	102	127	332	559
	2021	170	2	26	198	113	113	125	351	549
Non-Executive										
Lena Wilson	2022	117	3	-	120	-	-	-	-	120
	2021	21	-	-	21	-	-	-	-	21
Mark Batten	2022	53	-	-	53	-	-	-	-	53
	2021	48	-	-	48	-	-	-	-	48
Maria Bentley	2022	53	-	-	53	-	-	-	-	53
	2021	45	-	-	45	-	-	-	-	45
Richard Jones	2022	53	-	-	53	-	-	-	-	53
	2021	26	-	-	26	-	-	-	-	26
Nicholas Thompson	2022	-	-	-	-	-	-	-	-	-
	2021	82	-	-	82	-	-	-	-	82
Roger Lewis	2022	-	-	-	-	-	-	-	-	-
	2021	22	-	-	22	-	-	-	-	22
Nicholas Wiles	2022	-	-	-	-	-	-	-	-	-
	2021	6	-	-	6	-	-	-	-	6
Total (audited)	2022	760	7	72	839	254	253	322	829	1,668
	2021	670	4	64	738	280	279	338	897	1,635

Lena Wilson and Richard Jones were new appointments to the Board during the financial year to 31 March 2021.

Benefits for the Executive Directors comprise private medical insurance and life assurance. Non-Executive Directors are reimbursed expenses incurred in connection with travel and attendance at Board meetings. These expenses are taxable where the meetings take place at the Company's main office. The Company settles the tax on behalf of the Non-Executive Directors.

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

The above figures for 2021 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 £348,600 (Michael Morris) and £237,000 (Andrew Dewhirst). The estimates included an outcome of 100% for the relative total return metric. The final outcome was determined to be 82% and the awards were adjusted to £332,600 (Michael Morris) and £226,000 (Andrew Dewhirst). The above 2021 LTIP figures for the Executive Directors have been restated to reflect the actual share price at vesting (87.1 pence) rather than the average for the quarter ended 31 March 2021 (84.7 pence). This restatement represents an increase in the value of the 2021 LTIP awards of £5,000 for Michael Morris and of £3,000 for Andrew Dewhirst.

The value of LTIP awards for 2022 is based on the number of shares to be awarded to the Executive Directors in respect of the June 2019 LTIP awards and the average share price over the quarter ended 31 March 2022 of 100.06 pence, and the estimated value of dividend equivalents.

Annual bonus for 2021/22

The annual bonus for the year ended 31 March 2022 for the Executive Directors was based on a combination of financial metrics (60%) and corporate objectives (40%).

The targets set for the year ended 31 March 2022 and the assessment of actual performance achieved are set out in the table below.

The financial metrics comprised two equally weighted components: total return relative to a comparator group of similar companies, set out later in this Report; and total property return compared to the MSCI UK Quarterly Property Index.

At the date of this Report not all of the companies in the total return comparator group had announced their results to 31 March 2022 and the Committee has estimated, based on the results to date, that this condition will not be met, resulting in an award of 0%. The Committee will determine the actual outcome of this condition once all companies have reported, and any adjustment required between the estimate and actual will be made in next year's Remuneration Report. There will be no payout of the bonus until a finalised result can be confirmed.

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%	Not yet available	28.3%	0% (estimate)	0% (estimate)
Bonus weighting: 30%					
Total property return versus MSCI Index	Less than median - 0% Equal to median - 50% Equal to upper quartile - 100%	Median 20.9% Upper quartile 24.9%	24.3%	92.5%	45.8%
Bonus weighting: 30%					

The corporate objectives for the Executive Directors for the year to 31 March 2022 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)
Improve occupancy and income profile	Occupancy has increased from 91% to 93% and rental income has increased by nearly 10% this year. EPRA earnings have risen by 5%.	100%	13.2%
Bonus weighting: 8%			
Devise and publish net zero carbon pathway	The net zero carbon pathway has been completed and was published in April 2022.	95%	9.4%
Bonus weighting: 6%			
Improve portfolio environmental factors	The portfolio's EPC weightings have improved this year, with 71% rated A to C on an ERV basis. There are 42 more green leases in place. Scope 1 and 2 GHG emissions have reduced by over 27% compared to the 2019 baseline. More biodiversity initiatives have been introduced.	90%	5.9%
Bonus weighting: 4%			
Embedded Picton flexileasing on smaller assets	SwiftSpace was developed and launched in the year and five short form leases have been completed at four properties.	70%	2.3%
Bonus weighting: 2%			
Complete key refurbishment projects on budget and on time	Some projects have been subject to inflationary increases and additional works in certain cases. Key projects at Regency Wharf, Birmingham and at 180 West George Street, Glasgow have been completed on time and on budget.	80%	7.9%
Bonus weighting: 6%			
Consider options to improve operating efficiencies	The Group's weighted average interest rate has been reduced to 3.7% following the refinancing of the Canada Life facility. The EPRA cost ratios are both lower this year, although the Group cost ratio remained at 1.0%.	85%	8.4%
Bonus weighting: 6%			
Positive stakeholder engagement	The dividend has now been restored to its pre-pandemic level, and there has been positive share price growth. Employee satisfaction remains high at 82%.	90%	5.9%
Bonus weighting: 4%			
Identify and evaluate growth opportunities	Opportunities have been considered and progressed during the year.	90%	5.9%
Bonus weighting: 4%			

As discussed in the Committee Chair's statement on pages 91 to 95, 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 that 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.

Subject to the estimated total return component noted above, the overall annual bonus outcome for the Executive Directors is, therefore, as follows:

	Financial metrics (out of maximum 60%)	Corporate objectives (out of maximum 40%)	Overall bonus % of maximum	Bonus % of salary	Total bonus £
Michael Morris	27.8	35.8	63.6	104.9	301,500
Andrew Dewhurst	27.8	35.8	63.6	104.9	205,000

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 in cash when the awards vest.

Long-term Incentive Plan

The LTIP awards granted on 19 June 2019 were subject to performance conditions for the three years ended 31 March 2022. 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 – 5.0% Upper quartile – 31.8%	18.4%	33.3%	62.5%
Total property return versus MSCI Index	Less than median – 0% Equal to median – 25% Equal to upper quartile – 100%	Median – 7.7% Upper quartile – 9.7%	12.0% (above upper quartile)	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% – 4.65p 9% – 5.51p	3.88p	33.3%	0%

The Committee was satisfied that the above performance was achieved within an acceptable risk profile. As discussed in the Committee Chair's statement on pages 91 to 95, the Committee considered the formulaic LTIP outcome in the context of the Group's overall performance over the performance period and concluded that it 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 100.06 pence for the quarter ended 31 March 2022, are:

Director	Maximum number of shares at grant	Number of shares vesting	Number of lapsed shares	Estimated value ^{1,2} £
Michael Morris	328,153	177,760	150,393	194,980
Andrew Dewhurst	214,218	116,041	98,177	127,280

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 £17,109 (Michael Morris) and £11,169 (Andrew Dewhurst).

2. £8,586 (Michael Morris) and £5,605 (Andrew Dewhurst) 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 22 June 2021:

	Number of shares	Basis (% of salary)	Face value per share (£)	Award face value (£)	Performance period	Threshold vesting
Michael Morris	403,339	125%	0.8910	359,375	1 April 2021 to 31 March 2024	25%
Andrew Dewhurst	241,358	110%	0.8910	215,050	1 April 2021 to 31 March 2024	25%

Remuneration Report continued

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 three equally weighted performance conditions (relative total shareholder return, relative total property return and EPRA EPS). The vesting schedule for the relative measures will be as applied to the June 2019 LTIP set out above. The EPS element will vest at 25% for achievement of EPRA EPS of 3.85 pence in the year ended 31 March 2024 increasing on a straight line basis to 100% vesting for EPRA EPS of 4.25 pence.

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 2021	Granted in year	Exercised in year	Lapsed in year	As at 31 March 2022
Michael Morris								
2018 LTIP	8 June 2018	1 April 2018 to 31 March 2021	90.80p	330,396	-	(220,264)	(110,132)	-
2019 LTIP	19 June 2019	1 April 2019 to 31 March 2022	95.23p	328,153	-	-	-	328,153
2020 LTIP	29 June 2020	1 April 2020 to 31 March 2023	70.73p	309,275	-	-	-	309,275
2021 LTIP	22 June 2021	1 April 2021 to 31 March 2024	89.10p	-	403,339	-	-	403,339
2019 DBP	19 June 2019	1 April 2018 to 31 March 2019	95.23p	175,137	-	(175,137)	-	-
2020 DBP	29 June 2020	1 April 2019 to 31 March 2020	70.73p	215,333	-	-	-	215,333
2021 DBP	22 June 2021	1 April 2020 to 31 March 2021	89.10p	-	186,666	-	-	186,666
				1,358,294	590,005	(395,401)	(110,132)	1,442,766
Andrew Dewhirst								
2018 LTIP	8 June 2018	1 April 2018 to 31 March 2021	90.80p	193,833	-	(129,222)	(64,611)	-
2019 LTIP	19 June 2019	1 April 2019 to 31 March 2022	95.23p	214,218	-	-	-	214,218
2020 LTIP	29 June 2020	1 April 2020 to 31 March 2023	70.73p	185,070	-	-	-	185,070
2021 LTIP	22 June 2021	1 April 2021 to 31 March 2024	89.10p	-	241,358	-	-	241,358
2019 DBP	19 June 2019	1 April 2018 to 31 March 2019	95.23p	116,758	-	(116,758)	-	-
2020 DBP	29 June 2020	1 April 2019 to 31 March 2020	70.73p	154,312	-	-	-	154,312
2021 DBP	22 June 2021	1 April 2020 to 31 March 2021	89.10p	-	126,933	-	-	126,933
				864,191	368,291	(245,980)	(64,611)	921,891

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 will be used as a comparator group for the total shareholder return and total return metrics in determining variable remuneration for 2022/23 awards. A smaller group is used for the total return metric due to the different reporting periods of some companies.

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	✓	✓
Industrial REIT Limited	✓	✓
NewRiver 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	✓	✓

The above group was also used for previous awards with the following amendments:

- Supermarket Income REIT and Warehouse REIT were added to the group for awards made from 2019 onwards;
- McKay Securities PLC was included in the group for awards made up to and including 2021;
- Hansteen Holdings plc and Mucklow (A.&J.) PLC were additionally included in the group for awards made up to and including 2019; and
- LondonMetric Property PLC and RDI REIT plc were additionally included in the group for awards made up to and including 2020.

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 2022, were as follows:

	Beneficial holding 2022	Beneficial holding 2021	Holding as a % of salary	Outstanding LTIP awards	Outstanding DBP awards
Michael Morris	537,673	328,485	184	1,040,767	401,999
Andrew Dewhirst	332,113	201,978	167	640,646	281,245
Lena Wilson	30,000	30,000			
Mark Batten	-	-			
Maria Bentley	74,436	74,436			
Richard Jones	53,845	53,845			

The percentage holding for the Executive Directors is based on base salaries as at 31 March 2022 and a share price of £0.983. The beneficial holdings of shares include any held by connected persons.

Executive Directors are 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.

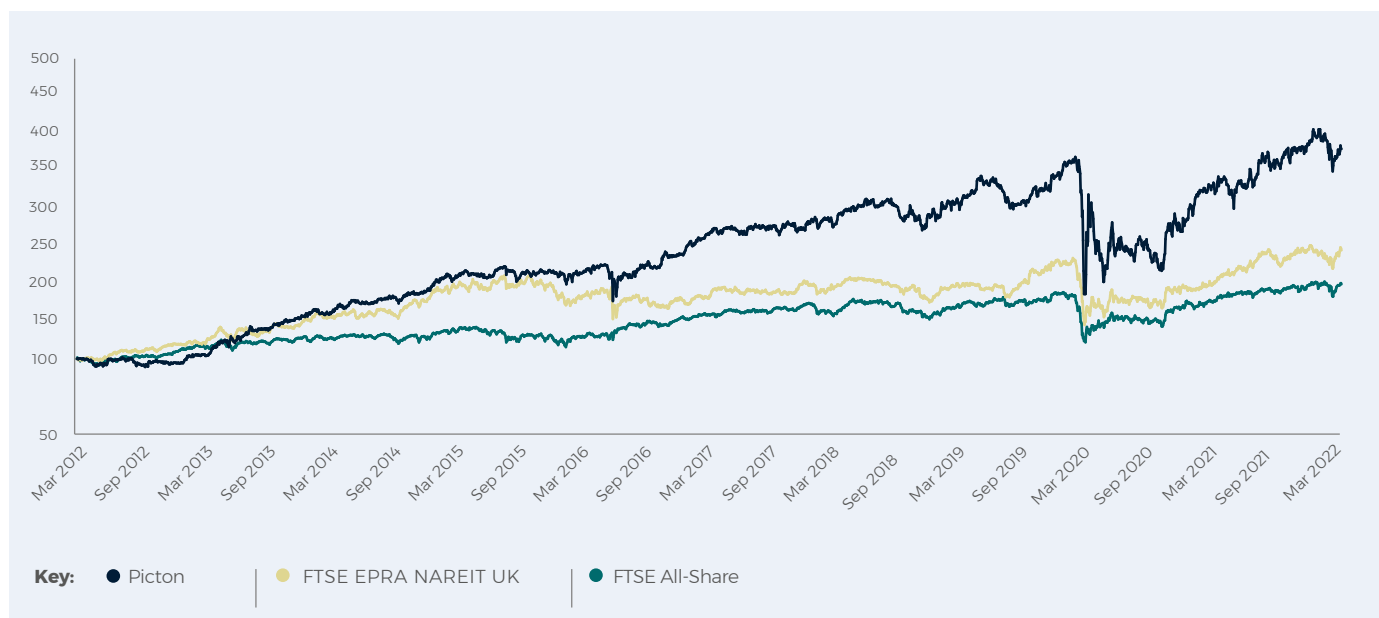
Payments to past Directors or payments for loss of office

There were no payments to past Directors or payments for loss of office to Directors during the year ended 31 March 2022.

Historical total shareholder return performance

The graph below shows the Company's total shareholder return (TSR) since 31 March 2012 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.

TSR chart



The table below shows the remuneration of the Chief Executive for the past four 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 four years.

	Total remuneration (£000)	Annual bonus (% of maximum)	LTIP vesting (% of maximum award)
2022	830	64%	54%
2021	836	76%	67%
2020	769	70%	67%
2019	920	79%	83%

Relative importance of spend on pay

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

	31 March 2022 (£000)	31 March 2021 (£000)	% change
Employee costs	3,415	3,219	6.1%
Dividends	18,425	15,002	22.8%
EPRA earnings	21,188	20,072	5.6%

Implementation of Remuneration Policy in 2022/23

Change from prior year

Executive Directors

Base salaries	Michael Morris (Chief Executive) – £330,625 Andrew Dewhirst (Finance Director) – £224,825	As outlined in last year's Remuneration Report base salaries for the Executive Directors are being transitioned over a three-year period – 2022/23 will be the second year of that transition. The average increase for the rest of the workforce is 8.8%.
Pension and benefits	15% salary supplement in lieu of pension plus standard other benefits	No change. All employees receive company pension contributions at the rate of 15% of base salary or 15% salary supplement in lieu of company contributions.
Annual bonus*	Maximum bonus of 155% 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 and relative total property return (using the same performance target ranges as in 2021/22) with the remaining 40% determined by corporate and personal measures	As outlined in last year's Remuneration Report the maximum bonus potential for Executive Directors will decrease from 165% of salary to 155% of salary this year.
LTIP*	Award of shares worth: – Michael Morris (Chief Executive) 125% of salary – Andrew Dewhirst (Finance Director) 110% 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 as set out on page 103. Targets for the EPS measure for the year ended 31 March 2025 are: Less than 4.15 pence per share – 0% Equal to 4.15 pence per share – 25% Greater than 4.50 pence per share – 100% A result between 4.15 pence and 4.50 pence will be calculated on a straight-line basis between 25% and 100%	No change
Non-Executive Directors		
Fees	Chair – £116,800 Director – £45,000 Supplementary fee for Committee Chairs – £7,500	No change.

* 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 and Remuneration Policy, which were approved by shareholders at the Annual General Meeting held on 17 November 2021, representing 63% of the issued share capital of the Company.

	Remuneration Report		Remuneration Policy	
	Votes cast	%	Votes cast	%
For	246,927,948	72.2	333,280,593	96.5
Against	95,213,590	27.8	12,044,009	3.5
Votes cast	342,141,538	100.0	345,324,602	100.0
Withheld	3,487,899		304,835	

Discussion of the vote relating to the Remuneration Report resolution and subsequent actions taken by the Board are set out in the Committee Chair's statement.

Maria Bentley

Chair of the Remuneration Committee
25 May 2022

Directors' Report

The Directors of Picton Property Income Limited present the Annual Report and audited financial statements for the year ended 31 March 2022.

The Company is registered under the provisions of the Companies (Guernsey) Law, 2008.

Principal activity

The principal activity of the Group is commercial property investment in the United Kingdom.

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income.

The Company is a UK Real Estate Investment Trust (REIT) and must distribute to its shareholders at least 90% of the profits on its property rental business for each accounting period as a Property Income Distribution (PID).

As set out in Note 10 to the consolidated financial statements, the Company has paid four interim dividends in the year, one at 0.8 pence per share, two at 0.85 pence per share and one at 0.875 pence per share, making a total dividend for the year ended 31 March 2022 of 3.375 pence per share (2021: 2.75 pence). All four interim dividends were paid as PIDs.

Directors

The Directors of the Company who served throughout the year are:

- Lena Wilson
- Maria Bentley
- Mark Batten
- Andrew Dewhurst
- Richard Jones
- Michael Morris

The Directors' interests in the shares of the Company as at 31 March 2022 are set out in the Remuneration Report.

All of the Directors will offer themselves for re-election at the forthcoming Annual General Meeting.

2018 UK Corporate Governance Code Compliance Statement

The Board confirms that for the year ended 31 March 2022 the principles of good corporate governance contained in the 2018 UK Corporate Governance Code have been consistently applied.

The Company is fully compliant with the Code.

Listing

The Company is listed on the main market of the London Stock Exchange.

Share capital

The issued share capital of the Company as at 31 March 2022 was 547,605,596 (2021: 547,605,596) ordinary shares of no par value, including 1,974,253 ordinary shares which are held by the Trustee of the Company's Employee Benefit Trust (2021: 2,052,269 ordinary shares).

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue, subject to the renewal of this authority from shareholders at each Annual General Meeting. Any buy-back of ordinary shares is, and will be, made subject to Guernsey law, and the making and timing of any buy-backs are at the absolute discretion of the Board. No ordinary shares were purchased under this authority during the year.

At the 2021 Annual General Meeting shareholders gave the Directors authority to issue up to 54,760,558 shares (being 10% of the Company's issued share capital as at 15 October 2021) without having to first offer those shares to existing shareholders. No ordinary shares have been issued under this authority, which expires at this year's Annual General Meeting and resolutions will be proposed for its renewal.

Shares held in the Employee Benefit Trust

The Trustee of the Picton Property Income Limited Long-term Incentive Plan holds 1,974,253 ordinary shares in the Company in a trust to satisfy awards made under the Long-term Incentive Plan and the Deferred Bonus Plan. During the year the Trustee acquired 750,000 ordinary shares at an average price of 97.2 pence per share. The Trustee has waived its right to receive dividends on the shares it holds.

Statement of going concern

The Directors have focused on assessing whether the going concern basis remains appropriate for the preparation of the financial statements for the year ended 31 March 2022. In making their assessment the Directors have considered the principal and emerging risks relating to the Group, its loan covenants, access to funding and liquidity position. They have also considered a number of scenarios in particular regarding the impact of different levels of rent collection across the portfolio and over varying timescales, and the potential consequences on financial performance, asset values, capital projects and loan covenants. Leasing and investment transactions have been assumed to be curtailed throughout the assessment period. Future lease events over the assessment period have been considered on a case-by-case basis to determine the range of most likely outcomes. More details regarding the Group's business activities, together with the factors affecting performance, investment activities and future development are set out in the Strategic Report.

Further information on the financial position of the Group, including its liquidity position, borrowing facilities and debt maturity profile, is set out in the Financial Review and in the consolidated financial statements.

Under all of these scenarios the Group has sufficient cash resources to continue its operations, and remain within its loan covenants, for a period of at least 12 months from the date of these financial statements.

Based on their assessment and knowledge of the portfolio and market, the Directors have therefore continued to adopt the going concern basis in preparing the financial statements.

Viability assessment and statement

The UK Corporate Governance Code requires the Board to make a 'viability statement' which considers the Company's current position and principal and emerging risks and uncertainties combined with an assessment of the future prospects for the Company, in order that the Board can state that the Company will be able to continue its operations over the period of their assessment.

The Board conducted this review over a five-year timescale, considered to be the most appropriate for long-term investment in commercial property. The assessment has been undertaken taking into account the principal and emerging risks and uncertainties faced by the Group which could impact its investment strategy, future performance, loan covenants and liquidity.

The major risks identified were those relating to rising inflation, geopolitical tensions and the legacy effects of the Covid-19 pandemic on the UK economy and commercial property market over the period of the assessment. In the ordinary course of business, the Board reviews a detailed financial model on a quarterly basis, including forecast market returns. This model allows for different assumptions regarding lease expiries, breaks and incentives. For the purposes of the viability assessment of the Group, the model covers a five-year period and is stress tested under various scenarios.

The Board considered a number of scenarios and their impact on the Group's property portfolio and financial position. These scenarios included different levels of rent collection, occupier defaults, void periods and incentives within the portfolio, and the consequential impact on property costs and loan covenants. All lease events and assumptions were reviewed over the period under the different scenarios including their impact on revenue and cash flow. Forecast movements in capital values were included in these scenarios including their potential impact on the Group's loan covenants. The Group's long-term loan facilities are contracted to be in place throughout the assessment period, while the Board has assumed that the Group will continue to have access to its short-term facilities. The Board considered the impact of these scenarios on its ability to continue to pay dividends at different rates over the assessment period.

These matters were assessed over the period to 31 March 2027 and will continue to be assessed over rolling five-year periods.

The Directors consider that the stress testing performed was sufficiently robust that even under extreme conditions the Company remains viable.

Based on their assessment, and in the context of the Group's business model and strategy, the Directors expect that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 March 2027.

Substantial shareholdings

Based on notifications received and on information provided by the Company's brokers, the Company understands the following shareholders held a beneficial interest of 3% or more of the Company's issued share capital as at 5 May 2022.

	% of issued share capital
Investec Wealth & Investment Limited	16.2
Ameriprise Financial Inc.	9.3
BlackRock Inc.	5.6
The Vanguard Group Inc.	4.1
Tilney Smith & Williamson	3.8
Brewin Dolphin Limited	3.2

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG Channel Islands Limited (the 'Auditor') has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its reappointment will be submitted at the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards, as issued by the IASB, and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal controls as they determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement in respect of the Annual Report and financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By Order of the Board

Andrew Dewhirst

25 May 2022