

Introduction to the Corporate Governance Report



Dear Shareholder

On behalf of the Board, I am pleased to introduce our 2024 Corporate Governance Report.

Board activities

The Board has been engaged throughout the year focusing on a range of topics. This included continued exploration of various opportunities aimed at increasing the scale of the business to bring both financial and non-financial benefits to our shareholders. We had significantly advanced discussions with the Board of UK Commercial Property REIT and their advisers, and although encouraged by the positive feedback from our shareholders, we were disappointed that their key shareholder was unwilling to engage or support a transaction.

We considered Board composition and succession with a particular focus on diversity and inclusion.

We have kept our portfolio strategy under review, which this year has culminated in the successful repositioning of one of our largest office assets, Angel Gate, London.

The Board has also overseen the progress made towards delivering on our sustainability priorities.

Further detail on the activities of the Board and its Committees is included under the Leadership and Purpose section of this report.

Board composition and diversity

There were no changes in the composition of the Board during this financial year. However, following Andrew Dewhirst's decision to retire during 2024 and after conducting a comprehensive recruitment process, the Board was pleased to be able to announce the appointment of Saira Johnston as Andrew's successor in October 2023.

I am delighted to welcome Saira, who brings a wealth of experience and complementary skills to Picton, which will ensure we maintain our disciplined approach to capital allocation, with a focus on earnings growth.

On behalf of the Board, I would also like to take this opportunity to thank Andrew for his commitment and excellent financial leadership since 2011. We warmly wish him well in retirement.

Following Saira's appointment with effect from 1 April 2024, the Board is now fully compliant with the FCA Listing Rules on diversity and inclusion.

I would also like to congratulate Maria Bentley following her recent appointment as Chair of Daiwa Capital Markets Europe Limited, where she has been a Non-Executive Director for a number of years. In March, Maria informed the Board of her intention to step down as a Director and as a result Maria will not be standing for re-election at the forthcoming Annual General Meeting.

The Board has already commenced a search for a suitable successor and we will provide further updates to shareholders in due course.

Finally, I would like to express my gratitude to Maria, on behalf of the Board, for her considerable contribution to the Company, particularly in her role as Remuneration Committee Chair and also for her work on employee engagement and sustainability. The Board wishes her every success in her new role.

Governance

Following last year's decision to bring the company secretarial function in-house, Kathy Thompson joined the Company in May 2023 and subsequently oversaw the transfer of responsibilities from Northern Trust up until her appointment as Company Secretary on 1 October 2023. As a result of this change, Kathy has been able to support both myself and the Board on a range of governance related matters and has overseen improvements made to Board governance processes and across the Company generally.

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

The workings of the Board and the Committees and how these interact with the provisions of the Corporate Governance Code are described in this and the following sections of the Corporate Governance Report.

Board evaluation

This year, our Board evaluation was carried out internally, in line with our three-year annual review cycle, with the process being supported by our new Company Secretary. The Board discussed the review findings and I am delighted to report that whilst there were suggestions for improvements, the overall conclusion was that the Board and its Committees continue to operate very effectively.

During the year, the Board also oversaw the actions taken in response to the recommendations from last year's external review conducted by Boardroom Review Limited, which included the review of our company secretarial and governance arrangements.

Further details are provided in the Nomination Committee Report.

Remuneration

Our current Directors' Remuneration Policy was approved by shareholders in 2021 and is due to be presented to shareholders for approval at our Annual General Meeting this year. We have reviewed and updated the Policy based on external advice from our remuneration consultants, Deloitte, to ensure it remains appropriate and in accordance with best practice. We will consult with our largest shareholders to confirm their support to the changes proposed. Further detail is included in the Remuneration Report.

Annual General Meeting

Our Annual General Meeting was held in September 2023, with all of the resolutions being approved with at least 94% of votes in favour and I would like to thank our shareholders for their support.

The Board has reviewed the timing of our 2024 Annual General Meeting and decided to bring forward the date this year to 30 July, to be closer to the announcement of our annual results and in line with market practice.

This year, in addition to the routine business considered each year and the request for approval of the new 2024 Remuneration Policy, shareholders will be asked to consider and approve new Articles of Incorporation for the Company. The principal change relates to a proposed increase in the Non-Executive Directors' fee cap, which was previously increased in 2012.

Our people and culture

The Board recognises the importance of its people to the successful delivery of strategy and welcomes the opportunities during the year when the Directors are able to meet in person with the team as part of the quarterly Board meeting programme. This regular contact supports the strong and open culture and shared values across the Company.

The results of this year's employee engagement survey were discussed at our Board meeting in March and Maria Bentley, who has responsibility for employee engagement, feedback to the team in person. The survey results showed that team sentiment remains very positive and overall satisfaction has risen since last year. More detail is provided in the Being Responsible section on page 72.

Our stakeholders

Our occupier focused approach continues to be embedded within our purpose, values and business model. This year we carried out two occupier surveys, one for our offices using our occupier app, which facilitated a greater response rate than in previous years, and another for our industrial assets. The overall results discussed by the Board, were very pleasing and the valuable feedback received will be used to help shape our engagement strategy in 2024. Further details can be found on page 70.

Reporting

I am pleased to report that last year's Annual Report and sustainability reporting both maintained EPRA Gold awards, reflecting our aim to report our activities and results clearly and concisely. The progress that we have made against our net zero carbon pathway is set out in the Being Responsible section on pages 60–69.

In line with previous years, we will publish all of our sustainability data in a separate report online, which will be available shortly.

In what has been a busy and productive year, I now look forward to working with my new and existing Board colleagues in the year ahead.

Lena Wilson CBE
Chair
22 May 2024