

REMUNERATION REPORT

VIC HOLMES

The Remuneration Committee is chaired by Vic Holmes. The other members of the Committee are Nicholas Thompson, Roger Lewis and Robert Sinclair.



TERMS OF REFERENCE

The Committee will consider the following matters:

- Appointment of, and setting the terms of reference for, any remuneration consultants;
- Setting and reviewing remuneration levels for the Directors, within the limit set by the Company's Articles of Association;
- Recommending remuneration policies to the Board for Directors and senior management of Picton Capital Limited; and
- Reviewing remuneration trends across the sector.

ACTIVITY

The Committee met twice during the year ended 31 March 2017 and considered the following matters:

- Annual remuneration review and bonus awards for Picton Capital Limited employees;
- Benchmark market levels of salary and benefits applicable to Picton Capital employees;
- Appointment of external consultants to advise on the design and implementation of a new long-term incentive plan;
- Consideration of detailed proposals for the long-term incentive plan including suitable performance conditions; and
- Establishment of an employee benefit trust and the appointment of its trustee.

REMUNERATION POLICY

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

The Group aims to provide a remuneration package which will retain Directors and management 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 management by rewarding performance through enhanced shareholder value.

Directors receive an annual fee as set out below. The independent Directors will not receive share options or other performance related elements.

The Committee has determined the remuneration policy for the management and staff of Picton Capital Limited following independent advice from external advisers.

TERMS OF EMPLOYMENT

The terms of appointment of the independent Directors are documented in letters of appointment. They have a six month notice period and their appointment would terminate without compensation if not re-elected at the Annual General Meeting. The independent Directors have no service contracts or interests in any material contracts with the Group.

DIRECTORS' FEES

All of the Directors of the Company are non-executive. The fees of the independent Directors are recommended by the Board. Michael Morris does not receive a fee as a Director of the Company but is remunerated in his capacity as Chief Executive of Picton Capital Limited. The level of Directors' fees was independently reviewed in September 2014 by Deloitte LLP against a benchmark group of similar companies. The new rates became effective on 1 January 2015, and will next be reviewed after three years.

	Annual rate £
Chairman	82,500
Chairman of the Audit and Risk Committee	43,000
Chairman of the Property Valuation Committee	40,000
Chairman of the Remuneration Committee	40,000
Director	36,000

The total fees earned by each Director for the year ended 31 March 2017 were as follows:

	31 March 2017 £	31 March 2016 £
Nicholas Thompson	82,500	82,500
Robert Sinclair	43,000	43,000
Roger Lewis	40,000	40,000
Vic Holmes	40,000	40,000
Trevor Ash	–	18,000
Michael Morris	–	–
	205,500	223,500

No additional fees were earned above the annual expected time commitment for the year ended 31 March 2017. The Company's Articles set an annual limit of £300,000 for Directors' remuneration.

The remuneration earned by Michael Morris, as Chief Executive of Picton Capital Limited, for the year ended 31 March 2017 was as follows:

	31 March 2017 £	31 March 2016 £
Basic salary	227,000	220,000
Annual bonus	114,700	95,000
Company pension contributions	–	37,400
Salary supplement (in lieu of pension contributions)	34,050	–
Deferred bonus scheme awards	242,143	175,925
	617,893	528,325

Michael Morris also was granted a contingent share award under the Long-term Incentive Plan of 358,791 shares.

PICTON CAPITAL LIMITED REMUNERATION

The Group's Investment Manager employed 12 staff as at 31 March 2017 (2016: 13 staff).

The policy and components of current remuneration set by the Committee in respect of Picton Capital Limited Directors and staff are as follows:

Base salary

Base salaries are based on market data provided by the Company's independent advisers. Base salaries are reviewed annually on 1 April.

Pension

The Group makes contributions for eligible employees into a Group personal pension plan to a maximum of 10% of base salary. Further contributions to a maximum of 5% will be paid by the Group if matched by additional voluntary contributions by the employee. The Directors of Picton Capital Limited receive a salary supplement of 15% of base salary in lieu of company pension contributions.

Annual bonus

A discretionary annual cash bonus may be awarded to recognise individual performance. An award will take into account three factors: the performance of the Group, the property portfolio return and the individual's performance. Bonus payments are not pensionable.

Deferred bonus scheme

A share-based deferred bonus scheme has been established that aligns remuneration with that of shareholders. An award will take into account three factors: the performance of the Group, the property portfolio return and the individual's performance. Deferred bonus awards are not pensionable. Any award under the scheme is linked to both share price movement and dividend distributions. Awards will normally vest in two years.

Long-term incentive plan

An equity settled long-term incentive plan (LTIP) was established in the year following approval from shareholders. All employees are eligible for awards on an annual basis. With the exception of the initial awards, awards are normally made within six weeks of the announcement of the Company's annual results. Awards will vest in three years, and are subject to three performance conditions being met.

Other benefits

These include private medical insurance and life cover.

REMUNERATION REPORT

CONTINUED

During the year the Committee considered the design and implementation of a new long-term incentive plan (LTIP) for Picton Capital Limited employees. The proposals were approved at the Annual General Meeting on 30 November 2016, following a consultation with a number of major shareholders. The LTIP will increase alignment between the investment management team and investors, by linking remuneration to long-term financial targets. The plan will be based on three year periods, with three performance metrics measured over each period. These metrics are:

- Total shareholder return, compared to a bespoke comparator group of similar listed property companies;
- Total property return, compared to the MSCI IPD Quarterly Benchmark; and
- Growth in EPRA earnings.

Awards will only vest if minimum threshold levels are met, increasing to a maximum for exceptional performance against all three metrics. Initial awards were made on 27 January 2017 in respect of the three year period from 1 April 2016 to 31 March 2019. Awards will subsequently be made annually, once the Company's annual results have been announced. The next awards, for the period from 1 April 2017 to 31 March 2020, will be made within six weeks of the announcement of this year's results.

In considering the salary and bonus review for 2017, the Committee reviewed relevant market data as well as the key performance indicators for the year in relation to individual and team objectives set at the start of the year. In conclusion, the Committee determined that there would be no increase in base salaries from 1 April 2016 (2016: 6.0%) and an overall bonus pool of 102% of base salaries (2016: 94%).

For the year ended 31 March 2017, the Committee agreed that bonuses awarded to Picton Capital staff would total £537,000 payable on 28 April 2017 (2016: £458,000) and £555,000 in Deferred Bonus Scheme awards (2016: £519,000). The Deferred Bonus Scheme awards were made at the prevailing share price, and equate to 662,000 units, which vest on 31 March 2019. The cost to the Group of awards made is spread over the vesting periods in accordance with its accounting policy. The accrued cost at 31 March 2017 was £1,177,000 (2016: £971,000). A summary of the awards made to Picton Capital Limited staff is set out in Note 7 to the financial statements.

On 27 January 2017 the Committee agreed the initial awards made under the Long-term Incentive Plan. These were in respect of the three year performance period from 1 April 2016 to 31 March 2019, and are conditional on the three metrics set out above. The initial awards were for a total of 1,170,258 shares, of which 872,036 were awarded to the Directors of Picton Capital Limited.

SHARE OWNERSHIP

Directors and employees are encouraged to maintain a shareholding in the Company's shares to provide alignment with investors, although in the case of Picton Capital Limited staff, alignment is also achieved through awards under the Deferred Bonus Scheme.

The numbers of shares beneficially held by each Director and senior management (including spouses), as at 31 March 2017, were as follows:

Directors	31 March 2017	31 March 2016
Nicholas Thompson*	215,000	200,000
Robert Sinclair	15,000	15,000
Roger Lewis	600,000	530,000
Vic Holmes	27,214	27,214
Michael Morris†	53,596	53,596

Senior management	31 March 2017	31 March 2016
Andrew Dewhirst	24,000	20,000
Jay Cable	9,505	9,505
Fraser D'Arcy ††	8,687	8,687

* Includes 81,634 shares held by Mrs Elizabeth Thompson

† Includes 28,596 shares held by Mrs Joanne Morris

†† Held by Mrs Rebecca D'Arcy

The Directors of Picton Capital Limited (Michael Morris and senior management, as above) also hold units in the Deferred Bonus Scheme. At 31 March 2017 the number of units that had been awarded to Picton Capital Limited Directors and yet to vest was 1,530,718 (2016: 1,583,685).

Vic Holmes

Chairman of the Remuneration Committee

6 June 2017