

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

Governance at a glance

Focus areas for 2023/2024

- / Earnings growth and scale
- / Board composition and succession
- / New Remuneration Policy
- / Internalisation of company secretarial function

Key priorities for 2024/2025

- / Board succession
- / Shareholder total return

Director changes

- / Andrew Dewhirst, stepped down from the Board on 31 March 2024
- / Saira Johnston, appointed to the Board on 1 April 2024
- / Maria Bentley, stepping down from the Board in Summer 2024

Compliance with the UK Corporate Governance Code 2018 (the Code)

The Company complied with the relevant provisions set out in the 2018 version of the Code, which applied throughout the financial year ended 31 March 2024.

The Code is available on the FRC's website: www.frc.org.uk. Further detail on how the Code principles have been applied can be found on the pages noted in the table below.

Board Leadership and Company Purpose

| | |
|-------|----------------------------------|
| 78-79 | Effective Board |
| 86 | Purpose, values and strategy |
| 94 | Governance framework |
| 90-93 | Stakeholder engagement |
| 72-73 | Workforce Policies and practices |

Division of Responsibilities

| | |
|--------|---|
| 94 | Board leadership and roles |
| 95 | Division of responsibilities |
| 87, 99 | Conflicts of interest and external appointments |
| 88-89 | Key activities of the Board |

Composition, Succession, Evaluation

| | |
|---------|-----------------------------|
| 99-100 | Board appointments |
| 81-83 | Board skills and experience |
| 100-102 | Board evaluation |

Audit, Risk and Internal Control

| | |
|---------|--|
| 105-106 | Financial reporting and review of the 2024 Annual Report |
| 105-106 | External and internal auditor effectiveness |
| 105-106 | Risk management and Internal controls framework |

Remuneration

| | |
|---------|--|
| 110-112 | Remuneration aligned to purpose, values and strategy |
| 116-119 | Directors' Remuneration Policy |
| 120-125 | Remuneration outcomes in 2024 |

Governance at a glance

Board attendance as at
31 March 2024

>98%

Board attendance

Board independence as at
31 March 2024

50%

Of our Board is independent

| | |
|-----------------|---|
| Independent | 3 |
| Non-independent | 2 |
| Chair | 1 |

Board gender balance as at
31 March 2024

33%

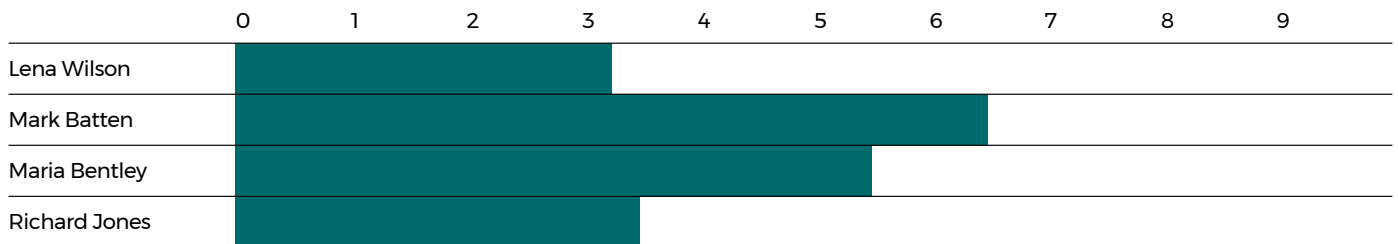
Of our Board are women
(50% after 31 March 2024)

| | |
|-------|---|
| Men | 4 |
| Women | 2 |

Board tenure

Non-Executive Director average tenure as at 31 March 2024

4.7 years



Demonstrating our skills

The skills matrix shows the level of expertise of our Board across a range of disciplines.

| | Lena Wilson | Mark Batten | Maria Bentley | Richard Jones | Michael Morris | Andrew Dewhirst |
|-------------------------------------|-------------|-------------|---------------|---------------|----------------|-----------------|
| Skills | | | | | | |
| Leadership and strategy | / | / | / | / | / | / |
| Real estate | | / | | / | / | / |
| Accounting/finance and risk | / | / | / | | | / |
| Remuneration | / | | / | | / | / |
| People, talent and culture | / | / | / | | / | / |
| Other listed Board experience | / | | / | | | |
| Corporate finance | | / | | | | |
| Governance | / | / | / | / | / | / |
| CEO or other operational experience | / | / | / | / | / | / |
| Sustainability | / | | | | / | |
| Technology leadership | / | | | | | |

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 15 years 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

- / Non-Executive Director and Chair of the Group Performance and Remuneration Committee NatWest Group plc
- / Member of the European Advisory Board of Workday Inc.

Previous experience and appointments

- / Chair, Chiene + Tait LLP
- / Chief Executive, Scottish Enterprise
- / Senior Investment Advisor at the World Bank
- / Non-Executive Director, Intertek PLC
- / Non-Executive Director, Scottish Power Renewables
- / Non-Executive Director and Senior Independent Director, Argentex Group PLC
- / Chair, AGS Group



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 Limited
- / Non-Executive Director, Assured Guaranty Ltd.
- / Senior Independent Director and Chair of the Audit and Risk Committee, Weatherby Bank Limited
- / 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, 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 and Chair of the Human Resources Committee, RBC Global Asset Management (UK) Limited (formerly BlueBay Asset Management LLP)
- / Chair (from 1 April 2024), Non-Executive Director and Chair of the Remuneration Committee, Daiwa Capital Markets Europe Limited
- / Senior Independent Director and Chair of Remuneration Committee, Peel Hunt Limited

Previous experience and appointments

- / Senior Managing Director & Global Head of HR, Wholesale & Head of HR EMEA, 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, Henley Secure Income Property Unit Trust
/ Investment Committee, Henley Secure Income Property Unit Trust II
/ Special Advisor, Clearbell UK Strategic Trust

Previous experience and appointments

/ UK Managing Director on Aviva's Investors' Global Real Estate Board
/ Special Director, Ribston UK Industrial Property Unit Trust
/ Non-Executive Director, Royal Brompton and Harefield Hospital NHS Foundation Trust
/ Transport for London's Commercial Property Advisory Group



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

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



Saira Johnston
Chief Financial Officer

Appointed to the Board

1 April 2024

Responsible for strategic financial planning and reporting for the Group.

Key strengths and skills

/ Chartered accountant with over 20 years' experience in finance and management roles
/ 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

/ Chief Financial Officer, Gravis Capital Management Limited
/ Group Financial Controller Moorfield Group,
/ Director of Finance, CBRE Global Investors/ING Real Estate
/ Investment Controller, Morgan Stanley Real Estate Fund

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.



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. Michael is Chair of the Executive Committee and of the Transaction and Finance Committee and leads the Company's Climate Action Working Group.



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.



Saira Johnston
Chief Financial Officer

Saira is a Chartered Accountant with over 20 years of experience working in the real estate sector in a range of financial and operational related roles. From 1 April 2024, Saira assumed responsibility for the financial strategy and reporting for the Group. Saira is also Chair of the Responsibility Committee and a member of the Transaction and Finance Committee.



Andrew Dewhirst
Director of Finance

Andrew has over 30 years of experience within the financial services and real estate sectors. Andrew stepped down from the Board on 31 March 2024. He will be retiring shortly following a smooth transition and handover period with Saira and delivery of the 2024 Annual Report and Accounts.



Mark Alder
Head of Occupier Services

Mark joined in 2020 and is a Chartered Surveyor with over 30 years of property management experience. He is responsible for delivering effective property management and strengthening our relationship with our occupiers. Mark is a member of the Responsibility Committee and the Health and Safety Committee.



Lucinda Christopherson
Executive Assistant to Chief Executive and Office Manager

Lucinda joined in December 2023 as Executive Assistant to the Chief Executive, Michael Morris, and is responsible for the day-to-day management of the office and for overseeing the administrative aspects of the Company. She is a member of the Health and Safety Committee.



Tim Hamlin
Director of Asset Management

Tim is a Chartered Surveyor with over 15 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.



Kathy Thompson
Company Secretary

Kathy joined in May 2023 and was appointed Company Secretary to the Group on 1 October 2023. Kathy is a Chartered Secretary with over ten years of experience within the financial services sector, having previously qualified as a Chartered Accountant with PwC.



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, the Transaction and Finance Committee and is Chair of the Health and Safety Committee.



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.



Andy Lynch
Head of Building Surveying

Andy is a Chartered Surveyor with over 15 years of experience within the commercial real estate sector. Andy joined the Group in November 2022 and oversees refurbishment projects and other building matters across the portfolio, with a particular focus on environmental improvements.



Louisa McAleenan
**Senior Analyst – Research, Strategy
 and Sustainability**

Louisa has over 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. She is a member of the Responsibility Committee and the Climate Action Working Group.

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.

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 dynamic positioning of the portfolio, gearing strategy and engagement with our occupiers.

Progressive

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

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

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 Company.

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.

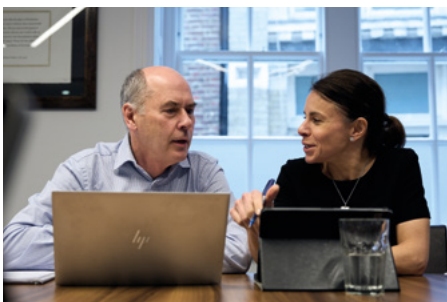
The Board has collectively a range of skills and experience that are complementary and relevant to the business.

These are set out in the biographies of the individual Directors on pages 82 and 83 and illustrated in the skills matrix on page 81.

Board meetings

The Board has a regular timetable of meetings throughout the year, which includes two Board meetings scheduled each quarter. The first shorter meeting is usually held virtually, to deal with the approval of the dividend and to review key portfolio activity. The second meeting is held in person and includes consideration of strategic and operational matters with time set aside for thematic discussions, as required. There are also two meetings held each year to approve the annual and the half-year results. Finally, in March, there is an annual strategy day, which provides the Board with an opportunity to reflect on the previous year's activities and achievements and to plan for the upcoming year.

Board education sessions are included in the schedule, and external advisers are invited to attend Board meetings on a regular basis.





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, which are available on the Company's website.

 Committee Terms of Reference

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.

The process for obtaining Board approval for external appointments is included in the Nomination Committee Report.

Attendance at Board and Committee meetings

| Board members | Date appointed | Board | Audit and Risk | Remuneration | Property Valuation | Nomination |
|---------------------------------|----------------|-----------|----------------|--------------|--------------------|------------|
| Lena Wilson | 01.01.2021 | 10/10 | - | 6/6 | 4/4 | 3/3 |
| Michael Morris | 01.10.2015 | 10/10 | - | - | - | - |
| Andrew Dewhirst | 01.10.2018 | 10/10 | - | - | - | - |
| Mark Batten | 01.10.2017 | 10/10 | 4/4 | 6/6 | 4/4 | 3/3 |
| Maria Bentley ¹ | 01.10.2018 | 10/10 | 3/4 | 5/6 | 4/4 | 3/3 |
| Richard Jones | 01.09.2020 | 10/10 | 4/4 | 6/6 | 4/4 | 3/3 |
| Total number of meetings | | 10 | 4 | 6 | 4 | 3 |

1. Maria Bentley was unable to attend the 2 May 2023 Audit and Risk Committee and Remuneration Committee meetings due to illness. Mark Batten, as Senior Independent Director, chaired the Remuneration Committee meeting in Maria's absence.

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.

Board activities

The Board met formally on ten occasions during the year, as well as holding a more informal strategy day in March. A wide range of matters were considered by the Board and key Board activities and approvals over the year are set out here.

How the Board has engaged with all its stakeholders is set out on pages 92 and 93, and consideration of Section 172 matters is described on pages 90 and 91.

Impacted stakeholders

| | |
|--|---|
| Strategy and management |   |
| Financials/financial reporting and performance |   |
| Risk management and internal controls |    |
| People, culture and values |  |
| Governance |     |
| Stakeholder engagement |    |
| Sustainability |    |

Our stakeholders



Our people



Local communities and charities



Our occupiers



Our investors



Suppliers

Activity


- / Annual and mid-year strategy review
 - / Consideration of a number of corporate opportunities
 - / Consideration of the operational performance of the business
 - / Review of portfolio strategy and activity
 - / Review of operational matters, including health and safety
-
- / Approval of the Annual Report and Interim Results and related Stock Exchange announcements
 - / Review of portfolio and financial forecasts
 - / Review of quarterly management accounts
 - / Approval of operating budget for the 2024 financial year-end
 - / Approval of quarterly dividends and related Stock Exchange announcements
 - / Consideration of macroeconomic updates from external advisers
-
- / Review and approval of Risk Management Policy, including risk appetite
 - / Review of risk radar and risk matrix
 - / Agreement of internal audit programme
 - / Review of the internal audit reports
 - / Review of internal controls report for Property Manager
 - / Evaluation of external auditor
-
- / Approval of the 2024 Remuneration Policy
 - / Review of independent benchmarking report on market remuneration levels, both for employees and Directors
 - / Approval of Deferred Bonus and LTIP share awards for the team
 - / Approval of the salary and bonus awards
 - / Discussion of the outcomes and actions from the employee engagement survey
-
- / Consideration of reports from the Chairs of each Board Committee on key areas of Committee discussion and focus
 - / Consideration of report from the Company Secretary and governance update
 - / Discussion of Board diversity and succession including Chief Financial Officer
 - / Discussion of progress made against the action plans from the 2023 Board evaluation
 - / Discussion of feedback from 2023/24 internal Board evaluation
 - / Acceptance of the quarterly independent valuations
 - / Approval of the appointment of new Guernsey Trustee and registered office provider
 - / Approval of Modern Slavery Statement
 - / Approval of Health and Safety Policy Statement
 - / Approval of asset disposals
 - / Review and approval of updated Committee Terms of Reference
-
- / Planning for the forthcoming Annual General Meeting
 - / Annual General Meeting and shareholder engagement
 - / Review of feedback from shareholders following annual and half-year results
 - / Market update from the Company's brokers
 - / Review of feedback received on corporate opportunity possibilities
 - / Discussion of the outcomes and actions from the occupier engagement survey
-
- / Review of progress against sustainability priorities
 - / Approval of the Sustainability Policy
 - / Approval of the Biodiversity Policy

Section 172 Statement


As the Company is registered in Guernsey, the UK Companies Act 2006 does not apply. However, in accordance with the UK Corporate Governance Code 2018 and as a matter of good governance, the Directors, individually and collectively as the Board, act as they consider most likely to promote the success of the Company for the benefit of shareholders as a whole.

The Directors have regard to:


The likely long-term consequences of decisions

 / Read more on pages **86-93**


The interests of its employees

 / Read more on page **72**


The Company's relationships with its suppliers, customers and others

 / Read more on pages **70-75**


The impact of the Company's operations on the community and the environment

 / Read more on pages **56-69**

The Company's reputation and maintaining a reputation for high standards of business conduct

 / Read more on pages **78-95**

The need to act fairly towards shareholders

 / Read more on pages **88-93**

Consideration of these factors and other relevant matters is embedded into all Board decision making, strategy development and risk assessment throughout the year. We consider our key stakeholders to be our shareholders, our occupiers, our people, our communities, and our suppliers. Working closely with our stakeholders is a key strategic priority. The primary ways in which the Board engages directly or delegates responsibility for engagement to management are set out below.

Board engagement with stakeholders Our shareholders

We rely on the support of our shareholders and their views are important to us. The long-term success of the business will deliver value for shareholders. The Chair and Chief Executive hold regular meetings with shareholders and feedback from these meetings is reported back to the Board. This feedback may be on macro trends, share price performance, our growth strategy, operational matters, financing strategy or dividend policy, as examples. There are also investor presentations arranged following our Annual General Meeting and after release of our interim results, which provide an opportunity for investors to raise questions. Other Non-Executive Directors will engage with shareholders on specific matters as appropriate and all of the Directors normally attend the Annual General Meeting to meet with shareholders and to answer any questions they may have.

Our occupiers

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. The Board has delegated responsibility for engaging with occupiers to the asset management team, who have ongoing communication with occupiers, and use this information when making proposals to the Board on investment transactions, such as refurbishment projects or leasing events.

Our people

Our people are key to our success and we want them to succeed both as individuals and as a team. One of our Non-Executive Directors, Maria Bentley, has responsibility for employee engagement. We carried out our annual employee survey this year using an independent third-party consultant which provided a more insightful view of the feedback

given which was then discussed by the Board. The Board has also been able to meet with the whole team informally when the quarterly in-person Board meetings have been held at Stanford Building.

Local communities and environment

We are committed to improving the impact of our buildings on local communities, whether providing space to local businesses, improving local areas or minimising the environmental impact of buildings themselves. The Board has established a Responsibility Committee, which is chaired by one of the Executive Directors, to manage sustainability initiatives on its behalf. The Board reviews progress on sustainability matters and against our net zero carbon pathway, and at this year's strategy day received a presentation from the Better Buildings Partnership.

Suppliers

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. The Board has agreed the overall business framework and delegated its implementation to the management team.

Considering stakeholders in key Board decision making

The table below sets out several examples of important decisions taken by the Board during the year. These decisions are not only material to the Group but are also significant to any of our key stakeholders. As part of the decision making process, the Board considers the feedback from stakeholder engagement as well as the need to act fairly between shareholders and to maintain high standards of business conduct.

Actions

| | |
|---|---|
| Evaluation of growth opportunities | The Board considered a number of potential corporate opportunities that would have enabled both earnings growth and provided increased scale. Growth would also bring further benefits to the team in the form of career progression. |
| Evolving occupational demand | The Board has considered the changes in occupier demand within the office sector and where appropriate approved a strategy to secure more valuable alternative uses at selected office assets. The post-year-end sale of Angel Gate, London brings financial benefits to our shareholders allowing the Company to repay our debt and increase the dividend. |
| Review of dividend | The Board is aware of the value of regular dividend payments to shareholders and reviews the level of dividend each quarter. Whilst the dividend level was maintained throughout the year, following the sale of Angel Gate, the Board approved an increase in the dividend to shareholders in April. |
| Occupier engagement | The Board agreed that occupier surveys should be carried out again this year to better understand the evolving requirements and areas of concern for our occupiers to ensure that satisfaction levels can be met or exceeded. |
| Sustainability and Biodiversity Policy | The Board reviewed the Company's Sustainability Policy and approved a new Biodiversity Policy this year, as part of our commitment to the wellbeing of the local communities in which we operate and to minimising the environmental impact of our buildings. |
| Remuneration Policy | The Board has approved a new Remuneration Policy for recommendation to shareholders at our Annual General Meeting, with the changes proposed consistent with our objective of providing remuneration packages for our Executive Directors which are fair and reasonable. |
| Annual General Meeting | The Board considered the timing of our Annual General Meeting and decided to bring forward the date to July 2024, being closer to the release of our Annual Results which the Board felt would be beneficial to shareholders. |

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 why and how we effectively engage with them.

Our Section 172 Statement for the year ended 31 March 2024 is available on the previous pages 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

Why we engage



Our people

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

We seek our employees' views on our working arrangements and practices, our purpose, values and activities, which all support our continued strong and open culture.



Local communities and charities

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

We seek to inform our social value related activity which aims to deliver positive social outcomes and enhanced wellbeing for the communities and charities located near our assets.



Our occupiers

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

We are occupier focused in our approach and aim to understand our occupiers' evolving requirements to continually improve their occupier experience and create spaces in which they will succeed.



Our investors

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

Engaging with our investors helps to inform our strategic decision making, communicate clearly and report on both our financial and sustainability performance.



Suppliers

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

Engaging with our suppliers ensures we are operating in an ethical way in accordance with relevant laws and regulations and in line with our own business principles.

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 by the Board. The Board also meets with the whole team informally when in-person Board meetings are held at Stanford Building.

We are committed to improving local communities where we own buildings, whether providing space to local businesses, improving 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 our Annual General Meeting was at Stanford Building in September and we also held a webinar for shareholders for those unable to attend in person.

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

The Board discussed the results of the employee engagement survey which reflected the high level of positive sentiment amongst the team. The Board noted the continued support for our flexible working arrangements and will follow up on other issues raised.

Our charitable donations for the year were £25,000, and we supported over 15 different charities. We have maintained our long-standing partnerships with Coram and The Funding Network and further strengthened our charity partnerships with The Fostering Network and Future Youth Zone. Additionally, our new partnership with Youngwilders, a not-for-profit organisation, was approved in February 2024, which aligns with our policy on biodiversity.

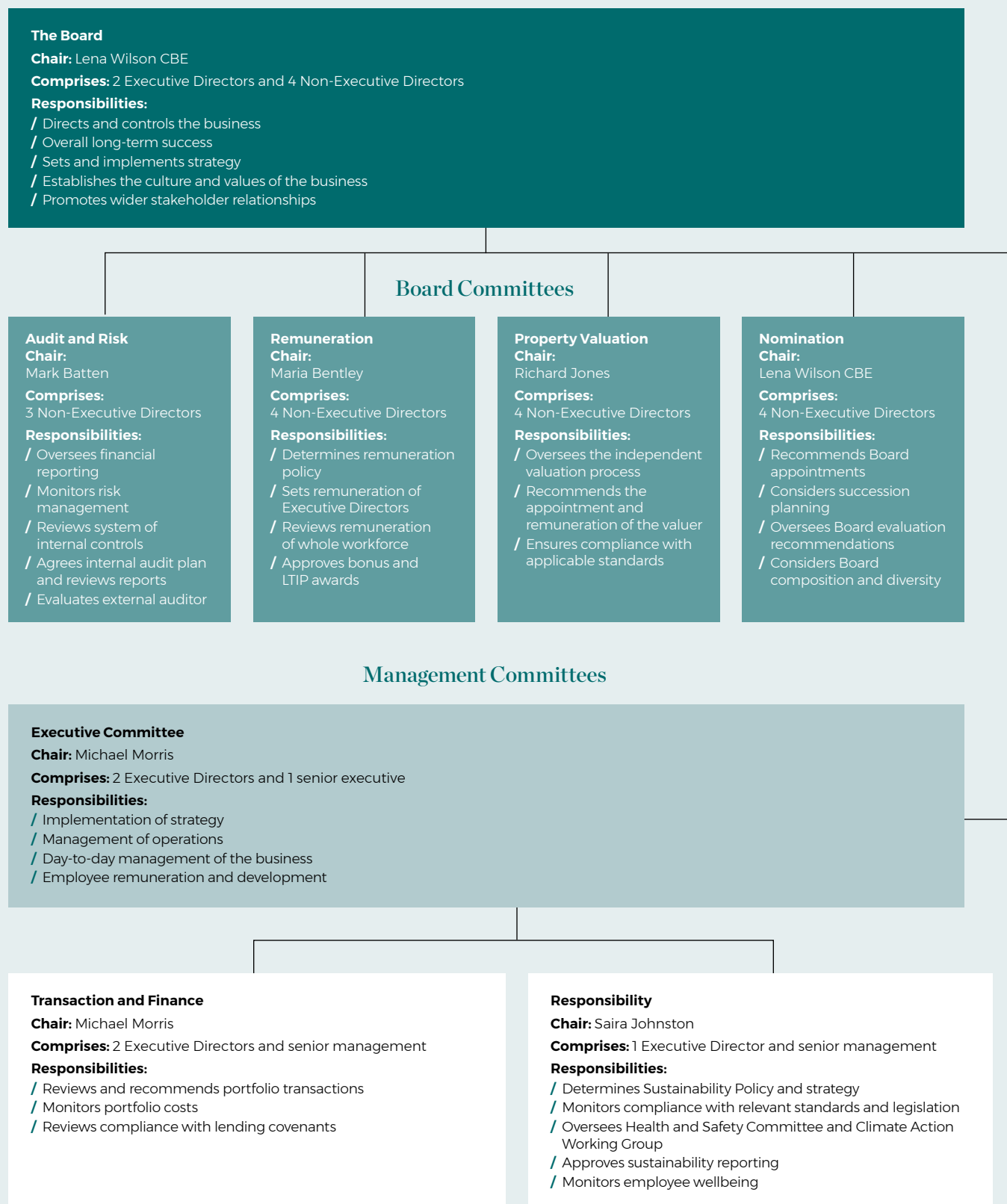
This year, we have undertaken occupier surveys at our offices and industrial properties. The results from the surveys were positive, and any specific issues raised regarding buildings have been addressed by our property managers. We also continued the roll-out of our occupier app at a further nine properties, with over 1,200 regular users across all our locations. We will continue this roll-out programme over the course of the year.

The Chair and Chief Executive have held meetings with major shareholders this year to receive feedback on issues important to the strategic direction and growth of the business. The Chair of the Remuneration Committee has sought consultation from our shareholders in respect of the Remuneration Policy ahead of this year's Annual General Meeting.

We have continued to ensure that our suppliers are paid promptly and within payment terms. We continue to ensure that new suppliers comply with our modern slavery terms.

Division of Responsibilities

The role of the Board and its Committees



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 / Oversees appointment of new Chair / Available for communication with shareholders when other channels are not appropriate / Acts as alternate to the Chair when unable to act |
| 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 (to 31 March 2024) and Saira Johnston (from 1 April 2024) | <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 as at 31 March 2024.

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 2024 the Board comprised 50% independent Non-Executive Directors, excluding the Chair.

The biographies of the Directors can be found on pages 82 and 83, which set out their skills and experience, and their membership of each of the Committees.

Function



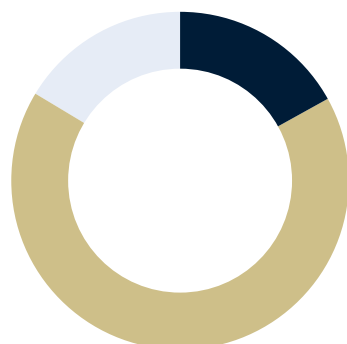
- Non-Executive Chair – 1 (17%)
- Executive Directors – 2 (33%)
- Independent Non-Executive Directors – 3 (50%)

Diversity



- Male – 4 (67%)
- Female – 2 (33%)

Age



- 50 to 54 years – 1 (17%)
- 60 to 64 years – 4 (66%)
- 65 to 69 years – 1 (16%)

Tenure



- 3 to 6 years – 4 (67%)
- 6 to 9 years – 2 (33%)

Ethnic representation

| | Number of Board members | Percentage of the Board | Number of senior Board positions | Number in executive management | Percentage of executive management |
|---------------|-------------------------|-------------------------|----------------------------------|--------------------------------|------------------------------------|
| White British | 6 | 100% | 4 | 3 | 100% |

Sex/gender representation

| | Number of Board members | Percentage of the Board | Number of senior Board positions | Number in executive management | Percentage of executive management |
|-------|-------------------------|-------------------------|----------------------------------|--------------------------------|------------------------------------|
| Men | 4 | 67% | 3 | 3 | 100% |
| Women | 2 | 33% | 1 | 0 | 0% |

FCA Listing Rule Requirements

Following Saira Johnston's appointment to the Board with effect from 1 April 2024, the Company will meet the FCA Listing rule requirements regarding Gender and Ethnicity.

Q & A

Andrew Dewhirst stepped down from the Board on 31 March 2024 and will be shortly retiring.

Saira Johnston joined as his successor and was appointed to the Board on 1 April 2024.

What attracted you to Picton?

Saira: I was impressed by their track record and property level performance, as well as their internal management structure and the size of business.

As a company they offer a unique blend of professionalism, working within a listed environment yet with a real entrepreneurial feel. The team clearly have a passion for what they do.

What do you think will be key challenges or differences in this role than your previous roles?

Saira: A key difference is the internal management structure which is unique in the way it aligns management to performance.

There has been a lot of activity in the listed real estate market and gilt yields have been a challenge to REITs. I was impressed by their disciplined approach to capital structure with a long maturity and fixed interest debt book.

What are you most looking forward to?

Saira: I am looking forward to joining the team and making a valuable contribution. With over 20 years' experience across real estate investments I am excited to play a part in the next stage of Picton's journey.

What is your most used app?

Saira: Life 360 to keep an eye on the family! Or Strava for logging my activity, mainly running.

My favourite time of day is the morning and being outdoors doing some exercise is a great start to my day, although my husband might dispute that when the alarm goes off at 5.30! Over the last three years I have run over 1,000 km each year to raise money for cancer charities, which is a great motivator and a chance to give something back doing something I love.

What has been the highlight of your time at Picton?

Andrew: There have been many!

It's been great being part of a small team and seeing it develop and evolve, while being able to work without the bureaucracy and politics of big organisations.

At the start we were in an empty office working from second hand desks and had to set everything up from scratch - everything from stationery to IT and systems. So seeing the business grow from its humble beginnings to where it is now, a well-regarded and outperforming UK REIT has been very rewarding.

Key achievements include the early re-financing back in 2012 and then the REIT conversion in 2018.

It's been great to build relationships with key advisers and I will miss working with the team, it never felt like a chore coming in to work.

I won't miss the aborted landings coming in to Guernsey Airport though - 'we'll just go round again!'

Do you have any advice for Saira?

Andrew: Be patient, speak your mind, always try to improve how things are done.

What is your most used app?

Andrew: Spotify probably. I enjoy live music and listening to what's new. I am looking forward to hitting a few more festivals in my retirement.



Saira Johnston



Andrew Dewhirst

Nomination Committee

Focus areas for 2023/2024

/ Succession planning

/ Appointment of Saira Johnston
as Chief Financial Officer

The Nomination Committee is chaired by Lena Wilson. The other members of the Committee are Mark Batten, Maria Bentley and Richard Jones. There have been no changes to the composition of the Committee during the year.

Lena Wilson CBE
Chair of the
Nomination Committee



The Committee's main responsibilities include reviewing the composition of the Board to ensure it has the right balance of skills, knowledge, experience and diversity to carry out its duties and provide effective leadership. The Committee also leads the selection process and the nomination of candidates for appointment to the Board, ensuring the process is formal, rigorous and transparent and there are appropriate succession plans in place for both the Board and senior management. It is also the Committee's role to review the results of the annual Board evaluation taking particular regard to feedback relating to composition and succession.

The Committee makes recommendations to the Board regarding the composition of the Audit and Risk, Remuneration, 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:

- / 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 and succession;
- / Review the time and independence requirements for Directors; and
- / Recommend the membership of Board Committees.

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Activity

The Committee met five times during the year ended 31 March 2024, which included the three scheduled meetings and two ad hoc meetings.

A key focus of activity for the Committee has been on succession planning, including commencing and completing the search for a new Chief Financial Officer to succeed Andrew Dewhirst in the first half of the year; and commencing the search for a new Non-Executive Director and Remuneration Committee Chair to succeed Maria Bentley. The selection process for each Board role fully takes into consideration the FCA Listing Rules on diversity targets. For further details see page 100.

The Committee has also kept under review both existing and new external appointments of the current Directors to ensure that the time commitments arising from these external roles would not affect their continued ability to discharge their duties effectively; and to ensure Directors are not over-boarded and continue to meet the required standards concerning independence. As part of this review, consideration was also given to any charitable or other not-for-profit positions held by the Non-Executive Directors, given that this could also impact their time availability.

During the year, the following external appointments were approved:

- / Mark Batten's appointment as Non-Executive Director, Chair of the Audit Committee and Senior Independent Director of Weatherbys Bank Limited, as Chair of Assured Guaranty UK Limited where he was already a Non-Executive Director, and as a Non-Executive Director of the parent company, Assured Guaranty Ltd
- / Maria Bentley's appointment as Senior Independent Director of Peel Hunt Limited and as Non-Executive Chair of Daiwa Capital Markets Europe Limited, where, for both companies she was already a Non-Executive Director

Routine matters considered by the Committee included reviewing the performance and constitution of the Committee and reviewing its Terms of Reference. Following a detailed review, the Terms of Reference were updated to bring them in line with the UK Corporate Governance Code and best practice and were subsequently approved by the Board. The Committee also oversaw the actions taken in response to the recommendations from the external Board evaluation, carried out in 2023, and considered the feedback from the internal Board evaluation carried out at the beginning of the year, and agreed the actions to be taken in response. See pages 101 to 102 for further detail.

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

Lena Wilson CBE
Chair of the Nomination Committee

Recruitment and succession planning

The Committee's main focus during the year was on the selection and appointment of a new Chief Financial Officer to succeed Andrew Dewhirst, following his planned retirement in 2024.

For this role, independent executive search consultants, Teneo People Advisory, were appointed to assist with identifying a shortlist of candidates from which the Committee selected Saira as the preferred candidate. Following the Committee's recommendation the Board approved Saira's appointment in October 2023.

Following Maria Bentley informing the Board of her intention to step down from the Board, and as Chair of the Remuneration Committee at the end of the Annual General Meeting, the Company commenced a search for a suitable successor. After a tender process conducted by the Chair, Chief Executive and Company Secretary, Teneo were again selected to undertake the search for a successor. The recruitment process will follow a similar format to that followed previously and progress will be monitored by the Committee.

Board succession will therefore continue to be a key focus for the Committee in the year ahead.

Induction

An induction programme is in place for new Board members and is overseen by the Chair and the Company Secretary. As part of the induction programme, the Chief Financial Officer spent time with fellow Board members at strategy, Board and Committee meetings, prior to formally being appointed to the Board on 1 April 2024. In addition, the Chief Financial Officer has had meetings with a range of key stakeholders, including our brokers, bankers and external and internal auditors whilst working closely with the retiring Finance Director for a smooth transition.

Diversity and inclusion

The Company believes that diversity amongst our employees is essential for our sustained business success. We value the contributions made by all of our team and are committed to treating all employees equally.

Despite being a small team, we ensure that equity, diversity and inclusion are key considerations for our recruitment partners as part of their candidate recommendations. All candidates are then considered on merit but having regard to the right blend of skills, experience and knowledge.

50%

Board gender balance
as at 1 April 2024

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.

In 2023, an external review of the Board's effectiveness was carried out by Boardroom Review Limited. The following table sets out key actions that were identified following the review together with the progress made since the review.

| Action | Progress |
|--|--|
| 1. Ensure opportunities for growth and increasing scale are fully considered | The Chair and the Chief Executive have regularly provided status updates. In addition, ad hoc meetings were arranged as appropriate throughout the year to discuss strategic initiatives as they were progressed. |
| 2. Establish clear parameters on risk appetite | The Risk Management Policy (which includes the risk parameters) is reviewed annually by the Audit and Risk Committee. The risk radar and risk matrix, which form part of the risk management framework, are reviewed at each meeting of the Audit and Risk Committee. |
| 3. Maintain occupier focus, especially around office working and technology | The roll-out of our occupier app at office properties has continued as a primary focus in the year. This has significantly enhanced our occupier engagement as evidenced by the recent survey. |
| 4. Encourage more external perspectives, particularly ESG and technology | Several external presentations were arranged for the Board strategy day. These included an overview of economic outlook and trends given by Capital Economics and an insight into ESG initiatives and occupier engagement from the Better Buildings Partnership. |
| 5. Consider future Board composition | Succession planning is included as a standing agenda item for the Nomination Committee for consideration annually or more frequently if required. |
| 6. Improve diversity at Board level (and within the team) | The consideration of diversity and inclusion factors form part of our succession planning processes. |
| 7. Consider expertise and resource within the team | Widening the depth and experience of the team is an ongoing consideration, and contributed to the appointment of our new in-house Company Secretary, Kathy Thompson in May 2023, and to the expansion of the office manager role to include the provision of executive assistant support to our Chief Executive, with the appointment of Lucinda Christopherson in December. |
| 8. Develop talent within the team | This is an ongoing consideration for management as part of the annual review process for all employees. |
| 9. Review existing company secretarial arrangements | The plans to transition from Northern Trust to in-house provision of our company secretarial arrangements were completed successfully on 30 September 2023. |
| 10. Optimising internal audit | BDO have been appointed as outsourced provider of Internal Audit services and have completed their second year of audit reviews covering asset, lease and property management. Recommendations from these reviews and from the first year round of audit reviews on cyber security and key financial controls have been progressed during the year. |
| 11. Review cyber security and data | BDO carried out a review of cyber security with several recommendations being actioned as a result, which included the Company achieving Cyber Essentials accreditation during the year. |

This year, our Board evaluation was carried out internally, in line with the three-year review cycle. This consisted of a questionnaire prepared by the Company Secretary following discussion with the Chair. The questionnaire covered the following areas:

- / Board roles and responsibilities
- / Board composition, skills, knowledge and development
- / Board meeting conduct and operations

The questionnaire was completed by each of the Directors and the overall conclusions were that the Board and the Committees continued to operate very effectively.

The key themes and actions arising from the review were:

1. Continue to consider opportunities for growth and increasing scale on Board agenda
2. Review and update the risk management framework
3. Review Board meeting schedule and allocation of topics for each meeting
4. Include a lessons learned Board agenda item on a regular basis, to cover both strategic and operational matters
5. Increase focus of Board reporting on what has changed since the previous Board meeting
6. Review how the Board considers stakeholders as part of its routine business and in the decision-making process
7. Ensure succession planning and diversity are regularly included for discussion at Nomination Committee meetings
8. Review Director induction and ongoing Director training ensuring this covers key areas such as sustainability

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 and all Directors with the exception of Maria Bentley, who will step down from the Board in July, will be proposed for re-election, or election in the case of Saira Johnston, at the Annual General Meeting in July 2024.

Lena Wilson CBE

Chair of the Nomination Committee
22 May 2024

Audit, Risk and Internal Control

Audit, risk and internal control

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.

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 Group's external 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. 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, and not absolute, assurance against material misstatement or loss. The Board 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 FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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 includes 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 Board has appointed BDO LLP (BDO) to provide internal audit and assurance services to the Group. The Board considers that this provides it with assurance that the Group's internal controls are robust and are operating effectively. The annual programme of testing carried out by BDO is agreed in advance by the Audit and Risk Committee. Details of the reviews carried out by BDO are set out in the Audit and Risk Committee Report.

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 external auditor to ensure that there are no issues of concern in relation to the audit of the financial statements and representatives of senior management are excluded from that discussion.

Audit and Risk Committee

Focus areas for 2023/2024

/ Annual and Interim Reports

/ Internal audit reviews

/ Risk management

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

Mark Batten
Chair of the Audit
and Risk Committee



The Committee was satisfied that the 2024 Annual Report is fair, balanced and understandable.

Mark Batten

Chair of the Audit and Risk Committee

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

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 assurance services, including review of any report and assessment of control weaknesses; and
- / Reporting responsibilities.

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Activity

The Audit and Risk Committee met four times during the year ended 31 March 2024 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;
- / Internal audit reports and programme; 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 2024 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 external 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 external 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 on 30 April 2024 and confirmed that the following matters had been considered in discussions with the external 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 external auditor has presented their findings to the Committee; no areas of concern were raised in respect of management judgements exercised in the preparation of the financial statements or matters that needed additional work.

The Committee was satisfied that the 2024 Annual Report is fair, balanced and understandable and included the necessary information as set out here, 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 risk awareness and evaluation and identify risks at multiple levels within the Group; and
- / Meet legal and regulatory requirements.

Internal control 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. The Board 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 2023, prepared in accordance with International Standard on Assurance Engagements 3402, in respect of the suitability of the design and operating effectiveness of controls of the property management accounting services provided to Picton Property Income Limited.

BDO provides internal audit and assurance services to the Group. The Committee agreed a programme of reviews for 2023/24, which covered asset management, lease management and property management. The Committee has considered the review reports and the recommendations arising, which had been discussed with management. The Committee also considered and agreed the review plan for 2024/25 which will cover capital expenditure, IT controls and a follow up on previous recommendations.

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 compromised. 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:

| | 2024 | 2023 |
|---------------------|-------------|------|
| | £000 | £000 |
| Audit fees | 223 | 179 |
| Interim review fees | 25 | 16 |
| Non-audit fees | - | - |
| | 248 | 195 |

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 their work and 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 any 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, Steve Stormonth, has completed two years as audit partner.

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
22 May 2024

Property Valuation Committee

Focus areas for 2023/2024

- / Quarterly external valuer reports
- / New RICS rules on valuer rotation
- / Review of valuer performance

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

Richard Jones
Chair of the Property
Valuation Committee



We are encouraged to see values stabilising as the year has progressed.

Richard Jones

Chair of the Property Valuation Committee

Terms of reference

The Committee shall review the quarterly valuation reports produced by the external 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.

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Activity

The Committee met four times during the year ended 31 March 2024. Members of the Property Valuation Committee, together with management, met with the external 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 has considered the market trends that have been evident over the course of the year and are confident that these were fully reflected by the external valuer. The Committee was satisfied with the valuation process throughout the year.

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 undertaken 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 cognisant of the new RICS rules requiring the periodic rotation of valuers in the UK, which will come into force on 1 May 2024 and require a change to the Company's valuer every ten years. The Committee intends to appoint a new valuer in good time to allow for a period of overlap and a smooth handover, with the appointment process due to be commenced later this year.

Richard Jones

Chair of the Property Valuation Committee
22 May 2024

2.2%

Relative Capital Growth
outperformance compared to MSCI

Remuneration Report

Remuneration Committee

Focus areas for 2023/2024

- / New Remuneration Policy
- / Bonus and LTIP awards
- / Remuneration package for new Chief Financial Officer

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

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

Maria Bentley
Chair of the
Remuneration Committee



Our objective is to provide straightforward remuneration packages for our Executive Directors, to fairly reward delivery of strategic priorities and enhanced shareholder value.

Maria Bentley
Chair of the Remuneration Committee

Terms of reference

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 Chair, 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](https://www.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 £54,580 (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.

100%

Team aligned through bonus deferral and LTIP

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 2024.

This report comprises three sections:

- / This annual statement;
- / The proposed new Directors' Remuneration Policy; and
- / The Annual Report on Remuneration for the year ended 31 March 2024.

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

Revised Remuneration Policy

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.

The current Directors' Remuneration Policy was set in 2021 and approved by shareholders at the Annual General Meeting that year. It is now approaching the end of its three-year life, and we are putting forward a revised Policy for approval by shareholders this year. Our existing Policy is already compliant with the Corporate Governance Code so there are only minor changes being made in the proposed new Policy. A summary of the changes is set out on page 113.

New Executive Director

During the year, the Committee considered and approved the remuneration of Saira Johnston, who joined the Board as Chief Financial Officer on 1 April 2024, replacing Andrew Dewhirst. The Committee agreed that the base salary for Saira Johnston would be £240,000. Details of her entitlement to incentives in 2024/25 are set out in the Implementation of Policy section of this statement. In addition, the Committee agreed that she would receive buy-out awards of £240,000 under the Deferred Bonus Plan in June 2024, payable in shares and vesting in two years' time, and a cash payment of £35,000, both as compensation for the forfeit of awards from her previous employment.

Group performance and alignment

We have set out on pages 20 to 23, 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. For both 2023/24 and 2024/25, the KPIs that we are using to determine variable remuneration are set out in the table above.

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

The key performance highlights noted by the Committee included:

/ 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 launch in 2005;

/ EPRA earnings rose by 2.2% compared to 2022/23;

/ The portfolio ERV increased by 3% over the year;

/ Net property income rose by 4.5% compared to the previous year;

/ Further progress on the installation of on-site renewables, increasing capacity by 184%;

/ Contracts exchanged on the disposal of two part vacant office assets, facilitating loan repayment and dividend increase;

/ The proportion of the portfolio's EPC ratings (A-C) has increased to 80% from 76% last year; and

/ Scope 1 and 2 greenhouse gas emissions are 16% below the 2019 baseline.

| 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) |

Annual bonus awards for 2023/24

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 Report on Remuneration, 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 focused on. These included targets relating to improving income and occupancy, the disposal of assets in line with the alternative use strategy, identification and evaluation of growth opportunities and sustainability, including progress against the net zero carbon pathway. The Committee considered the extent to which the Executive Directors had met the objectives, and concluded that good progress had been made against many, but noted that occupancy had remained stable and that operating costs had increased significantly this year. Overall, the Committee considered that an outcome of 65% of the maximum award for each of the two Executive Directors were merited against the corporate objectives.

In aggregate, annual bonus awards for the two Executive Directors are 54% of the maximum award (2022/23: 77% of maximum).

The Committee considered the overall bonus awards against the reported financial results and determined that the proportion of the bonus deferred be set at a higher than standard 55% for the Executive Directors.

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 2024)

The LTIP provides the link between the long-term success of the Company and the remuneration of the whole team. The awards made under the Long-term Incentive Plan (LTIP) in June 2021 were based on three performance conditions measured over the three-year period ended on 31 March 2024. The Committee has assessed the extent to which these three performance conditions have been met.

The three equally weighted performance conditions were total shareholder return, total property return and growth in EPRA earnings per share. The actual outcomes for these conditions are set out in the Annual Report on Remuneration and give rise to an overall award of 49.2% 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 3.2% in base salaries with effect from 1 April 2024. The average employee bonus (excluding the Executive Directors) fell by 15.6%, reflecting our continued outperformance but also the more difficult economic and property market conditions.

I have met informally with the team on a number of occasions this year, and we have also carried out our annual employee engagement survey. This is discussed in more detail elsewhere, but the results continue to demonstrate a high level of satisfaction among the team.

UK Corporate Governance Code

We have considered the provisions of the 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.

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 2025.

For 2024/25 the Committee agreed that there would be no increases in base salaries for the Executive Directors. The maximum annual bonus potential for 2024/25 will remain at 145% of base salary for the Executive Directors. As in previous years the annual bonus will be determined 60% by financial metrics and 40% by corporate objectives. For 2024/25 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 award for the Chief Executive under the Long-term Incentive Plan has remained at last year's level to reflect the lower share price and discount to net asset value, and to avoid any windfall gains arising on vesting. This year no award has been made to the Chief Financial Officer due to the buy-out awards granted on her appointment as set out on page 110. For the awards to be made in June 2024 for the three-year period to 31 March 2027, 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.

The Committee is satisfied that the significant deferral element to the annual bonus combined with the Long-term Incentive Plan opportunity plus shareholding guidelines ensures that Executive Directors are aligned with and focused on delivering long-term growth.

The Committee agreed that fee levels for the Chair and Non-Executive Directors would be increased by an average of 2.0% from 1 April 2024, and that an additional fee of £8,000 per annum for the role of Senior Independent Director be introduced.

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

Maria Bentley

Chair of the Remuneration Committee
22 May 2024







Revised Policy Overview

The below table summarises the revised Directors' Remuneration Policy which will be put forward to shareholders at the 2024 AGM.

 The full Policy can be found on pages **116-119**

The current Directors' Remuneration Policy was approved by our shareholders at the Annual General Meeting in 2021. The Remuneration Committee has reviewed the continued appropriateness of the current Policy relative to our strategic priorities, governance requirements and evolving market practice. Input was sought from the Chief Executive and Finance Director whilst ensuring that conflicts of interest were suitably mitigated. An external perspective was provided by our independent advisers, Deloitte, and previous feedback from shareholders.

Shareholder approval will be sought at the forthcoming Annual General Meeting for the updated Policy and key changes to the Policy are summarised below with the full Policy set out on pages 116-119. Subject to shareholder approval, the updated Policy will take effect immediately after the Annual General Meeting and will apply to the 2024/25 financial year.

| | Current Policy | Proposed changes and why |
|---|--|--|
|  Base salary | Base salaries are normally reviewed annually with changes effective on 1 April. | No changes |
|  Benefits | This principally comprises private medical insurance, life assurance and permanent health insurance, and other benefits may be provided as appropriate. | No changes |
|  Pension contributions | The Company has established defined contribution pension arrangements for all employees. A consistent rate of pension provision of 15% applies to all employees, including Executive Directors. | No changes |
|  Annual bonus | The annual bonus is based on a range of targets (measured over a period of up to one year) set by the Committee. The maximum bonus permitted under the Policy will be 175% of base salary. At least 50% of the annual bonus will be paid in the Company's shares and deferred for two years, although the Committee has discretion to amend the required level of deferral upwards or downwards. | No changes |
|  LTIP | Awards under the LTIP are granted annually usually in the form of a conditional share award and will vest after three years subject to meeting performance conditions, determined by the Committee. The maximum value of awards is 150% of base salary. A further holding period of two years after vesting is normally applied. | No changes |
|  Non-Executive Directors fees | Annual fee for the Chair, and annual base fees for other Non-Executive Directors. Additional fees for those Directors chairing a Board Committee. | Additional fees may also be paid for acting as Senior Independent Director or where there is a significant additional time commitment. The annual limit for Non-Executive Directors' remuneration will increase to £425,000, subject to approval by shareholders at the Annual General Meeting. |
| Shareholding guidelines | Executive Directors are expected to build up and maintain a minimum shareholding equivalent to 200% of base salary, and remain compliant for a period of two years post-employment. | No changes |

Remuneration at a glance

The components of remuneration for 2023/24 are:

Fixed pay



Base salary



Benefits

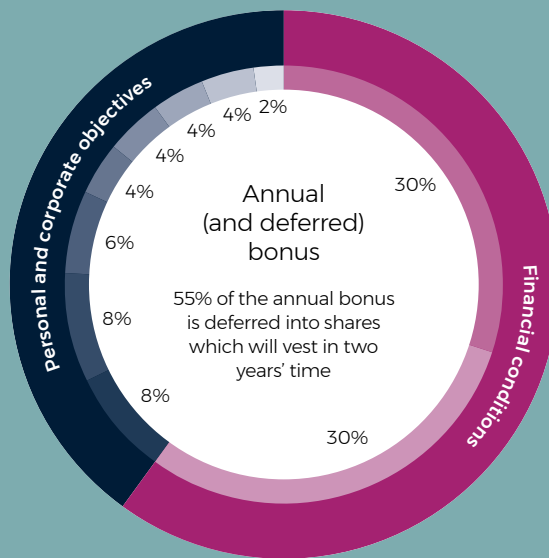


Pension contributions

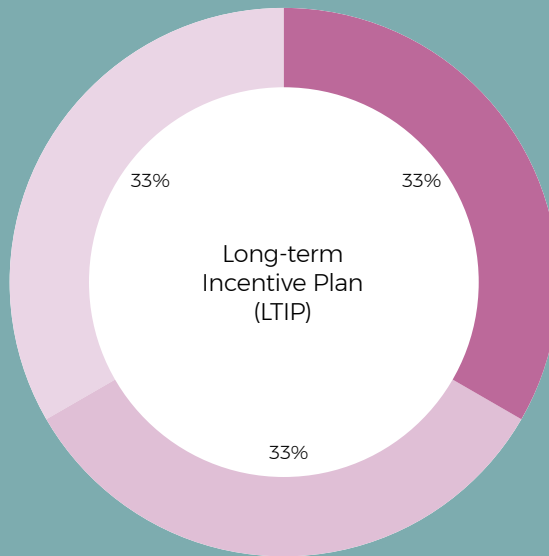
Read more on pages 120-126

Variable pay

The annual bonus for 2023/24 is determined by:



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



Personal and corporate objectives

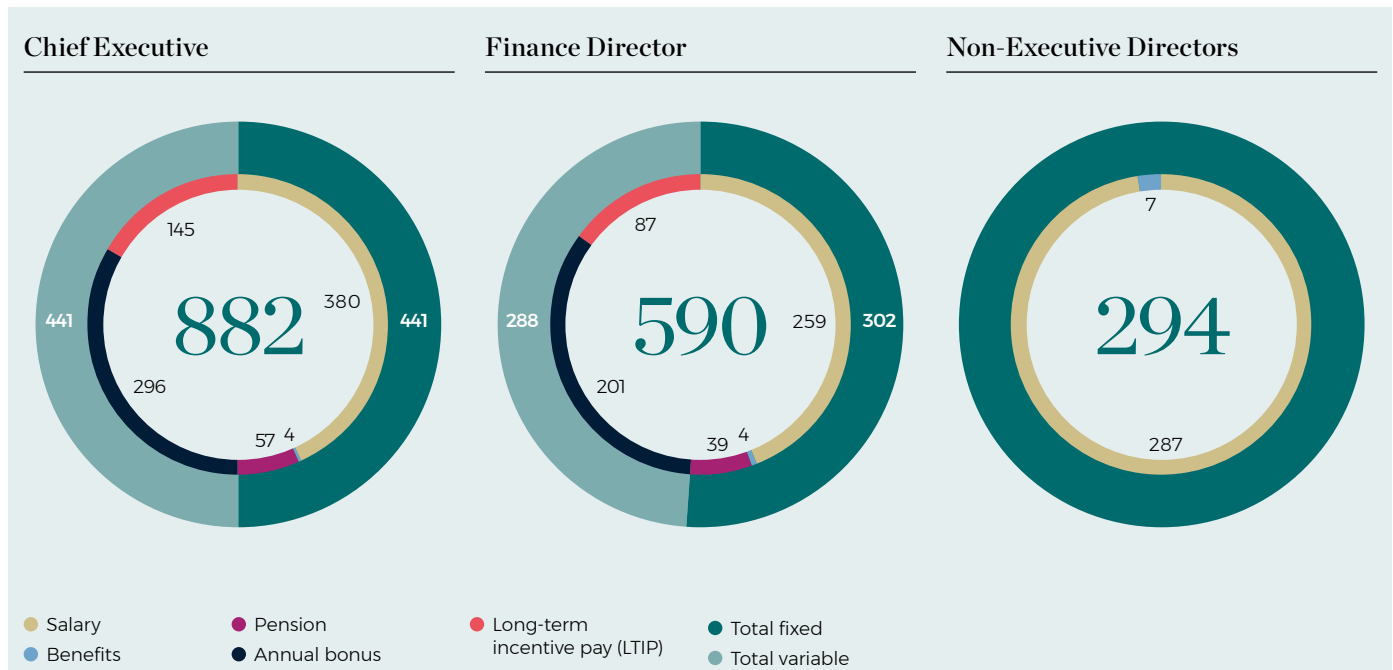
- Improve net income
- Identify and evaluate growth opportunities
- Make progress against net zero carbon pathway
- Reduce portfolio void
- Make asset disposals
- Positive stakeholder engagement
- Successful CFO succession planning and transition
- Successful internalisation of company secretarial function

Financial conditions

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

See page 121 for Performance conditions and assessment

The single figure of remuneration for the Directors for the year 2023/24 (in £ thousands) is:



The potential remuneration of the Executive Directors, excluding buy-out awards, for the year to 31 March 2025 is:

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

/ Fixed pay – base salary from 1 April 2024, benefits and pension salary supplement of 15% of base salary

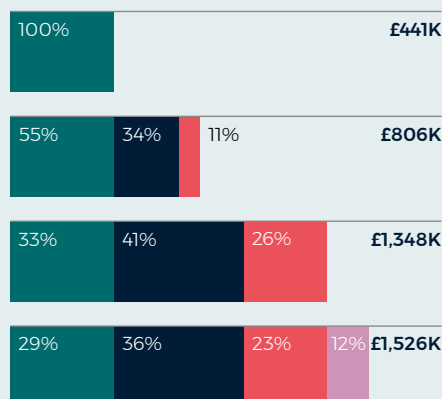
/ On target – fixed pay plus target vesting for the annual bonus (at 50% of maximum opportunity for illustrative purposes) and threshold vesting for the LTIP (at 25% of maximum award)

/ Maximum – fixed pay plus maximum vesting for both the annual bonus (145% of base salary) and the LTIP (93.75% (Chief Executive) of base salary)

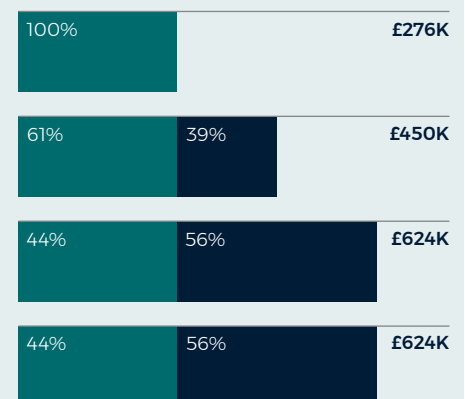
/ Maximum with share price growth – maximum scenario incorporating assumption of 50% share price growth during LTIP vesting period

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

Chief Executive



Chief Financial Officer



Legend: Total fixed (teal), Annual bonus (dark blue), Long-term incentive pay (LTIP) (red), Share growth (pink)

Directors’ Remuneration Policy

The current Directors’ Remuneration Policy was approved by our shareholders at the Annual General Meeting in 2021. Subject to shareholder approval, the updated Remuneration Policy will take effect immediately after the Annual General Meeting and will apply to the 2024/25 financial year.

The updated Policy is essentially consistent with the Policy approved in 2021.

The new Policy contains flexibility to pay additional fees to Non-Executive Directors for additional responsibilities such as Senior Independent Director or if their responsibilities incur significant additional time commitment. Subject to shareholder approval, the annual limit for Non-Executive Director fees will be increased for the first time since 2012 to £425,000.

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.

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: / Salaries would typically be increased at a rate no greater than 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 currently pays a monthly salary supplement in lieu of Company pension contributions, although retains discretion to alternatively offer the defined contribution arrangements. |
| Maximum | A consistent rate of pension provision applies to all employees, including Executive Directors. In 2024/25, this is 15% of base salary. |
| 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 The Committee may agree to provide other benefits as it considers appropriate. |
| Maximum | Benefits are provided at market rates. |
| Performance measures | None |
| Clawback | None |

Annual bonus

| | |
|-----------------------------|--|
| Purpose | A short-term incentive to reward Executive Directors on meeting the Company's annual financial and strategic targets and on their personal performance. |
| Operation | At least 50% of the annual bonus will be paid in the Company's shares and deferred for two years. The Committee has discretion to amend the required level of deferral upwards or downwards as appropriate including discretion to waive the requirement for deferral for a departing Executive Director as outlined in the loss of office section or where dealing restrictions prevent share awards being granted. Any use of this discretion would be clearly disclosed and explained in the relevant Remuneration Report. 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 2024/25, the maximum opportunity will be limited to 145% 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 usually 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. In 2024/25, there will be three equally weighted performance conditions, each usually measured over a three-year performance period. The Committee has the flexibility to vary the number of conditions and their weighting 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. |

Remuneration Report / Continued

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. This requirement applies to shares from incentive awards released subsequent to the 2021 Annual General Meeting. The Committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.</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, acting as Senior Independent Director or where a Director incurs significant additional time commitment. Additional fees would also be payable in the event a Non-Executive Director temporarily took on an Executive Director role. 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 a 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 £425,000, subject to the approval of shareholders at the 2024 Annual General Meeting. |
| 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, and 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. This includes the flexibility to settle equity awards in cash.
- 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.
- The Non-Executive Directors' fee cap has not been adjusted since 2012.

Service contracts

Executive Directors will have service contracts, comprising the remuneration elements set out within this Policy. There will be no fixed length of service but the contracts can be terminated by either party by giving the other notice in writing for a period not exceeding 12 months.

On termination the applicable payments for each element of remuneration are set out below.

The Executive Director service contracts will be available for inspection at the Company's registered office.

Letters of appointment

Each independent Non-Executive Director has a letter of appointment which sets out the terms and conditions. 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.

Recruitment

The remuneration package for a new Executive Director would follow, as far as practicable, the above Policy Table. Salaries would reflect the skills and experience of the individual and may be set at a level to allow progression and performance in the role. The structure of the variable remuneration elements would reflect those in the Policy Table. However, the Committee may flex the balance between annual and long-term incentives and the measures used to assess performance. If appropriate, different measures and targets may be applied to a new appointment's annual bonus and/or LTIP in their year of joining. Variable pay would be subject to the maximums set out in the Policy Table.

Where necessary the Committee may approve the payment of relocation expenses to facilitate recruitment, and flexibility is retained to pay for legal fees and other costs incurred by the individual in relation to their appointment.

Where an Executive Director is an internal promotion, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

Remuneration arrangements for a new Non-Executive Director would be consistent with the above Policy. In the event that a Non-Executive Director is required to temporarily take on the role of an Executive Director, their remuneration may include any of the elements listed in the Policy Table for Executive Directors.

The Committee may agree to make compensatory payments for any remuneration arrangements subject to forfeit on leaving a previous employer. This would be considered for each specific case, taking into account any relevant factors relating to the recruitment. There is no limit on such payments, but the Committee would not intend to pay more than the commercial value forfeited. If necessary, the Committee may grant such awards under Listing Rule 9.4.2 R.

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.

Policy for payment on loss of office

On cessation of employment of an Executive Director, the Committee will honour any contractual arrangements in place. The Committee may make any other payments in connection with loss of office in discharge of legal obligations or by way of a compromise or settlement of any claim arising. This may include reasonable amounts for outplacement assistance and professional or legal advice. In some cases, a departing Director may receive a modest leaving gift.

The Committee may, at its discretion, make an annual bonus payment for the year of cessation depending on the reason for leaving. The Committee will take into consideration appropriate performance measures which may include the individual's performance and contribution during the year, and the Group's financial results. The bonus would usually be time pro-rated and may be settled wholly in cash.

The treatment of outstanding deferred bonus and Long-term Incentive Plan awards will be governed by the relevant plan rules. In both cases unvested awards will normally lapse unless the participant is determined to be a good leaver. The vesting date for a good leaver's awards will normally be the original vesting date, but the Committee has the flexibility to determine that awards may vest at an earlier date. The Committee's determination of the extent to which a good leaver's LTIP awards should vest will take into account the extent to which performance conditions are met either at the date of cessation of employment or the end of the original performance period and, unless the Committee determines otherwise, will be adjusted on a time pro-rated basis. Where an individual leaves after the vesting date but before the end of any holding period, they will retain their LTIP awards unless summarily dismissed with awards being released at the normal date unless the Committee determines that they should be released at an earlier date.

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 2024, 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 | 2024 | 380 | 4 | 57 | 441 | 133 | 163 | 145 | 441 | 882 |
| | 2023 | 331 | 3 | 50 | 384 | 157 | 236 | 125 | 518 | 902 |
| Andrew Dewhurst | 2024 | 259 | 4 | 39 | 302 | 90 | 111 | 87 | 288 | 590 |
| | 2023 | 225 | 3 | 34 | 262 | 107 | 160 | 75 | 342 | 604 |
| Non-Executive | | | | | | | | | | |
| Lena Wilson | 2024 | 122 | 6 | - | 128 | - | - | - | - | 128 |
| | 2023 | 117 | 5 | - | 122 | - | - | - | - | 122 |
| Mark Batten | 2024 | 55 | - | - | 55 | - | - | - | - | 55 |
| | 2023 | 53 | - | - | 53 | - | - | - | - | 53 |
| Maria Bentley | 2024 | 55 | 1 | - | 56 | - | - | - | - | 56 |
| | 2023 | 53 | - | - | 53 | - | - | - | - | 53 |
| Richard Jones | 2024 | 55 | - | - | 55 | - | - | - | - | 55 |
| | 2023 | 53 | - | - | 53 | - | - | - | - | 53 |
| Total (audited) | 2024 | 926 | 15 | 96 | 1,037 | 223 | 274 | 232 | 729 | 1,766 |
| | 2023 | 832 | 11 | 84 | 927 | 264 | 396 | 200 | 860 | 1,787 |

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 2023 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 £301,000 (Michael Morris) and £205,000 (Andrew Dewhurst). The estimates included an outcome of 0% for the relative total return metric. The final outcome was determined to be 60% and the awards were adjusted to £393,000 (Michael Morris) and £267,000 (Andrew Dewhurst). The Company's total return for the year of (13.9)% was above the median return of (14.2)% but below the upper quartile return of (11.6)%. The above 2023 LTIP figures for the Executive Directors have been restated to reflect the actual share price at vesting (65.5 pence) rather than the average for the quarter ended 31 March 2023 (74.41 pence). This restatement represents a decrease in the value of the 2023 LTIP awards of £12,000 for Michael Morris and of £7,000 for Andrew Dewhurst.

The value of LTIP awards for 2024 is based on the number of shares to be awarded to the Executive Directors in respect of the June 2021 LTIP awards and the average share price over the quarter ended 31 March 2024 of 62.63 pence, and the estimated value of dividend equivalents.

Annual bonus for 2023/24

The annual bonus for the year ended 31 March 2024 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 2024 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 2024 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 Bonus weighting: 30% | Less than median - 0% Equal to median - 50% Equal to upper quartile - 100% | Not yet available | (0.1)% | 0% (estimate) | 0% (estimate) |
| Total property return versus MSCI Index Bonus weighting: 30% | Less than median - 0% Equal to median - 50% Equal to upper quartile - 100% | Median 0.1% Upper quartile 1.9% | 1.6% | 92.1% | 40.1% |

The corporate objectives for the Executive Directors for the year to 31 March 2024 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 net income Bonus weighting: 8% | A number of key income metrics moved positively over the year. There were 3% increases in both passing and contracted rent, and ERV growth. Net property income grew by 4.5% compared to the previous year. However operating costs rose by 21%, albeit including many one-off items. EPRA earnings increased by 2%. | 60% | 7.0% |
| Identify and evaluate growth opportunities Bonus weighting: 8% | A number of opportunities were considered during the year and extensive due diligence performed. The proposed merger with another UK REIT progressed significantly to a point where both Boards were in a position to recommend it to shareholders. However, as announced on 21 November 2023, the largest shareholder of the counterparty did not support the transaction. | 50% | 5.8% |
| Make progress against net zero carbon pathway Bonus weighting: 6% | Significant progress was made in respect of the roll-out of solar installations with an increase in capacity of 184%, with new installations at five properties. Data collection is continuing but has not reached last year's level. Like-for-like Scope 1 emissions have reduced compared to the previous year, although absolute Scope 1 emissions have risen due to the impact of one asset acquired during 2022. | 60% | 5.2% |
| Reduce portfolio void Bonus weighting: 4% | The overall void rate at 31 March 2024 has remained at 91%. This has reduced subsequent to the year-end following the sale of Angel Gate Office Village, and will reduce further when the agreed sale of Longcross, Cardiff completes. Excluding these two properties the void rate would be 93%. | 25% | 1.5% |
| Make asset disposals Bonus weighting: 4% | The key disposals identified were those of Angel Gate Office Village and Longcross, Cardiff, in order to progress the alternative use strategy. Both sales exchanged contracts prior to the year-end, with Angel Gate completing shortly afterwards and Longcross due to complete later in 2024, subject to planning consent. | 95% | 5.5% |
| Positive stakeholder engagement Bonus weighting: 4% | All resolutions at the 2023 Annual General Meeting were passed with a minimum of 94% in favour. The employee satisfaction score has increased from 82% to 86%. Staff turnover was very low for the year. However the share price discount to net assets has widened over the year. Feedback from the occupier surveys was positive, and satisfaction higher than the previous year. | 70% | 4.1% |
| Successful CFO succession planning and transition Bonus weighting: 4% | A new Chief Financial Officer was identified following a suitable recruitment process. A successful and orderly transition has taken place in respect of this key position. | 100% | 5.8% |
| Successful internalisation of company secretarial function Bonus weighting: 2% | The transfer of this function took place on 1 October. As well as identification and appointment of new Guernsey based providers, the transition was also dependent on obtaining lender consent across three facilities for the change of Trustee. | 100% | 2.9% |

Remuneration Report / Continued

As discussed in the Committee Chair's statement on pages 109 to 112, 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, as confirmed by the Audit and Risk Committee.

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 | 27.6 | 26.0 | 53.6 | 77.8 | 295,700 |
| Andrew Dewhirst | 27.6 | 26.0 | 53.6 | 77.8 | 201,100 |

This year, the Committee has determined that the proportion of the bonus deferred be set at 55% of the annual bonuses awarded to the Executive Directors 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 22 June 2021 were subject to performance conditions for the three years ended 31 March 2024. 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 - (2.1)% Upper quartile - 17.8% | (15.7)% | 33.3% | 0% |
| Total property return versus MSCI Index | Less than median - 0% Equal to median - 25% Equal to upper quartile - 100% | Median - 1.8% Upper quartile - 3.5% | 4.9% (above upper quartile) | 33.3% | 100% |
| Growth in EPRA EPS | Less than 3.85 pence per share for the year ended 31 March 2024 - 0% Equal to 3.85 pence per share for the year ended 31 March 2024 - 25% Equal or greater than 4.25 pence per share for the year ended 31 March 2024 - 100% | | 3.97p | 33.3% | 47.5% |

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 109 to 112, 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 62.63 pence for the quarter ended 31 March 2024, are:

| Director | Maximum number of shares at grant | Number of shares vesting | Number of lapsed shares | Estimated value ^{1,2} £ |
|-----------------|-----------------------------------|--------------------------|-------------------------|-------------------------------------|
| Michael Morris | 403,339 | 198,321 | 205,018 | 145,000 |
| Andrew Dewhirst | 241,358 | 118,675 | 122,683 | 86,800 |

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 £20,820 (Michael Morris) and £12,500 (Andrew Dewhirst).

2. The average share price for the quarter ended 31 March 2024 is lower than the share price at grant so there has been no share price growth in the estimated value of the awards.

The following awards in the Long-term Incentive Plan were granted to the Executive Directors on 14 June 2023:

| | Number of shares | Basis (% of salary) | Face value per share (£) | Award face value (£) | Performance period | Threshold vesting |
|-----------------|------------------|---------------------|--------------------------|----------------------|-------------------------------|-------------------|
| Michael Morris | 456,408 | 93.75% | 0.7810 | 356,450 | 1 April 2023 to 31 March 2026 | 25% |
| Andrew Dewhirst | 273,114 | 82.5% | 0.7810 | 213,300 | 1 April 2023 to 31 March 2026 | 25% |

The face value is based on a weighted average price per share, being the average of the closing share prices over the three business days immediately preceding the award date. Awards will vest after three years subject to continued service and the achievement of 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 2021 LTIP set out above. The EPS element will vest at 25% for achievement of EPRA EPS of 4.20 pence in the year ended 31 March 2026 increasing on a straight-line basis to 100% vesting for EPRA EPS of 4.55 pence.

Any LTIP vesting will also be subject to the Remuneration Committee confirming that, in its assessment, the vesting outcome 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 2023 | Granted in year | Exercised in year | Lapsed in year | As at 31 March 2024 |
|------------------------|---------------|----------------------------------|-------------------------------------|------------------|--------------------|----------------------|------------------|------------------------|
| Michael Morris | | | | | | | | |
| 2020 LTIP | 29 June 2020 | 1 April 2020 to 31 March 2023 | 70.73p | 309,275 | - | (162,524) | (146,751) | - |
| 2021 LTIP | 22 June 2021 | 1 April 2021 to 31 March 2024 | 89.10p | 403,339 | - | - | - | 403,339 |
| 2022 LTIP | 17 June 2022 | 1 April 2022 to 31 March 2025 | 94.47p | 437,473 | - | - | - | 437,473 |
| 2023 LTIP | 14 June 2023 | 1 April 2023 to 31 March 2026 | 78.10p | - | 456,408 | - | - | 456,408 |
| 2021 DBP | 22 June 2021 | 1 April 2020 to 31 March 2021 | 89.10p | 186,666 | - | (186,666) | - | - |
| 2022 DBP | 17 June 2022 | 1 April 2021 to 31 March 2022 | 94.47p | 159,555 | - | - | - | 159,555 |
| 2023 DBP | 14 June 2023 | 1 April 2022 to 31 March 2023 | 78.10p | - | 301,997 | - | - | 301,997 |
| | | | | 1,496,308 | 758,405 | (349,190) | (146,751) | 1,758,772 |
| Andrew Dewhurst | | | | | | | | |
| 2020 LTIP | 29 June 2020 | 1 April 2020 to 31 March 2023 | 70.73p | 185,070 | - | (97,254) | (87,816) | - |
| 2021 LTIP | 22 June 2021 | 1 April 2021 to 31 March 2024 | 89.10p | 241,358 | - | - | - | 241,358 |
| 2022 LTIP | 17 June 2022 | 1 April 2022 to 31 March 2025 | 94.47p | 261,784 | - | - | - | 261,784 |
| 2023 LTIP | 14 June 2023 | 1 April 2023 to 31 March 2026 | 78.10p | - | 273,114 | - | - | 273,114 |
| 2021 DBP | 22 June 2021 | 1 April 2020 to 31 March 2021 | 89.10p | 126,933 | - | (126,933) | - | - |
| 2022 DBP | 17 June 2022 | 1 April 2021 to 31 March 2022 | 94.47p | 108,498 | - | - | - | 108,498 |
| 2023 DBP | 14 June 2023 | 1 April 2022 to 31 March 2023 | 78.10p | - | 205,359 | - | - | 205,359 |
| | | | | 923,643 | 478,473 | (224,187) | (87,816) | 1,090,113 |

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

Remuneration Report / Continued

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 2024/25 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 |
|---|--------------------------|--------------|
| abrDN Property Income Trust Limited | ✓ | ✓ |
| AEW UK REIT plc | ✓ | ✓ |
| Balanced Commercial Property Trust Limited | ✓ | ✓ |
| Custodian REIT plc | ✓ | ✓ |
| NewRiver REIT PLC | ✓ | ✓ |
| Regional REIT Limited | ✓ | |
| Schroder Real Estate Investment Trust Limited | ✓ | ✓ |
| Supermarket Income REIT PLC | ✓ | |
| Urban Logistics REIT plc | ✓ | ✓ |
| Warehouse REIT plc | ✓ | ✓ |
| Workspace Group 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;
- / CT Property Trust Limited, Ediston Property Investment Company PLC and UK Commercial Property REIT Limited were additionally included in the group for awards made up to and including 2023; 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 2024 were as follows:

| | Beneficial holding 2024 | Beneficial holding 2023 | Holding as a % of salary | Outstanding LTIP awards | Outstanding DBP awards |
|-----------------|-------------------------|-------------------------|--------------------------|-------------------------|------------------------|
| Michael Morris | 925,454 | 740,717 | 159 | 1,297,220 | 461,552 |
| Andrew Dewhirst | 590,364 | 471,758 | 149 | 776,256 | 313,857 |
| Lena Wilson | 30,000 | 30,000 | | | |
| Mark Batten | 38,000 | - | | | |
| 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 2024 and a share price of £0.652. 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

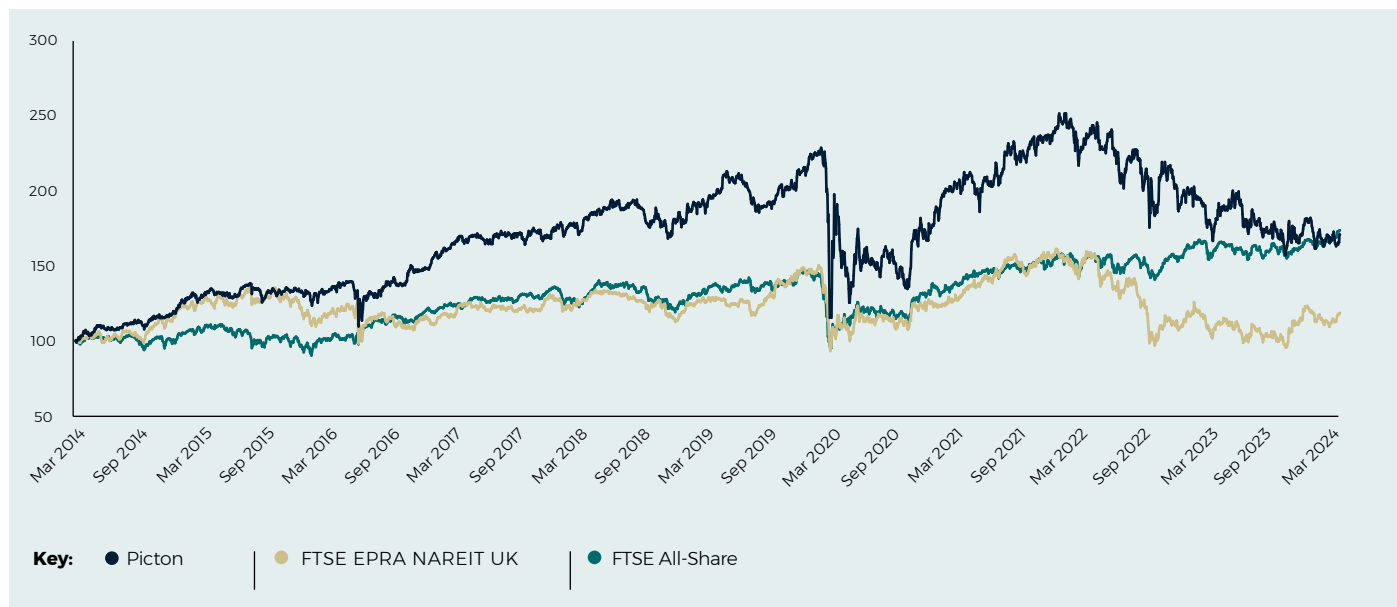
There were no payments to past Directors or payments for loss of office to Directors during the year ended 31 March 2024.

Andrew Dewhirst retired from the Board on 31 March 2024. He has been retained by the Company on a short-term employment contract until 30 June 2024, to ensure an orderly transition with Saira Johnston. At the end of this contract, assuming all conditions are satisfied, he will receive a final payment of £30,000 as compensation for termination of his employment and no other payments in relation to his outstanding notice period. The Remuneration Committee has determined that his outstanding share awards, as set out in the above table, will vest in accordance with the good leaver provisions in the relevant Plan rules. He will also receive costs relating to legal expenses of up to £750 (plus VAT).

Historical total shareholder return performance

The graph below shows the Company's total shareholder return (TSR) since 31 March 2014 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 six 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 six years.

| | Total remuneration (£000) | Annual bonus (% of maximum) | LTIP vesting (% of maximum award) |
|------|---------------------------|-----------------------------|-----------------------------------|
| 2024 | 882 | 54% | 49% |
| 2023 | 902 | 77% | 52% |
| 2022 | 816 | 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 2024 £000 | 31 March 2023 £000 | % change |
|----------------|-----------------------|-----------------------|----------|
| Employee costs | 4,191 | 3,487 | 20.2% |
| Dividends | 19,089 | 19,091 | 0% |
| EPRA earnings | 21,745 | 21,285 | 2.2% |

Implementation of Remuneration Policy in 2024/25

Change from prior year

| Executive Directors | | |
|--------------------------------|---|--|
| Base salaries | Michael Morris (Chief Executive) – £380,219 Saira Johnston (Chief Financial Officer) – £240,000 | There is no change in the Executive Director base salaries for 2024/25. The average increase for the rest of the workforce is 3.2%. |
| 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 145% of salary with at least 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 2023/24) with the remaining 40% determined by corporate and personal measures. | No change. The maximum bonus potential for the Executive Directors will remain at 145%. |
| LTIP* | Award of shares worth: / Michael Morris (Chief Executive) 93.75% of salary / Saira Johnston (Chief Financial Officer) 0% 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 122. Targets for the EPS measure for the year ended 31 March 2027 are: Less than 4.20 pence per share – 0% Equal to 4.20 pence per share – 25% Greater than 4.60 pence per share – 100% A result between 4.20 pence and 4.60 pence will be calculated on a straight-line basis between 25% and 100%. | There is no change in the award to Michael Morris. Saira Johnston, who became a Director on 1 April 2024, does not receive an LTIP award this year as explained in the annual statement. |
| Non-Executive Directors | | |
| Fees | Chair – £124,500 Director – £48,000 Supplementary fee for Committee Chairs and for the Senior Independent Director – £8,000 | The fees payable from 1 April 2024 have increased by an average of 2.0%. |

*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.

Percentage change in remuneration

The table below shows the percentage change in total remuneration for each of the Directors compared to the average remuneration of the employees of the Group.

| | Change from 31/3/23 to 31/3/24 | | | Change from 31/3/22 to 31/3/23 | | |
|--------------------------------|--------------------------------|----------|---------|--------------------------------|----------|--------|
| | Salary/fees | Benefits | Bonus | Salary/fees | Benefits | Bonus |
| Michael Morris | 15.0% | 15.0% | (24.8)% | 15.0% | 16.0% | 30.4% |
| Andrew Dewhirst | 15.0% | 15.0% | (24.8)% | 15.0% | 16.4% | 30.4% |
| Lena Wilson | 4.5% | - | - | 0.0% | - | - |
| Mark Batten | 4.8% | - | - | 0.0% | - | - |
| Maria Bentley | 4.8% | - | - | 0.0% | - | - |
| Richard Jones | 4.8% | - | - | 0.0% | - | - |
| Average of all other employees | 10.1% | 12.5% | (15.6)% | 8.8% | 21.1% | (5.9)% |

| | Change from 31/3/21 to 31/3/22 | | | Change from 31/3/20 to 31/3/21 | | |
|--------------------------------|--------------------------------|----------|--------|--------------------------------|----------|-------|
| | Salary/fees | Benefits | Bonus | Salary/fees | Benefits | Bonus |
| Michael Morris | 15.0% | 15.8% | (9.4)% | 0.0% | 0.6% | 9.2% |
| Andrew Dewhirst | 15.0% | 16.1% | (9.4)% | 0.0% | 0.8% | 3.6% |
| Lena Wilson | 11.2% | - | - | N/A | N/A | N/A |
| Mark Batten | 10.5% | - | - | 0.0% | - | - |
| Maria Bentley | 16.7% | - | - | 0.0% | - | - |
| Richard Jones | 16.7% | - | - | N/A | N/A | N/A |
| Average of all other employees | 6.4% | 15.0% | 13.2% | 4.6% | 8.1% | 20.7% |

Statement of voting at the last Annual General Meeting

The following table sets out the voting for the Remuneration Report, which was approved by shareholders at the Annual General Meeting held on 7 September 2023, representing 58% of the issued share capital of the Company, and also for the Remuneration Policy, which was approved by shareholders at the Annual General Meeting held on 17 November 2021, representing 63% of the issued share capital of the Company.

| | Remuneration Report | | Remuneration Policy | |
|-------------------|---------------------|--------------|---------------------|--------------|
| | Votes cast | % | Votes cast | % |
| For | 306,662,660 | 97.0 | 333,280,593 | 96.5 |
| Against | 9,455,133 | 3.0 | 12,044,009 | 3.5 |
| Votes cast | 316,117,793 | 100.0 | 345,324,602 | 100.0 |
| Withheld | 2,151,871 | | 304,835 | |

Maria Bentley

Chair of the Remuneration Committee

22 May 2024

Directors' Report

The Directors of Picton Property Income Limited present the Annual Report and audited financial statements for the year ended 31 March 2024.

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 at 0.875 pence per share, making a total dividend for the year ended 31 March 2024 of 3.5 pence per share (2023: 3.5 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 Dewhirst
- / Richard Jones
- / Michael Morris

Andrew Dewhirst resigned as a Director on 31 March 2024. His successor, Saira Johnston, was appointed to the Board on 1 April 2024 and a resolution proposing her election to the Board will be put forward at the Annual General Meeting.

The Directors' interests in the shares of the Company as at 31 March 2024 are set out in the Remuneration Report.

Lena Wilson, Mark Batten, Richard Jones and Michael Morris 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 2024 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 2024 was 547,605,596 (2023: 547,605,596) ordinary shares of no par value, including 1,642,440 ordinary shares which are held by the Trustee of the Company's Employee Benefit Trust (2023: 2,388,694 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 2023 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 1 August 2022) 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 1,642,440 ordinary shares in the Company in a trust to satisfy awards made under the Long-term Incentive Plan and the Deferred Bonus Plan. 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 2024.

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, financing and liquidity.

The major risks identified were those relating to market risk in relation to persistent inflation, high interest rates, other recessionary pressures and the lead up to a general election over the period of the assessment as well as financing, liquidity and other operational risks.

In the ordinary course of business, the Board reviews quarterly forecasts, including forecast market returns. The forecasts include assumptions regarding lease expiries, breaks and incentives and capital expenditure. 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, based on input from external economic consultants, 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, but is not reliant on, its revolving credit facility which expires in 2025. 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 2029 and will continue to be assessed over rolling five-year periods.

The Directors consider that the scenario testing performed was sufficiently robust and that even under stressed 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 2029.

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 3 May 2024.

| | % of issued share capital |
|-----------------------------------|---------------------------|
| Rathbones Group plc | 17.7 |
| Columbia Threadneedle Investments | 9.0 |
| BlackRock Inc. | 5.8 |
| The Vanguard Group Inc. | 4.6 |
| Premier Miton Investors (UK) | 3.6 |
| RBC Brewin Dolphin Limited | 3.4 |
| Goldman Sachs International (UK) | 3.3 |

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm 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

Saira Johnston
22 May 2024