

DIRECTORS' REMUNERATION POLICY

The following part of the report sets out the Remuneration Policy for the Group ('Policy'). This Policy will be put forward to shareholders for their binding approval at the AGM on 15 May 2020 and will apply to payments made from this date. Further details regarding the operation of the Policy for the 2020 financial year can be found on pages 150 to 165.

Executive Director policy table

The policy table below sets out the key elements of the remuneration package for Executive Directors.

Element	Purpose and link to strategy	How operated	Maximum opportunity	Performance measures
Base salary	To recruit, retain and motivate high calibre executives. Reflects experience and importance to the business.	<p>Normally reviewed annually. Any increase is normally effective from 1 January. Factors taken into account in the review include:</p> <ul style="list-style-type: none"> the role, experience and performance of the individual and the Company; economic conditions; pay and conditions throughout the business; and practice in companies with similar business characteristics. 	<p>While there is no maximum salary or salary increase, increases will normally be consistent with the policy applied to the workforce generally (in percentage of salary terms).</p> <p>Increases above this level may be awarded in certain circumstances such as, but not limited to:</p> <ul style="list-style-type: none"> where there is a change in role or responsibility; an Executive Director's development or performance in role (e.g. to align a new hire's salary with the market over time); and where there is a significant change in the size and/or complexity of the Group. 	A broad assessment of personal and corporate performance is considered as part of the salary review.
Benefits	To provide a market competitive benefits package to help recruit and retain high calibre executives and to support their wellbeing.	<p>Benefits include, but are not limited to, private medical insurance, car and fuel allowance and life assurance.</p> <p>Executive Directors may participate in the Sharesave Plan and any other all-employee plans on the same basis as other employees up to HMRC approved limits.</p> <p>In certain circumstances, the Committee may also approve additional one-off or ongoing allowances or benefits relating to the relocation of an Executive Director as may be required to perform the role.</p> <p>The Committee has the ability to reimburse reasonable business-related expenses and any tax thereon.</p> <p>The Committee may introduce other benefits if it is considered appropriate to do so.</p>	<p>Whilst there is no prescribed maximum cost of providing benefits, the value of benefits is set at a level which the Committee considers to be appropriate taking into account the overall cost to the Company in securing the benefits, individual circumstances, benefits provided to the wider workforce and market practice.</p>	None.
Pension	To provide an appropriate level of retirement benefit.	<p>The Company operates a defined contribution pension scheme. Executive Directors may receive cash payments in lieu of contributions (e.g. where contributions would exceed either the lifetime or annual contribution limits).</p>	<p>The maximum Company contribution or cash supplement (or a mix of both) for current Executive Directors will be aligned with the contribution available to the wider workforce over a two-year phased approach, as follows:</p> <ul style="list-style-type: none"> From 1 January 2020, 20% of salary; From 1 January 2021, 17.5% of salary; and From 1 January 2022, 15% of salary. <p>The maximum Company contribution (or cash payment in lieu) for a newly appointed Executive Director will be aligned with the contribution available to wider workforce (currently 15% of salary).</p>	None.

REMUNERATION COMMITTEE REPORT CONTINUED

Element	Purpose and link to strategy	How operated	Maximum opportunity	Performance measures
Annual bonus	To incentivise the annual delivery of stretching financial targets and strategic goals. Financial performance measures reflect KPIs of the business.	<p>Bonus awards are based on performance measures set by the Committee (typically measured over a financial year) against key financial measures and strategic objectives, and continued employment.</p> <p>Bonuses up to 100% of salary are paid as cash. Amounts in excess of 100% are deferred into shares for three years subject to continued employment.</p> <p>The Committee may decide to pay the entire bonus in cash where the amount to be deferred into shares would, in the opinion of the Committee, be so small it is administratively burdensome to apply deferral.</p> <p>Dividend equivalents may accrue on deferred shares. Such amounts will normally be paid in shares.</p> <p>Malus and clawback provisions apply (see table on page 145).</p> <p>The Committee has discretion to adjust the payment outcome if it is not deemed to reflect the underlying financial or non-financial performance of the business, the performance of the individual or the experience of shareholders or other stakeholders over the performance period.</p>	Maximum opportunity of up to 150% of salary may be awarded in respect of a financial year.	<p>At least 75% of the annual bonus will be based on financial measures with up to 25% based on strategic objectives.</p> <p>Financial measures Up to 22.5% of each bonus element will be payable for threshold performance, with full payout for maximum performance. No amount is payable for achieving below threshold performance.</p> <p>Strategic objectives Vesting will apply on a scale between 0% and 100% based on the Committee's assessment of the extent to which performance against the strategic objectives has been met.</p>
Long-term incentives	<p>To align the long term interests of the executives with those of the Group's shareholders.</p> <p>To incentivise value creation over the long-term and support stewardship.</p>	<p>Award of performance shares which vest after three years subject to performance measures set by the Committee and continued employment.</p> <p>Awards will be subject to a two-year post-vesting holding period.</p> <p>Dividend equivalents may accrue on performance shares. Such amounts will normally be paid in shares.</p> <p>Malus and clawback provisions apply (see table on page 145).</p> <p>The Committee has discretion to adjust the vesting outcome if it is not deemed to reflect appropriately the underlying financial or non-financial performance of the business, the performance of the individual or the experience of shareholders or other stakeholders over the performance period.</p>	Maximum opportunity of up to 200% of salary may be awarded in respect of a financial year.	<p>Performance measures are reviewed annually reflecting the Group's strategy and KPIs.</p> <p>At least one third of an award will normally be based on Total Shareholder Return (TSR).</p> <p>Up to 22.5% of each element of an award vests for achieving threshold performance, with full vesting for achieving maximum performance. No award vests for achieving below threshold performance.</p>

Information supporting the Policy

Malus and clawback

Malus and clawback provisions apply to annual bonus, deferred bonus and performance shares over the following time periods:

	Malus	Clawback
Annual bonus	To such time as payment is made.	Up to two years following payment.
Deferred bonus	To such time as the award vests.	No clawback provisions apply (as malus provisions apply for three years from the date of award).
Performance shares	To such time as the award vests.	Up to two years following vesting.

Malus and clawback may apply in the following circumstances:

1. Material misstatement of financial results.
2. An error in assessing performance conditions which has led to an overpayment.
3. Dismissal due to gross misconduct.
4. Serious reputational damage (for awards granted in 2020 onwards).
5. Corporate failure (for awards granted in 2020 onwards).

Choice of performance measures

The performance measures used for annual bonus and PSP awards reflect the short- and long-term financial and strategic priorities of the business, and are aligned with performance measures used by our real estate sector peers. Stretching performance targets are set each year for the annual bonus and PSP awards. Maximum vesting will only occur for what the Committee considers to be outstanding performance.

A significant proportion of annual bonus and PSP awards are subject to performance relative to the real estate sector. This helps support an incentive framework whereby Executive Directors may be fairly and equitably rewarded for outperforming peers and delivering shareholder value in a cyclical market.

Details of the performance measures for the 2020 annual bonus and PSP awards are set out on page 153.

The Committee retains the ability to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the performance measures and/or targets are no longer appropriate and the amendment is required so that they achieve their original purpose and are not materially less difficult to satisfy.

Share awards may be adjusted in the event of a variation of share capital or a demerger, delisting, special dividend or other event that may affect the Company's share price.

Legacy arrangements

The Committee retains discretion to make any remuneration payment and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) which are outside of Policy set out here:

- Where the terms of the payment were agreed before 16 May 2014 (the date the Company's first shareholder-approved policy came into force) or this Policy came into effect (provided that the terms of the payment were consistent with the shareholder approved Directors' Remuneration Policy in force at the time they were agreed).
- Where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies), and in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company or such other person.
- To satisfy contractual arrangements under legacy remuneration arrangements.

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' no later than at the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

REMUNERATION COMMITTEE REPORT CONTINUED

Changes to the Directors' Remuneration Policy and summary of decision-making process

The Committee has undertaken a comprehensive review of the executive remuneration framework and concluded that it continues to support the delivery of our business strategy and the creation of shareholder value. Consequently, we are not proposing any significant changes to the framework. The proposed Policy refinements therefore take account of changes to the UK Corporate Governance Code and ensure that there is sufficient flexibility over the next three years to support the execution of strategy.

In determining the Policy the Committee followed a robust process which included discussions on the content of the Policy at five Remuneration Committee meetings. The Committee considered input from Management and our independent advisers, and consulted with major shareholders. The key changes are as follows:

- **Pension provision:** pension contribution or allowance for a newly appointed Executive Director has been aligned with the contribution available to the majority of the wider workforce (currently 15% of salary). Pension allowances for current Executive Directors will be aligned to the contribution available to the wider workforce over a two-year phased approach (see page 141).
- **Annual bonus deferral:** under the Policy, Executive Directors are to defer any amounts earned above 100% of salary into shares, but the shares will only be released after three years subject to continued employment (under the 2017 Policy, shares are released 50% after one year and 50% after two years).
- **Post-employment shareholding guideline:** the Committee has implemented a post-employment shareholding guideline.
- **Malus and clawback:** the circumstances in which malus and clawback may apply to annual bonus and PSP awards have been expanded to include serious reputational damage and corporate failure, therefore providing alignment with best practice.
- **Other:** other minor changes have been made to the wording of the Policy to simplify and aid its operation and to increase clarity.

Shareholding guidelines

Within-employment: Executive Directors are expected to build up and retain a shareholding equal to 200% of salary. Until the shareholding guideline is met, 50% of any deferred bonus awards or PSP awards vesting (net of tax) normally must be retained.

Post-employment: Executive Directors who step down from the Board following 1 January 2020 are required to retain a holding in 'guideline shares' equal to:

- 200% of salary (or their actual shareholding at the point of departure if lower) for the first 12 months following stepping down as an Executive Director.
- 100% of salary (or their actual shareholding at the point of departure if lower) for the subsequent 12 months.

'Guideline shares' do not include shares that the Executive Director has purchased or which have been acquired pursuant to deferred share awards or PSP awards which vested before 1 January 2020. Unless the Committee determines otherwise, an Executive Director or former Executive Director shall be deemed to have disposed of shares which are not 'guideline shares' before 'guideline shares'.

REMUNERATION POLICY - FACTORING OUR STAKEHOLDERS INTO OUR DECISIONS

How the pay of employees is taken into account and how it compares to the Executive Director Remuneration Policy

While the Company does not formally consult employees on remuneration in determining the Remuneration Policy for Executive Directors, the Committee does take into account the policy for employees across the workforce. In particular, when setting base salaries for Executive Directors, the Committee compares the salary increases with those for the workforce as a whole.

As part of the Committee's review of executive remuneration, it was noted that although a significant proportion of the workforce received pension contributions of 15% of salary, it was not all employees. The Committee agreed that with effect from 1 January 2020, all employees would receive pension contributions of 15% of salary.

The overall Remuneration Policy for Executive Directors is broadly consistent with the remainder of the workforce. The Company operates both bonus and share plan schemes for employees (albeit at lower quantum and subject to performance criteria more appropriate for their role) which are similar to those of the Executive Directors.

For further details of our approach to setting remuneration throughout the Group and our approach to ensuring that the 'employee voice' is heard on a range of issues in the boardroom please see page 151 of the Annual report on remuneration and page 104 of the Strategic report.

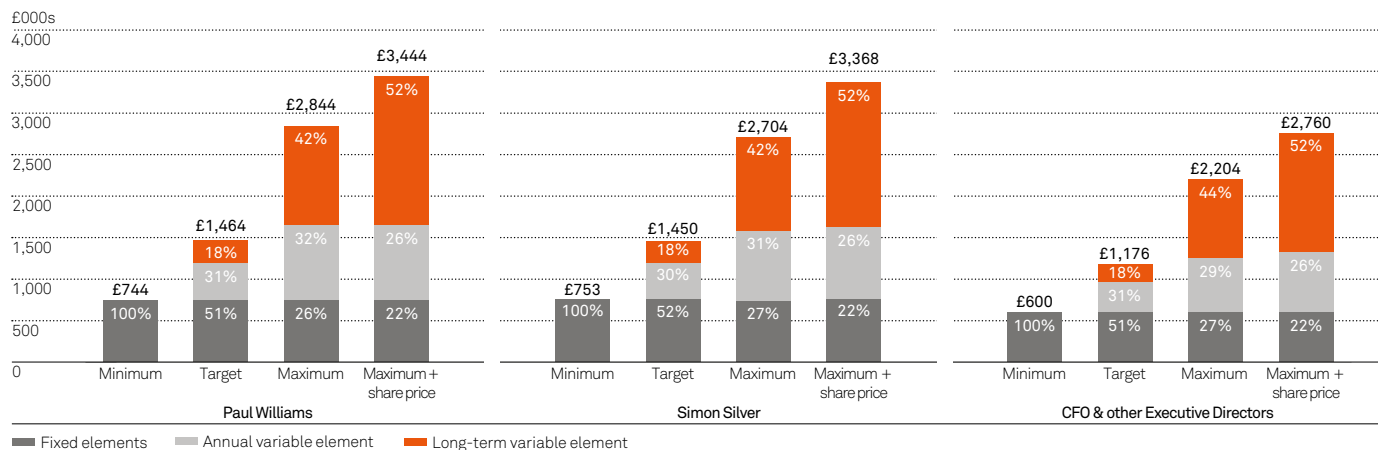
How the views of shareholders are taken into account

The Committee actively seeks dialogue with shareholders and values their input. A comprehensive shareholder consultation was undertaken in formulating the Company's revised Remuneration Policy. The Committee carefully considered the feedback received from major shareholders and proxy voting agencies as part of the Remuneration Policy review. Following specific feedback, the Committee altered its policy in respect of executive pension contributions so that by 1 January 2022, pension contributions for Executive Directors would be aligned with the entire workforce (further information on page 141).

On an ongoing basis, any feedback received from shareholders is considered as part of the Committee's annual review of remuneration. The Committee will also discuss voting outcomes at the relevant Committee meeting and will consult with shareholders if and when making any significant changes to the way the Remuneration Policy is implemented.

Remuneration scenarios for Executive Directors

The Committee aims to provide a significant part of the Executive Directors' total remuneration through variable pay and the following diagram illustrates the remuneration opportunity provided to the Executive Directors for various indicative levels of performance.



For the purpose of this analysis, the following assumptions have been made:

Minimum performance	<ul style="list-style-type: none"> Fixed remuneration only
On target performance	<ul style="list-style-type: none"> Fixed remuneration 50% of the annual bonus is earned 22.5% of the PSP vests
Maximum performance	<ul style="list-style-type: none"> Fixed remuneration 100% of the annual bonus is earned 100% of the PSP vests
Maximum performance + 50% share price growth	<ul style="list-style-type: none"> As per the maximum performance illustration, but also assumes for the purposes of the PSP that share price increases by 50% over the performance period.

Notes:

- ⁽ⁱ⁾ 'Fixed remuneration' includes salary, pension and other benefits.
- ⁽ⁱⁱ⁾ Salary levels applying on 1 January 2020.
- ⁽ⁱⁱⁱ⁾ Pension is based on the salary and pension policy applying from 1 January 2020.
- ^(iv) Benefit levels are assumed to be the same as disclosed in the single figure for 2019.

Non-Executive Director policy table

The policy table below sets out the key elements of the remuneration package for Non-Executive Directors.

	Operation	Determination of fees
Chairman	<p>The remuneration of the Chairman is set by the Board (excluding the Chairman).</p> <p>The Chairman receives an annual fee and benefits limited to the use of a driver, a secretarial provision and office costs. Non-significant benefits may be provided if considered appropriate.</p> <p>The Chairman does not receive pension or participate in incentive arrangements.</p>	<p>Fees are set taking into account:</p> <ul style="list-style-type: none"> The time commitment and responsibilities expected for the roles. Practice in companies with similar business characteristics. <p>Fees are reviewed periodically.</p> <p>Overall fees paid to the Chair and Non-Executive Directors will remain within the limits set by the Company's Articles of Association.</p>
Non-Executive Directors	<p>The remuneration for Non-Executive Directors is set by the Executive Directors.</p> <p>Non-Executive Directors receive a base fee plus additional fees for Committee chairship, Committee membership and for the Senior Independent Director. Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate.</p> <p>Non-Executive Directors may be eligible to receive benefits including but not limited to secretarial provision and travel costs.</p> <p>Non-Executive Directors do not receive pension contributions or participate in incentive arrangements.</p>	

REMUNERATION COMMITTEE REPORT CONTINUED

Service contracts and compensation for loss of office

Executive Directors' service contracts do not have a fixed expiry date, however, they are terminable either by the Company providing 12 months' notice or by the executive providing six months' notice. Further details are set out in the Annual report on remuneration on page 152.

The principles on which the determination of compensation for loss of office will be approached are set out below.

	Policy
Payments in lieu of notice	<p>Service contracts include a payment in lieu of notice clause which provides for monthly phased payments throughout the notice period which include pro-rated salary, benefits and pension only.</p> <p>Payments in lieu of notice are subject to mitigation.</p>
Annual bonus	<p>The extent to which any bonus will be paid out will be determined in accordance with the annual bonus plan rules.</p> <p>Executive Directors must normally be in employment on the payment date to receive an annual bonus. However, if an Executive Director leaves as a 'good leaver', the Executive Director will normally be considered for a bonus payment.</p> <p>It is the Committee's policy to ensure that any bonus payment reflects the departing Executive Director's performance. Unless the Committee determines otherwise, any bonus payment will be paid at the usual time following the determination of performance measures and be subject to a pro rata reduction for time served during the performance period.</p>
Deferred bonus shares	<p>The extent to which any unvested awards will vest will be determined in accordance with the deferred bonus plan rules.</p> <p>Unvested awards will normally lapse on cessation of employment. However, if an Executive Director leaves as a 'good leaver', the awards will continue and will vest at the normal vesting date. In exceptional circumstances, the Committee may decide that the Executive Director's deferred share awards will vest at the date of cessation of employment.</p>
PSP	<p>The extent to which any unvested awards will vest will be determined in accordance with the PSP rules.</p> <p>Unvested awards will normally lapse on cessation of employment. However, if an Executive Director leaves as a 'good leaver', the unvested awards will continue and will remain capable of vesting at the normal vesting date. To the extent that the awards vest, a two-year holding period would then normally apply. In exceptional circumstances, the Committee may decide that the Executive Director's awards will vest and be released early at the date of cessation of employment or at some other time (e.g. following the end of the performance period).</p> <p>In either case, vesting will depend on the extent to which the performance measures have been satisfied and will be subject to a pro rata reduction of the awards for time served from the grant date to the date of cessation of employment (although the Committee has discretion to disapply time pro rating if the circumstances warrant it).</p> <p>If an Executive Director leaves for any reason (other than summary dismissal) after an award has vested but before it has been released (i.e. during a holding period), their award will ordinarily continue to be released at the normal release date. In exceptional circumstances, the Committee may decide that the participant's award will be released early at the date of cessation of employment.</p>
Change of control	<p>Deferred bonus shares will vest in full in the event of a change of control or substantial exit.</p> <p>PSP awards will vest early in the event of change of control or substantial exit. The level of vesting will be determined taking into account the extent to which performance measures are satisfied at the date of the relevant event and, unless the Committee determines otherwise, awards will be pro rated for time served from the grant date to the date of the relevant event.</p>
Other payments	<p>In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.</p> <p>Awards under the Sharesave Plan may vest and, where relevant, be exercised in the event of cessation of employment or change of control in accordance with the Sharesave Plan rules.</p> <p>The terms applying to any buyout awards on cessation of employment or change of control would be determined when the award is granted. Such terms would normally be consistent with the principles outlined above.</p> <p>The Committee reserves the right to make payments by way of settlement of any claim arising in connection with the cessation of employment.</p>

'Good leavers' includes: cessation of employment by reason of death, retirement, injury, ill health, disability, redundancy, transfer of employment outside of the Group, or any other reason as determined by the Committee.

Chair and Non-Executive Directors

John Burns was appointed to the role of Non-Executive Chairman on 17 May 2019 for a fixed period of two years and will step down from the Board during 2021. The Non-Executive Directors do not have service contracts but are appointed for initial three-year terms which thereafter may be extended, subject to re-election at each AGM. Details are set out in the Annual report on remuneration on page 152.

External appointments

Executive Directors may accept a non-executive role at another company with the approval of the Board (see page 110). The Executive Director is entitled to retain any fees paid for these services.

Recruitment and promotion policy

The remuneration of a new Executive Director will normally include salary, benefits, pension and participation in the annual bonus and PSP arrangements in accordance with the policy for Executive Directors' remuneration. In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the principles and limits set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Directors' remuneration report for the relevant year.

	Policy
Salary	<p>Salary will be set taking into account the individual's experience and skills, prevailing market rates in companies of comparable size and complexity and internal relativities.</p> <p>Where appropriate the Committee may set the initial salary below the market level (e.g. if the individual has limited PLC Board experience or is new to the role), with the intention to make phased pay increases over a number of years, which may be above those of the wider workforce, to achieve the desired market positioning. These increases will be subject to continued development in the role.</p>
Buy-out awards	<p>Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting time frame of forfeited opportunities.</p> <p>When determining any such 'buyout', the guiding principle would be that awards would generally be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate.</p> <p>Where possible the buyout award will be accommodated under the Company's existing incentive plans, but it may be necessary to utilise the exemption provided in the Listing Rules. Shareholders will be informed of any such payments in the following year's Annual report on remuneration.</p>
Maximum level of variable remuneration	<p>The Committee will not offer non-performance-related variable remuneration and the maximum level of variable remuneration which may be granted (excluding buyout awards) is 350% of salary, which is in line with the current maximum limit under the annual bonus and PSP.</p>
Other elements of remuneration	<p>Other elements may be included in the following circumstances:</p> <ul style="list-style-type: none"> • An interim appointment being made to fill an Executive Director role on a short-term basis. • If exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short-term basis. • If an Executive Director is recruited at a time in the year when it would be inappropriate to provide an annual bonus or PSP award for that year. Subject to the limit on variable remuneration set out above, the quantum in respect of the period employed during the year may be transferred to the subsequent year. • If the Executive Director is required to relocate, reasonable relocation, travel and subsistence payments may be provided (either via one-off or ongoing payments or benefits).

In the case of an internal appointment, any ongoing remuneration obligations or variable pay element awarded in respect of the prior role shall be allowed to continue according to its original terms, adjusted as relevant to take into account the appointment.

Fees payable to a newly appointed Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.