This part of the Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Act). The overall remuneration policy has been developed in compliance with the principles of the UK Corporate Governance Code and the Listing Rules.

The Remuneration Policy Report set out below will be put to a binding shareholder vote at the AGM on 19 May 2017 and, if approved, the Committee intends for it to apply for a period of three financial years, 2017 to 2019. The Annual Statement by the Chairman of the Remuneration Committee and the Annual Report on Directors' Remuneration will be put to a single advisory vote at the 2017 AGM.

Directors' remuneration policy

The Committee, on behalf of the Board, is responsible for determining remuneration packages for the executive Directors and selected other senior executives. It also oversees the operation of the Group's bonus scheme and Performance Share Plan ('PSP') and considers the level of business risk that the remuneration structure encourages the executives to take.

The key aims of the Committee's remuneration policy for senior executives are:

- to ensure that the Company attracts, retains and motivates executives who have the skills and experience necessary to make a significant contribution to the delivery of the Group's objectives;
- to incentivise key executives through a remuneration package that is appropriately competitive with other real estate companies taking into account the experience and importance to the business of the individuals involved, whilst also having broad regard to the level of remuneration in similar sized FTSE 350 companies. The Committee also takes account of the pay and conditions throughout the Company;
- to align, as far as possible, the interests of the senior executives with those of shareholders by providing a significant proportion of the Directors' total remuneration potential through a balanced mix of short and long-term performance related elements that are consistent with the Group's business strategy;
- to enable executive Directors to accumulate shareholdings in the Company over time that are personally meaningful to them;
- to ensure that performance measures under incentive schemes support the Company's strategy, have appropriately stretching performance conditions attached and are designed so as to be consistent with best practice; and
- to ensure that the Group's remuneration structure does not encourage management to adopt an unacceptable risk profile for the business.

Differences between the proposed remuneration policy and the previous one

Having conducted a thorough review of remuneration and taken independent advice, the Committee was satisfied that the 2014 shareholder-approved remuneration policy continues to serve the Company well and that there should be no significant changes, including to overall quantum and variable pay opportunities. The key differences between the proposed remuneration policy and the previous policy are:

- Performance metrics – to provide the Committee with greater choice on the performance metrics that apply to the annual bonus and PSP and their relative weightings. This ensures the Committee is able to target those metrics which are closely aligned to the short and medium term objectives of the Company during each year of the policy period. Under the annual bonus plan, at least 75% of the overall opportunity will be based on financial metrics and under the PSP, total shareholder return remains a key measure and will account for at least one-third of the awards made during the life of the policy.
- Share ownership guidelines – the Committee believes strongly in alignment of executives' interests with those of shareholders through long-term share ownership. Therefore, a 200% of salary guideline will continue to apply for the CEO and the guideline for other executive Directors will be increased from 125% to 200% of salary. A two-year holding period on vested PSP awards will continue to apply.

Report of the Remuneration Committee

continued

Executive Director policy table

The policy table below sets out the broad principles which will be applied when setting the individual remuneration packages of Directors. This should be read in conjunction with the recruitment and promotion policy on page 93 and the application of policy for 2017 on pages 94 and 95.

	Purpose and link to strategy	How operated	Maximum opportunity	Performance metrics
Base salary	To help recruit, retain and motivate high calibre executives. Reflects experience and importance to the business.	Normally reviewed annually. Any increase is normally effective from 1 January. Factors taken into account in the review include: • The role, experience and performance of the individual and the Company. • Economic conditions. • Increases throughout the rest of the business. • Levels in companies with similar business characteristics. Salaries are set after having due regard to the salary levels operating in companies of a broadly similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience.	The current salary levels are detailed in the Annual Report on Remuneration on page 94 and will be eligible for increases during the period that the Directors' remuneration policy operates. During this time, to the extent that salaries are increased, increases will normally be consistent with the policy applied to the workforce generally (in percentage of salary terms). Increases beyond those linked to the workforce generally (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases over the subsequent few years, potentially higher than for the wider workforce, in order to bring the salary to the desired position, subject to individual performance.	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. Medical benefits to help minimise disruption to business.	Benefits include, but are not limited to, private medical insurance, car and fuel allowance and life assurance. In certain circumstances, the Committee may also approve additional allowances relating to relocation of an executive Director or other expatriate benefits required to perform the role. The Committee may provide other employee benefits to executive Directors on broadly similar terms to the wider workforce. The Committee has the ability to reimburse reasonable business related expenses and any tax thereon.	The maximum cost of providing benefits is not pre-determined and may vary from year-to-year based on the overall cost to the Company in securing these benefits for a population of employees (particularly health insurance and death-in-service cover).[1] The Committee has discretion to approve a higher cost in exceptional circumstances (such as relocation), or where factors outside of the Committee's control have changed materially (such as increases in insurance premiums).	None.

[1] In relation to the types of benefits detailed in the above table, the only benefit which is considered to be significant in value terms is the provision of a company car (or the provision of cash in lieu of providing a company car). The value of the benefit will be either the taxable value assessed according to HMRC rules when a company car is provided or the cash amount in the case of cash in lieu of a company car. In either case, the provision of this benefit is limited to a cost of £50,000.

	Purpose and link to strategy	How operated	Maximum opportunity	Performance metrics
Pension	To help recruit and retain high calibre executives and reward continued contribution to the business.	The Company operates a defined contribution pension scheme. Where contributions would exceed either the lifetime or annual contribution limits cash payments in lieu are made.	Directors receive a contribution or cash supplement (or a mix of both) of up to 20% of salary. Legacy arrangements for some Directors mean that a fixed amount is paid in addition to the 20% contribution. The continuation of these arrangements for existing employees means that their maximum pension will be up to 21% of salary.	None.
Annual bonus	To incentivise the annual delivery of stretching financial targets and strategic goals. Financial performance measures reflect KPIs of the business.	Bonus payments are determined by the Committee after the year end, based on performance against the targets set at the start of the year. Bonuses up to 100% of salary are paid as cash. Amounts in excess of 100% are deferred into shares of which 50% are released after 12 months and the balance after 24 months. These deferred shares are potentially forfeitable if the executive leaves prior to the share release date. Dividend equivalents accrue on vested deferred shares. The bonus is not pensionable. The cash and deferred elements of bonuses are subject to provisions that enable the Committee to recover the cash paid (clawback) or to lapse the associated deferred shares (withhold payments) in the event of a misstatement of results, error in calculation or for gross misconduct.	Maximum bonus potential, for the achievement of stretching performance conditions is 150% of salary for all Directors.	At least 75% of the annual bonus will be based on financial measures with up to 25% based on strategic objectives. Metrics may include but are not limited to: · total return against other comparable real estate companies; · total property return versus an appropriate IPD index; and · performance objectives tailored to the delivery of the Group's short and medium-term strategy. Up to 22.5% of the relevant bonus element will be payable for threshold performance against the financial measures, with full payout for achieving challenging stretch performance targets. The performance measures will be reviewed annually by the Committee and the Committee retains discretion to vary measures and weightings as appropriate (subject to the minimum financial measures weighting set out above) to ensure they continue to be linked to the delivery of Company strategy. The Committee has discretion to adjust the payment outcome if it is not deemed to reflect appropriately the overall business performance of the Company over the performance period. Any exercise of discretion will be detailed in the following year's annual report on remuneration. Details of the bonus targets will be disclosed retrospectively in the next year's annual report on remuneration when they are no longer deemed commercially sensitive by the Board.

Report of the Remuneration Committee

continued

Executive Director policy table (continued)

	Purpose and link to strategy	How operated	Maximum opportunity	Performance metrics
Long-term incentives	To align the long-term interests of the Directors with those of the Group's shareholders. To incentivise value creation over the long-term. To aid retention.	The Committee makes an award of performance shares each year. Vesting is determined by the Group's achievements against stretching performance targets over three years and continued employment. The Group's performance against the targets is independently verified on behalf of the Committee. A further holding period of two years is required on after tax vested shares. Dividend equivalents may accrue on performance shares to the extent that performance conditions have been met, payable at the end of the vesting or, if applicable, the end of the holding period. Clawback and malus provisions apply in the event of misstatement, an error in calculation or as a result of misconduct which results in the individual ceasing to be a director or employee of the Group within two years of vesting. Awards will be satisfied by either newly issued shares or shares purchased in the market. Any use of newly issued shares will be limited to corporate governance compliant dilution limits contained in the scheme rules.	Annual award limit: up to 200% of salary in any financial year.	Long-term incentive awards vest based on three-year performance against a challenging range of performance targets, with at least one third of an award based on total shareholder return (TSR). Other metrics may include, but are not limited to, total property return relative to an appropriate IPD (or equivalent) index, total return and NAV or earnings growth. Up to 22.5% of each part of an award vests for achieving the threshold performance level with full vesting for achieving challenging stretch performance targets. No awards vest for below threshold performance levels. The performance criteria will be reviewed annually by the Committee prior to each grant and the Committee has discretion to vary measures and weightings as appropriate to ensure they continue to be linked to the delivery of Company strategy subject to the minimum weighting on TSR as set out above. The Committee has discretion to adjust the vesting outcome in exceptional circumstances to ensure that vesting outcomes are a true reflection of the overall performance of the Company over the performance period. Any use of discretion will be fully explained in the next year's remuneration report.
Share ownership guidelines	To provide alignment between executives and shareholders.	Executive Directors are required to retain at least half of any deferred bonus share awards or performance shares vesting (net of tax) until the guideline is met. Only wholly owned shares will count towards the guideline.	All executive Directors – 200% of salary. Non-executive Directors – no guideline.	None.
Non-executive Directors' fees	To help recruit and retain high calibre non-executives with relevant skills and experience. Reflects time commitments and scope of responsibility.	The remuneration for the Chairman is set by the full Board (excluding the Chairman). The remuneration for non-executive Directors is set by the executive Directors. The Chairman receives benefits limited to a company car (and driver), secretarial provision and office costs. Periodic fee reviews will set a base fee and, where relevant, fees for additional services such as serving on a Board Committee, chairing a Board Committee or holding the position of Senior Independent Director. The review will consider the expected time commitments and scope of responsibilities for each role as well as market levels in companies of comparable size and complexity.	The current non-executives' fees (and benefits where applicable) may be increased at higher rates than the wider workforce given that fees may only be reviewed periodically and to ensure that any changes in time commitment are appropriately recognised in the fee levels set.	None.

Operation of the annual bonus plan and performance share plan policy
The Committee will operate the annual bonus plan and performance share plan in accordance with their respective rules and in accordance with the Listing Rules of the FCA where relevant. As part of the rules the Committee holds certain discretions which are required for an efficient operation and administration of these plans and are consistent with standard market practice. These include the following discretions:

- Participants of the plans.
- The timing of grant of award and/or payment.
- The size of an award and/or a payment (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table on pages 88 to 90).
- The determination of vesting.
- Discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group.
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen.
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).
- The annual review of performance conditions for the annual bonus plan and Performance Share Plan from year-to-year.

If certain events occur (e.g. a material divestment or acquisition of a Group business, accounting changes, M&A activity), which mean the original performance conditions are no longer appropriate, the Committee retains the ability to make adjustments to the targets and/or set different measures and alter weightings as necessary to ensure the conditions achieve their original purpose and are not materially less difficult to satisfy.

The outstanding share incentive awards which are detailed in tables 2 and 3 on pages 99 and 101 will remain eligible to vest based on their original award terms. In addition, all arrangements previously disclosed in previous reports of the Remuneration Committee will remain eligible to vest or become payable on their original terms.

Choice of performance measures and approach to target setting for 2017
The performance metrics that are used for annual bonus and long-term incentive plans are aligned to the Company's KPIs.

For the 2017 annual bonus, a combination of sector specific financial performance measures are used, namely total return and total property return. Total return and total property return are measured on a relative basis against sector peers and industry benchmarks such as IPD. The precise measures, targets and weightings chosen may vary each year, depending on the Company's strategy. Strategic objectives are set on an annual basis, directly linked to the overall strategic focus at that time.

Long-term performance targets for 2017 are based on a combination of relative performance measures. Total Shareholder Return will be used as it provides a clear alignment between shareholders and executives and total property return (TPR) will be used as it promotes the aim to maximise returns from the investment portfolio. TSR will be measured against the constituents of the FTSE 350 Real Estate Index as this provides a robust and relevant benchmark. TPR will be measured against the IPD UK All Property Index as this is in line with the Group's KPI of exceeding the IPD UK All Property index on a three-year rolling basis.

How the pay of employees is taken into account and how it compares to executive Director remuneration policy
While the Company does not formally consult employees on remuneration in determining the remuneration policy for executive Directors, the Committee takes account of the policy for employees across the workforce. In particular when setting base salaries for executives, the Committee compares the salary increases with those for the workforce as a whole.

The overall remuneration policy for executive Directors is broadly consistent with the remainder of the workforce. However, whilst executive remuneration is weighted towards performance-related pay, the Company operates both option and bonus schemes for employees (albeit at lower quantum and subject to performance criteria more appropriate for their role) which are similar to those of the Directors.

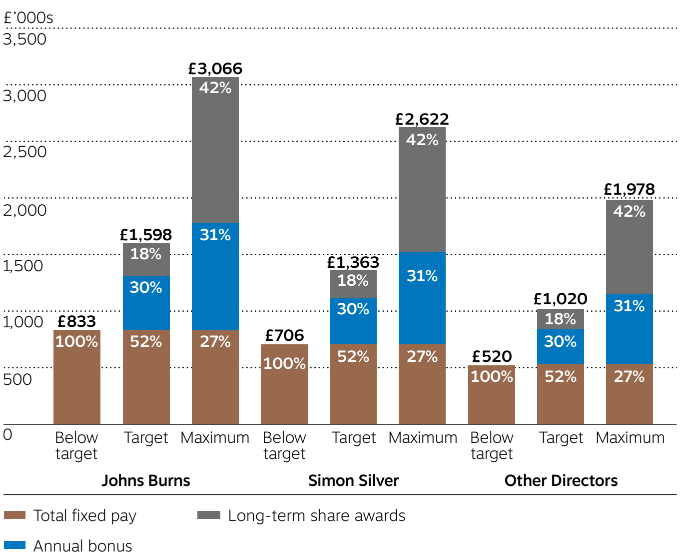
How the views of shareholders are taken into account
The Committee actively seeks dialogue with shareholders and values their input. A comprehensive shareholder consultation was undertaken in formulating the Company's revised remuneration policy. The Committee considered carefully the feedback received from major shareholders and proxy voting agencies and made changes to the policy and its implementation, as appropriate. 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 when making any significant changes to the remuneration policy or the way it is being implemented.

Report of the Remuneration Committee

continued

Remuneration scenarios for executive Directors

The Committee aims to provide a significant part of the Directors' total remuneration through variable pay and the following diagram illustrates the remuneration opportunity provided to the Directors by the remuneration structure at minimum, target and maximum levels of performance.



Assumptions:

Below target = fixed pay only (base salary, benefits and pension).

On-target = 50% of annual bonus payable and 22.5% vesting of the LTIP awards.

Maximum = 100% of annual bonus payable and full vesting of LTIP awards.

Salary based on those applying on 1 January 2017.

Benefits value is based on the cost of supplying those benefits (using the annualised value of benefits in 31 December 2016 as a proxy).

Pension value set at 20% of the salary.

Amounts have been rounded to the nearest £1,000.

Share price growth on vesting and any dividends payable on vesting shares have been ignored.

Other Directors are: Damian Wisniewski, Paul Williams, Nigel George and David Silverman, whose salary, annual bonus and LTIP arrangements for 2017 are identical.

Service contracts and compensation for loss of office

As part of the major review of the Directors' remuneration structure undertaken in 2013/2014, all the executive Directors entered into new service contracts dated 16 May 2014. Executive Directors' service contracts are terminable either by the Company providing 12 months' notice or by the executive providing six months' notice. 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 and are subject to mitigation. In addition, the Company may also make payments in relation to any statutory claim against the Company or make a modest provision in respect of legal costs or outplacement fees. The new service contracts have no change of control provisions and all other elements were brought up to date in line with best practice.

With regard to annual bonus for a departing executive Director, if employment ends by reason of death, retirement, injury, ill-health, disability, redundancy or transfer of employment outside the Group, or any other reason as determined by the Committee (i.e. the individual is a 'good leaver'), the executive Director may be considered for a bonus payment. If the termination is for any other reason, any entitlement to bonus would normally lapse. Under any circumstance, it is the Committee's policy to ensure that any bonus payment reflects the departing executive Director's performance. Any bonus payment will normally be delayed until the performance conditions have been determined for the relevant period and be subject to a pro-rata reduction for the portion of the relevant bonus year that the individual was employed. Deferred bonus share awards will normally lapse on cessation of employment, however, in the case of good leavers, awards typically vest on the normal vesting date (or on cessation in the event of death).

With regards to PSP awards, if a participant resigns voluntarily, the award lapses. The 2014 PSP rules provide standard 'good leaver' definitions for death, retirement, injury, ill-health, disability, redundancy or transfer of employment outside the Group, or any other reason at the Committee's discretion, whereby awards will vest at their original vesting date subject to performance criteria being achieved and time pro-rating to reduce vested awards for time served in the relevant period. The Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances. Alternatively, for a 'good leaver', the Committee can decide that the award will vest on cessation subject to the performance conditions measured at that time and the same pro-rating described above. Such treatment will apply in the case of death.

In the event of a change of control, the treatment detailed above for good leavers would apply albeit with performance tested over the shortened performance period, and early vesting (if appropriate).

Chairman and non-executive Directors

Neither the Chairman nor non-executive Directors are eligible for pension scheme membership and do not participate in the Company's bonus or equity-based incentive schemes.

The non-executive Directors listed below do not have service contracts but are appointed for three year terms which expire as follows:

Stephen Young	31 July 2019
Richard Dakin	31 July 2019
Claudia Arney	31 May 2018
Simon Fraser	31 August 2018
Cilla Snowball	31 August 2018

Stuart Corbyn's appointment was extended for one year to expire on 23 May 2017.

Mr Rayne has a letter of appointment, which runs for three years, expiring on 25 March 2019. In addition to his fee as Chairman, it provides for a car, driver and secretary, together with a contribution to his office running costs. His letter of appointment also contains provisions relating to payment in lieu of notice.

External appointments

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

Recruitment and promotion policy
When facilitating an external recruitment or an internal promotion the Committee will apply the following principles:

Remuneration element	Policy
Base salary	Base salary levels 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. Where appropriate the Committee may set the initial salary below this 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.
Benefits	Benefits as provided to current executive Directors. The Committee may pay relevant relocation and legal expenses in order to facilitate a recruitment.
Pension	A defined contribution or cash supplement at the level provided to current executive Directors.
Annual bonus	The Committee would intend to operate the same annual bonus plan for all Directors, including the same maximum opportunity at 150% of salary, albeit pro-rated for the period of employment. However, depending on the nature and timing of an appointment, the Committee reserves the right to set different performance measures, targets and weightings for the first bonus plan year if considered appropriate. Any bonus criteria in such circumstances would be disclosed in the following year's annual report on remuneration.
Long-term incentives	Performance Share Plan awards would be granted in line with the policy set out in the policy table, with the possibility of an award being made after an appointment. The maximum ongoing annual award would be limited to the maximum limit set out in the policy table. For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.
Buy-out awards	Should it be the case that the Remuneration Committee considers it necessary to buy out remuneration which an individual would forfeit on leaving their current employer, such compensation would be structured so that the terms of the buy-out would have a fair value no higher than that of what is being forfeited and would generally be determined on a comparable basis taking into account the form, structure and vesting schedule of the remuneration being replaced as well as the probability of vesting. The Committee has the discretion to determine the type of replacement award (cash, shares), the vesting period and whether or not performance conditions apply. Where possible this will be accommodated under the Company's existing incentive plans, but it may be necessary to utilise the exemption under rule 9.4.2 of the Listing Rules. Shareholders will be informed of any such payments in the following year's annual report on remuneration.