



### Committee members

#### June Barnes (Chair)

Ian Barlow  
 Rosemary Boot  
 Jon Di-Stefano  
 Sanjeev Sharma

### Key activities in 2019/20

- Jon Di-Stefano appointed to the Committee
- Reviewed and revised the Directors' remuneration policy, which will be proposed for approval at the 2021 AGM, if scheduled
- Set the Chair's fee and the remuneration for Executive Directors and senior management
- Reviewed the workforce remuneration arrangements
- Engagement with employees on the remuneration policies in place for Executive Directors and senior management
- Oversaw actions relating to the adoption of the 2018 UK Corporate Governance Code
- Reviewed the continuing evolution of governance standards and best practice

### Key focus areas for 2020/21

- Oversee the adoption of the Directors' remuneration policy, following approval by shareholders at the 2021 AGM, if scheduled
- Undertake a review of workforce remuneration and its alignment with market practice and with the Directors' remuneration policy
- Set the remuneration for Executive Directors and senior management and oversee the remuneration of the workforce in line with the external review
- Continued engagement with employees on Group remuneration policies

# Directors' remuneration report



We are committed to the retention and development of our workforce and we seek to attract, retain and reward top talent, with remuneration policies and practices across the Group aligned with the Directors' policy and with market practice.

#### June Barnes

Chair of the Remuneration Committee

#### Introduction

I am pleased to introduce the Directors' remuneration report for the financial year ended 30 September 2020 which is divided into the following sections:

#### Remuneration at a glance

A summary of key statistics relating to the Company's performance and remuneration across the Group.

→ page 99

#### Introduction by the Chair of the Remuneration Committee

The introduction contains details of the Committee's membership, operation and key activities during the year. It also contains a summary of expected activities for the year ahead.

→ page 100

#### Directors' remuneration policy

The current Directors' remuneration policy was approved by shareholders at the 2018 AGM and a proposed new policy will be submitted for approval at the 2021 AGM, which will be called by the Company before the end of March 2021 if the acquisition of the Company by the Wellcome Trust has not completed by then. The key differences between this policy and the policy approved at the 2018 AGM are set out in this section of the report. The policy is subject to a binding vote at the 2021 AGM, if scheduled.

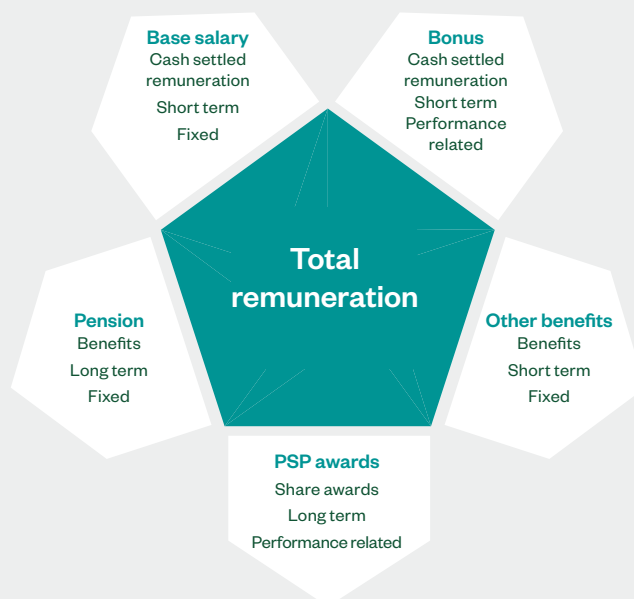
→ page 105

#### Annual report on remuneration

This sets out the operation of the policy during the year under review and how the policy will be implemented in 2020/21. This part of the report is subject to an advisory vote at the 2021 AGM, if scheduled.

→ page 110

## Remuneration at a glance



### Group performance in 2020

EPRA NAV

**£499.1m -5.4%**

EPRA NAV per share

**343.2p -4.7%**

Cash flow generation from plot completions

**£41.6m +21.3%**

TSR

**-34.1%**

Dividends per share paid during the year

**2.5p -30.6%**

### Remuneration across the Group

Total spend on pay

**£11.9m -19.8%**

**18%**

of employees received an annual increase in total remuneration (2019: 94 per cent)

1. 1 October 2019 to 1 October 2020.

2. Employees other than Executive Directors.

Average salary increase for Executive Directors<sup>1</sup>

**0% (2019: 2.5%)**

**17%**

of employees received a bonus in respect of the year ended 30 September 2020 (2019: 97 per cent)

Average salary increase for employees<sup>1,2</sup>

**0% (2019: 2.5%)**

**89%**

of employees were granted PSP awards during the year ended 30 September 2020 (2019: 79 per cent)

### Chief Executive remuneration

Salary<sup>1</sup>

**£0.4m**

1. As at 1 October 2020.

Annual bonus

**£nil**

Total remuneration

**£0.6m -61.4%**



## INTRODUCTION

The primary role of the Remuneration Committee is unchanged from previous years and is to determine and recommend a fair and incentivising reward structure, aligning executive remuneration and objectives with the Company's performance and strategic direction. We seek to ensure that the pay and incentives for Executive Directors are designed to support the attainment of performance objectives, both corporate and personal, and to drive the delivery of returns to our stakeholders. We believe that the remuneration structure reflects the relatively long-dated business model of Urban&Civic.

The Remuneration Committee reviews all elements of Group remuneration, including base salaries, pension, bonus, Performance Share Plan (PSP) awards and other benefits. This provides a comparison of total remuneration rather than focusing on individual elements and reflects the importance we place on ensuring consistency of approach across the workforce. We determine the level and structure of remuneration for Executive Directors and set the remuneration of the Chair, the Company Secretary and senior management, which has been defined as members of the Executive Management Committee and other selected senior employees. We oversee workforce remuneration and the operation of related policies and benefits. We endeavour to ensure appropriate incentive structures to attract, motivate and retain our valued workforce. The Remuneration Committee is responsible for ensuring the alignment of the remuneration structure of the Executive Directors with the policies for the wider workforce and this alignment is evidenced by the eligibility of all employees to participate in the Group's long-term incentive plan, annual bonus awards and benefits such as private medical insurance and life assurance.

The performance of Executive Directors against agreed objectives is assessed by the Committee when considering their remuneration. The performance objectives of the Executive Directors are approved by the Committee at the start of the financial year and we believe that this process provides clarity on the link between individual awards and the performance of the Company.

Objectives for senior management are identified by the Executive Directors who report to the Committee with an assessment of performance against these objectives. We therefore have a clear overview on the performance of senior management, prior to the approval of related remuneration awards. All other employees have clearly defined objectives and maximum bonus opportunities and we maintain oversight of all awards to ensure that the workforce remuneration is in compliance with Group policies and is consistent with the approach taken for Executive Directors and senior management. The Board as a whole reviews the business plans and budgets of projects, which reflect business unit objectives. These business unit objectives form part of the performance targets relating to the payment of bonuses across the workforce, together with the attainment of corporate objectives, aligned with those of the Executive Directors. The approach is therefore in line with the assessment of performance of the Executive Directors.

The Committee works with the Group's HR Manager and, where appropriate, with external consultants to ensure that remuneration levels for all employees are in line with market expectations for their job role, level and experience. We assess the Group structure and related job families to ensure a consistent approach and the HR Manager provides briefings on implementation across the Group.

We believe that our approach to remuneration is clear and appropriate and that its operation is easy to understand, both internally and externally.

### During the year

Our key workstream during the year has been the review of the Directors' remuneration policy, in conjunction with our ongoing consideration of the provisions of the 2018 UK Corporate Governance Code ('2018 Code'). As reported last year, the Company sought early adoption of the 2018 Code and as part of that process identified actions to be taken by the Remuneration Committee to ensure full compliance. The proposed amendments to the Directors' remuneration policy, as set out below, focus on the areas where we now seek compliance. We continue to monitor and consider best practice and market trends in relation to these requirements and also take into account feedback from our major shareholders. Our review of Directors' and workforce remuneration policies included an assessment of whether the mechanisms in place continue to provide the most appropriate means of incentivisation.

### Impact of COVID-19 on key decisions

As a result of the impact of the COVID-19 pandemic on our business, the Remuneration Committee agreed that no salary increases or bonus awards should be made to Executive Directors or, with the exception of salary increases to recognise a promotion or a change of responsibilities or to fulfil contractual obligations to make a bonus award, across the workforce.

We had anticipated carrying out a review of workforce remuneration during the year, led by an independent third party, to ensure that the level and structure are in line with market practice and to make any adjustments across the Group as required. In light of the current economic climate we have decided to defer this review until 2021 and I will report further in next year's report.

The Company furloughed 12 employees, c.12.5 per cent of the workforce, during the year, under the Government's Coronavirus Job Retention Scheme. These employees were in the category of being unable to perform their role by working from home but were restricted from attendance at the workplace due to Government guidance related to the COVID-19 pandemic. The Company funded the shortfall in salaries ensuring that all furloughed employees received 100 per cent of their salary for the period they were furloughed and no redundancies occurred. Furloughed employees returned to their workplace as soon as Government guidance indicated that they were permitted to do so. All other employees remained fully operational with a high proportion of remote working. We have no current plans to access any further Government COVID-19 support.

### Directors' remuneration policy

We review the Directors' remuneration policy fully every three years to ensure that it is working effectively, is aligned to the interests of shareholders and other stakeholders and supports the Company's long-term business strategy, culture and values with an annual review to check the policy is still appropriate.

During the year, we carried out the three-year comprehensive review of the current remuneration policy. The revised policy will be put to shareholders at the 2021 AGM if the acquisition of the Company by the Wellcome Trust has not completed before the end of March 2021. The policy was last approved by shareholders in February 2018 and the policy, including a summary of the changes proposed, is found in the remuneration policy report. The changes proposed reflect best practice and investor expectations but, due to current economic uncertainties as a result of the COVID-19 pandemic, we are not proposing any major changes. We believe that the revisions made to the policy in 2018 reflect the long-term business of the Company and

align the objectives of the Executive Directors with those of the Group as a whole and with the policies in place for the wider workforce. We believe that the policy provides clarity and transparency to the remuneration structure and that the principles have been adopted for all employees of the Group. We concluded that the policy continues to support the delivery of business strategy and the creation of shareholder value by balancing rewards with the performance of the business. The key changes enhance the existing policy and relate to pension arrangements, post-employment shareholding requirements and ESG performance measures as part of long-term incentive performance objectives.

### Pension alignment

The 2018 remuneration policy introduced an alignment of the pensions payable to Executive Directors appointed after the adoption of the policy with those of the workforce, currently 10 per cent of base salary. However, pension payments to incumbent Executive Directors were unchanged at 15 per cent base salary. The proposed new policy will align the pension payments of all Executive Directors with the workforce. Accordingly, the incumbent Executive Director pensions will be reduced to the level available to the workforce, with effect from 1 October 2022. No compensation will be awarded for this change.

### Post-employment shareholding requirements

The 2018 Code recommended the development of a formal policy for post-employment shareholding requirements and the new policy contains provisions for a requirement to maintain a shareholding equivalent to 200 per cent of base salary for a period of two years after cessation of employment. This will apply to existing Executive Directors and to any new appointees. The requirement will apply to shares acquired under PSP awards granted from 1 October 2020 onwards. The Committee carefully considered and discussed the correct level at which to set the post-employment shareholding requirement. In particular, it took into account the existing features of our remuneration policy which strongly encourage long-term sustainable performance. These include the above-market weight on long-term variable remuneration at Urban&Civic, the below-market weight on annual bonus, and the current in-employment shareholding requirements which are significantly above market (500 per cent of base salary for the Chief Executive and Managing Director, and 250 per cent of base salary for other Executive Directors). In addition, the typical in-employment shareholding requirement at FTSE 250 companies is 200 per cent of base salary, and compliance with the IA guidelines at such companies would result in a post-employment shareholding requirement of 200 per cent of base salary for two years, which is exactly the level we are proposing. On balance, we therefore consider the approach to the proposed post-employment shareholding requirement to be appropriate and to sufficiently encourage a long-term perspective.

### ESG performance measures

The proposed new policy also contains flexibility to enable the Committee to introduce environmental, social and governance performance measures as part of the long-term incentive performance objectives, in addition to those applied for annual bonus awards. The introduction of such measures would be subject to shareholder consultation. The Company is in the process of developing measurable sustainability targets and integrating them in our business. More information on our work in this area can be found in the strategic report on pages 48 to 63.

### Process

We led early discussions with our remuneration advisers on the areas in the policy requiring enhancement or change, with consistency with

market practice and full compliance with the 2018 Code being our key objectives. After a discussion of the proposals, we commenced the process of agreeing the proposed changes. We listened to feedback from the Executive Directors and, as outlined below, gave the members of the wider workforce the opportunity to comment on the proposals. We also consulted with our largest shareholders and took into account their feedback. A timetable of the steps involved in the proposal of the new policy was agreed at an early stage which ensured that the process was carried out in a comprehensive and timely manner giving adequate opportunity for consultation and discussion.

### Engagement with shareholders

We value the engagement with, and support of, our shareholders and as part of the review of the Directors' remuneration policy we gave our major shareholders the opportunity to provide feedback on our proposals for policy changes and offered them the opportunity to discuss directly with the chair of the Remuneration Committee. A letter inviting consultation was sent to 14 major shareholders, representing c.67 per cent of our issued share capital, and to two proxy voting agencies supporting our commitment to communication with our stakeholders. We ensured that the views of our shareholders expressed during the consultation were considered by the Committee when approving the revised Directors' remuneration policy, prior to recommendation to the Board that the policy be presented to shareholders for approval. During consultation we received limited feedback on the post-employment shareholding requirement and ESG performance measures. This feedback was taken into account by the Committee and we have provided information on both these areas above. We also received feedback noting the enhanced malus and clawback provisions and welcoming the positive step in aligning Executive Director pensions with the workforce.

If you would like to discuss any aspect of the remuneration policy, please contact the Company Secretary, Heather Williams, at [heather.williams@urbanandcivic.com](mailto:heather.williams@urbanandcivic.com) who will arrange a meeting with me.

### Employee engagement

The Company has established a formal workforce advisory panel, the Employee Advisory Group (EAG), to enable the Board to engage with the workforce and to obtain the views of employees on a range of subjects. The Board receives feedback from this group by regular reports from the Managing Director and minutes of EAG meetings. A more detailed description of Board engagement with the workforce is found in the corporate governance report.

The Group employs c.100 people and the Committee reviews the structure of remuneration across the Group when reviewing the Executive Directors' remuneration policy. We also consider the general base salary increase for all employees when determining the annual salary increases for the Executive Directors. During the year, as Chair of the Remuneration Committee, I attended a meeting of the EAG to explain the operation of the Executive Directors' remuneration policy and how it aligns with the remuneration policies in place for the rest of the workforce. I also outlined the expected changes to the policy in 2021 and explained the governance and best practice guidelines supporting this area. The members of the EAG had the opportunity to raise any questions on the remuneration structure in place and its operation in practice to ensure that workforce views were considered by the Committee. We believe that the workforce remuneration structure, including bonus objectives, is closely aligned to the Directors' policy enabling fairness across the Group in applying our remuneration policies and principles.



## INTRODUCTION CONTINUED

## Key responsibilities of the Remuneration Committee

**Executive remuneration**

Approval of the structure of remuneration for the Executive Directors and senior management.

Set performance measures and targets for the Executive Directors and review their achievement.

Determination of annual bonus and PSP awards for Executive Directors and senior management.

**Workforce remuneration**

Overview of remuneration practices across the Group to ensure alignment with the Directors' remuneration policy, taking into account market practice and governance updates.

**Engagement**

Consultation with shareholders where required on matters relating to the Directors' remuneration policy.

Engagement with the workforce on remuneration matters.

**Governance and compliance**

Approval of any Group disclosures relating to remuneration.

The Committee's responsibilities are detailed in its terms of reference which it reviews annually, updating as required to reflect any developments in regulatory requirements, governance or best practice.

 Terms of reference: [www.urbandcivic.com/governance/remuneration-committee](http://www.urbandcivic.com/governance/remuneration-committee)

**Membership**

During the year, the membership of the Remuneration Committee was reviewed by the Nomination and Governance Committee and the Board. Jon Di-Stefano was appointed as a member of the Committee with effect from 1 January 2020. There were no other changes to the Committee membership during the year.

Members of the Committee attend all meetings, and attendance by the members of the Committee at the six scheduled meetings held during the year ended 30 September 2020 is shown below.

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2020	Meetings attended/ eligible to attend
<b>June Barnes</b>	Chair	Yes	01/07/17	3 years 3 months	<b>6/6</b>
<b>Ian Barlow</b>	Member	Yes	01/09/16	4 years 1 month	<b>6/6</b>
<b>Rosemary Boot</b>	Member	Yes	23/05/19	1 year 4 months	<b>6/6</b>
<b>Jon Di-Stefano</b>	Member	Yes	01/01/20	9 months	<b>5/5<sup>1</sup></b>
<b>Sanjeev Sharma</b>	Member	Yes	23/05/19	1 year 4 months	<b>6/6</b>

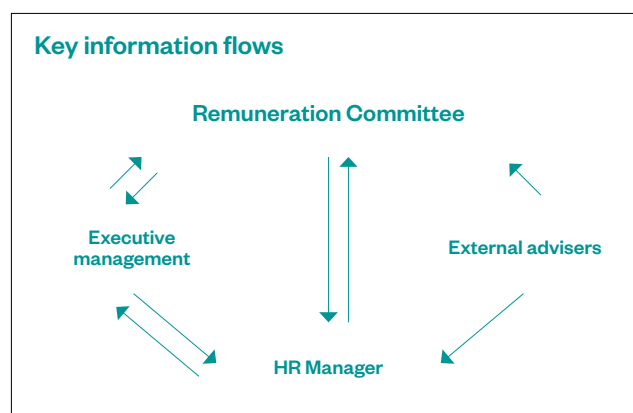
1. Jon Di-Stefano was appointed to the Committee on 1 January 2020 and was ineligible to attend one meeting which took place prior to his appointment.

## Operation of the Committee

- Committee meetings are attended by all members of the Committee and the Company Secretary. Other Directors, the HR Manager and advisers attend by invitation.
- During the year, Aon Hewitt and subsequently Alvarez and Marsal both acted as independent remuneration consultants to the Committee.
- No Director or employee is involved in discussions on their own pay.
- Agenda items are linked to a structured calendar of items for discussion and/or decision to ensure that the Committee carries out a thorough and effective review of key regulatory and governance areas. The Company Secretary sets the agendas following discussion with the Chair of the Committee.
- The Committee receives regular updates on governance, market and best practice developments and its review of the operation of Group policies takes this into account.

## Committee performance evaluation

The Committee annually assesses its own performance against the role and responsibilities set out in its terms of reference. Further assessment of the role and effectiveness of the Remuneration Committee was considered as part of the 2019/20 Board evaluation process as explained in the report of the Nomination and Governance Committee. The overall conclusion was that the Committee continues to support the Board, is working well and continues to operate effectively and in accordance with the UK Corporate Governance Code and relevant guidance.



## Our work during the year

### ► Chair and Executive remuneration

- Approval of increase to Chair's fee.
- Approval of remuneration arrangements for Executive Directors and senior management.
- Assessed the achievement of the EPRA NAV, cash generation and personal objectives relating to the Executive Directors' bonus awards in relation to the year ended 30 September 2019.
- Approval of the bonus objectives for Executive Directors for the year ended 30 September 2020.
- Agreement of key changes to the Directors' remuneration policy.

### ► Workforce remuneration

- Review of the structure of workforce remuneration including an analysis of shifts in salary and bonus trends across the Group.
- Review of the operation of Group remuneration policies including base salary levels, bonus and long-term incentive awards and benefits.

- Oversight of workforce bonus objectives to ensure alignment with those of the Executive Directors.

### ► PSP awards

- Assessment of the achievement of the performance conditions of the PSP awards granted in December 2016, in respect of the performance period 1 October 2016 to 30 September 2019, and approval of their vesting.
- Approval of the grant of PSP awards in December 2019 to Executive Directors and across the workforce. These awards are expected to vest in December 2022 and are subject to performance conditions.
- Review of a schedule of headroom of shares held by the Employee Benefit Trust to ensure that there is sufficient capacity to issue shares on the exercise of PSP awards.

### ► Engagement

- Review of a schedule of workforce joiners and leavers to ensure any matters relating to remuneration are addressed appropriately.

- Engagement with employees through the attendance by the chair of the Remuneration Committee at a meeting of the Employee Advisory Group.
- Consultation with major shareholders on the proposed revisions to the Directors' remuneration policy.

### ► Governance and compliance

- Annual review of compliance with share ownership guidelines by both Executive Directors and selected members of senior management.
- Oversight of the workstreams arising from the internal controls review of the HR function.
- Annual review of appointments of employees with third parties, outside of their Urban&Civic role.
- Review of the performance and effectiveness of the Committee, taking into account the duties and responsibilities set out in its terms of reference.



## INTRODUCTION CONTINUED

### Performance and reward in the year to 30 September 2020

Our remuneration framework is aligned with the Company's strategic direction and performance and there is a clear link between results and rewards. The Group's results for the year ended 30 September 2020 are discussed in the strategic report on pages 2 to 63. The Group has reported a total comprehensive loss for the year of £8.2 million (2019 income: £12.6 million), IFRS net assets of £393.3 million (2019: £403.0 million) and EPRA net assets of £499.1 million (2019: £527.5 million) at 30 September 2020, 2.4 per cent and 5.4 per cent lower compared against the same respective net asset valuations at 30 September 2019. Reflecting performance against EPRA net asset growth targets, individual performance of the Executive Directors against their personal objectives and performance against cash generation targets. In light of COVID-19 and the impact this has had on the level of dividend payments to shareholders and to take account of Government funding that we have received it was agreed by the Board that it was not appropriate to pay any bonus to the Executive Directors this year.

Further details are set out in the annual report on remuneration.

The Committee has reviewed achievement against objectives and believes that the remuneration of the Executive Directors reflects the performance of the Group.

Details of the salaries of the Executive Directors are set out in the annual report on remuneration.

### Performance Share Plan awards

PSP awards granted in February 2018 were due to vest in February 2021, based on performance from 1 October 2017 to 30 September 2020. Half of these awards were based on TSR performance and half were subject to an EPRA NAV performance condition. In light of the offer from the Wellcome Trust which was initiated during the performance period, the Committee considered after the end of the performance period how these awards should be treated if the acquisition were to be completed, and if the acquisition were not to complete.

In the event that the acquisition were to complete, the Committee decided it would be fair and reasonable to assess performance by taking into account the impact of the acquisition. This will require an exercise of discretion under the plan rules which would only be employed if shareholders approve the acquisition. In more detail, the TSR performance condition would be assessed using the offer price, which results in strong three-year TSR growth of 11.16 per cent per annum and represents performance in between the threshold and stretch targets. In the case that the acquisition is not approved by shareholders, the PSP awards will be treated as normal with no exercise of discretion. In both situations, the NAV performance condition would be assessed using the year-end EPRA NAV as reported, which results in three-year growth of 5.02 per cent per annum which is just above the threshold target.

Hence if the acquisition were to complete, 58 per cent of the shares under award would vest to Executive Directors and other participants in the scheme. If the acquisition does not complete then 12.6 per cent of the shares vesting under award would vest to Executive Directors and other participants in the scheme.

For the purposes of the single figure calculation (see page 110) it has been assumed that the acquisition does not proceed. Further detail is provided on the performance assessment later in the report.

The acquisition will also impact the outstanding PSP awards which are due to vest after the financial year ending 30 September 2021. If the acquisition is approved by shareholders, the Committee has decided that the performance test will be applied and that a pro-rata reduction will be made for time served during the performance period. This approach would result in the vesting of 16.2 per cent of the PSP awards granted in December 2018, and 9.4 per cent of the PSP awards granted in December 2019.

At this time, the Committee has no intention to grant PSP awards during the financial year ending 30 September 2021. However, in the case that the acquisition does not proceed, the Committee will review this decision and take into account prevailing circumstances, such as any reduction in share price and the outlook for our business.

### The year ahead

The main focus of the Committee in the coming year will be to oversee the implementation of the new Directors' remuneration policy, subject to its approval by shareholders at the 2021 AGM should the acquisition of the Company by the Wellcome Trust not complete. We will also continue our oversight of workforce remuneration policies and will ensure the alignment of workforce remuneration arrangements with the Directors' remuneration policy. We intend to engage a third party to carry out an independent review and assessment of current Group remuneration policies and to carry out a benchmarking process for remuneration across the workforce including the Executive Directors. This review will include the ongoing monitoring of gender pay. Performance across the Group will be rewarded with transparent and competitive remuneration and will support the strategic aims and values of the Group.

The ongoing work of the Committee will reflect emerging trends in corporate governance, best practice and investor expectations and we monitor developments in these areas on a continual basis.

### 2021 AGM

I hope you find this remuneration report clear and informative. If the acquisition of the Company has not completed by March 2021, the Company will call an AGM before the end of March 2021. If held, we look forward to receiving your support for the resolutions at the 2021 AGM to approve the annual report on remuneration and to adopt the new Directors' remuneration policy.

### June Barnes

Chair of the Remuneration Committee  
4 December 2020

## DIRECTORS' REMUNERATION POLICY REPORT

The Directors' remuneration policy set out below will be submitted for approval at the 2021 AGM, should the acquisition of the Company by the Wellcome Trust not complete. The key differences between this policy and the previous policy approved at the 2018 AGM have been set out below and are discussed in the Chair's introduction on pages 100 and 101.

Area	Current policy	New policy
<b>Pension</b>	Incumbent Executive Directors: 15 per cent of base salary. New Executive Directors: aligned with the level available to the majority of the workforce.	Incumbent Executive Director pensions to be aligned with the level available to the majority of the workforce with effect from 1 October 2022.
<b>Long-term incentives</b>	Performance measurement based on TSR and financial measures.	Additional flexibility to include an environmental, social and governance performance measure. The introduction of such a measure would be subject to consultation with shareholders.
<b>Post-employment shareholding requirement</b>	Not included.	The equivalent in shares of 200 per cent of base salary to be held for two years post-employment.

In addition to the above key changes, certain existing areas of practice which are present in our Performance Share Plan rules and associated documents have now been set out in the policy. This includes a summary of the circumstances in which clawback and malus can be applied and the discretion to override formulaic vesting outcomes. A new section providing more information on the discretions in the policy has also been provided for clarity.

### Introduction and overview

The Group's remuneration policy is designed to provide competitive rewards for its Directors, taking into account the performance of the Group and individual executives, together with comparisons of pay conditions throughout the markets in which the Group operates. It is the aim of the Committee to attract, retain and motivate high calibre individuals with a competitive remuneration package. It is common practice in the industry for total remuneration for Executive Directors to be significantly influenced by bonuses and long-term incentives.

The remuneration packages are constructed to provide a balance between fixed and variable rewards. Therefore, remuneration packages for Executive Directors normally include basic salary and benefits in kind with variable pay based on performance related annual bonus and long-term incentive plans.

### Consideration of shareholder views

The Company encourages two-way communication with both its institutional and private shareholders and the Committee is committed to considering shareholder feedback received. This feedback, plus any additional feedback received during any meetings from time to time, is considered as part of the Group's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

### Consideration of employment conditions elsewhere in the Group

The Group employs around 100 people and the Committee considers the general base salary increase for all employees when determining the annual salary increases for the Executive Directors and considers quantum and the structure of pay across the Group more generally when reviewing the Executive Directors' remuneration policy.

Employees have not been consulted in respect of the design of the Group's senior executive remuneration policy, although the Committee will keep this under review.





DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Summary of remuneration policy

The Directors' remuneration policy below sets out the changes to the policy previously approved by shareholders at the 2018 AGM.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions	Change to policy
<b>Executive Directors</b>					
<b>Base salary</b>	To provide a competitive salary level to attract and retain high calibre executives.	Basic salaries are reviewed on an annual basis.  The Committee seeks to establish a basic salary for each position determined by individual responsibilities and performance taking into account comparable salaries for similar positions in companies of a similar size in the same market.	There is no prescribed maximum base salary or annual salary increase.  The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take into account relevant market movements.  Current salary levels are set out in the annual report on remuneration.	Not applicable.	Not applicable.
<b>Pension</b>	To provide a competitive level of contribution to pension arrangements.	Company contribution normally paid monthly into the Company's pension scheme, into a personal pension arrangement and/or as a cash supplement.	For new Executive Directors, pension will be no higher than the level available to the majority of the workforce.  For existing Executive Directors, pension will be brought in line with the level available to the majority of the workforce as set out below.  Before 1 October 2022: up to 15 per cent of salary.  After 1 October 2022: pension no higher than the level available to the majority of the workforce.	Not applicable.	Alignment of Executive Director pensions to the workforce level from 1 October 2022.
<b>Benefits</b>	To provide a competitive level of benefits.	Car allowance (or company car), private medical insurance, permanent health insurance and life assurance provided. Other benefits may be provided where relevant.	Provided at approved cost.	Not applicable.	Not applicable.
<b>Annual bonus</b>	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year.  Bonus will be paid in cash.	Up to 100 per cent of base salary.	Performance period: normally one year.  The majority (if not all) of the performance targets will be based on financial targets with any remainder based on personal/strategic targets.  Clawback and malus provisions operate in the case of corporate failure, material downturn in performance due to management failure, reputational damage and serious misconduct.	Not applicable.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions	Change to policy
<b>Executive Directors continued</b>					
<b>Long-term incentives – Performance Share Plan (PSP)</b>	To drive and reward the long-term performance of the Group and to align the interests of management.	<p>Awards granted under the PSP have the following features:</p> <ul style="list-style-type: none"> <li>conditional awards or nil/nominal cost options;</li> <li>vesting is dependent on the satisfaction of performance targets and continued service; and</li> <li>awards are subject to a two-year holding period.</li> </ul>	<p>300 per cent of salary for CEO and MD.</p> <p>275 per cent of salary for other Executive Directors.</p>	<p>Performance period: normally three years.</p> <p>25 per cent of an award vests at threshold performance (0 per cent vests below threshold), increasing to 100 per cent pro-rata for maximum performance.</p> <p>Performance will be measured against TSR and/or relevant financial and/or environmental, social and governance measures.</p> <p>Clawback and malus provisions operate in the case of corporate failure, material downturn in performance due to management failure, reputational damage and serious misconduct.</p>	Flexibility to introduce environmental, social and governance performance measure(s) subject to consultation with shareholders.
<b>Share ownership guidelines</b>	To further align executives with shareholders.	The Committee requires that Executive Directors satisfy a minimum shareholding requirement.	<p>In-employment requirement: minimum of 500 per cent of salary for the current CEO and MD and 250 per cent for any other Executive Director (including the current FD).</p> <p>Post-employment requirement: 200 per cent of base salary to be held for two years after termination of employment.</p>	Not applicable.	Introduction of post-employment share ownership requirement.
<b>Non-Executive Directors</b>					
<b>Fees</b>	To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	<p>Cash fee normally paid on a monthly basis.</p> <p>Non-Executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed and comparative fees paid in the market in which the Group operates.</p> <p>Taxable benefits may be provided where appropriate including the reimbursement of expenses.</p>	<p>There is no prescribed maximum individual fee or fee increase.</p> <p>The Board (excluding Non-Executive Directors) is guided by the general increase for the broader employee population, time commitment, scope and responsibility of the role and/or relevant market movements.</p> <p>Current fee levels are set out in the annual report on remuneration.</p>	Not applicable.	Not applicable.

Notes:

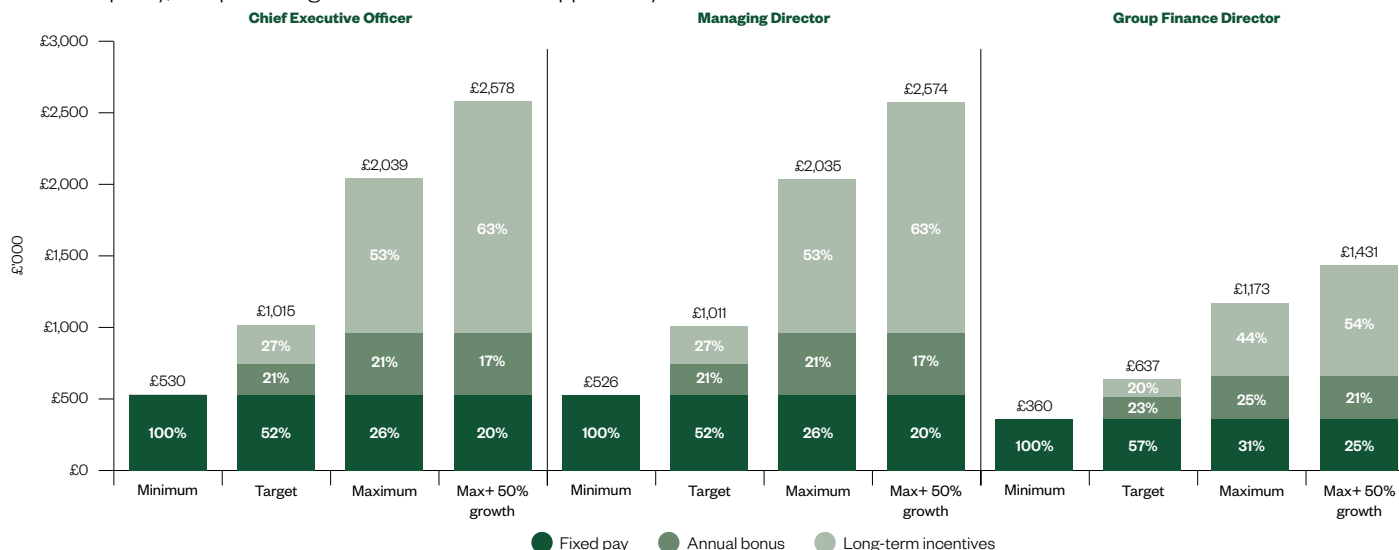
- A description of how the Company intends to implement the policy set out in this table is found in the annual report on remuneration.
- Below Board level, a lower or no annual bonus may apply. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the Executive Directors and senior executives typically has a greater emphasis on performance related pay.
- The choice of the performance metrics applicable to the annual bonus scheme reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of financial targets and specific individual objectives. Further details of the choice of performance measures and performance targets are set out in the annual report on remuneration.
- The performance conditions applicable to the PSP (see the annual report on remuneration) are selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders.
- The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan. Dividend equivalents may be paid on PSP awards.
- Executive Directors may participate in any all-employee share plan to the extent operated.
- For the avoidance of doubt, in approving this Directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension, the payment of last year's annual bonus and the vesting/exercise of share awards granted in the past). Details of any payments to former Directors will be set out in the annual report on remuneration as they arise.



DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Reward scenarios

The charts below show how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance under the policy, as a percentage of total remuneration opportunity and as a total value.



Notes:

- The minimum performance scenario comprises the fixed elements of remuneration only, including:
  - salary, as set out in the annual report on remuneration;
  - pension (15 per cent of salary); and
  - benefits are approximated.
- The on-target level of bonus is taken to be 50 per cent of the maximum bonus opportunity, and the on-target level of PSP vesting is assumed to be 25 per cent of the face value of the PSP award. These values are included in addition to the components/values of minimum remuneration.
- Maximum remuneration assumes full bonus pay-out (100 per cent of salary only) and the full face value of the PSP (i.e. 250 per cent of salary for the CEO and MD, and 175 per cent for the FD), in addition to fixed components of minimum remuneration.
- "Maximum plus 50 per cent growth" uses the same assumptions as the "Maximum" performance scenario, but also assumes that Urban&Civic's share price increases by 50 per cent over the three-year performance period.
- PSP award sizes are shown as 250 per cent of base salary for the CEO and MD, and 175 per cent of base salary for the FD. These levels are in line with the award sizes for the 2020 PSP grants. They are within the policy maximums of 300 per cent for the CEO and MD, and 275 per cent of base salary for the FD. 2021 PSP grants may not be granted in the case that shareholders accept the offer from the Wellcome Trust and therefore any award sizes are yet to be determined.

Approach to recruitment and promotions

The remuneration package for a new Director would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained. The annual bonus potential would be limited to 100 per cent of salary and, depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to those of the current Executive Directors for the first performance year of appointment. Grants under the PSP would be limited normally to 300 per cent of salary and can be made shortly following an appointment (assuming the Company is not in a close period). The Committee may provide an allowance or reimbursement of any reasonable expenses (including tax thereon) in relation to the relocation of an Executive Director. Any ongoing costs will be met by the Company for a period of no more than 12 months.

In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an Executive leaving a previous employer if required in order to facilitate, in exceptional circumstances, the recruitment of the relevant individual. The Committee would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an Executive Director appointment of an existing member of staff, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

### Service contracts for Executive Directors

The policy on termination is that the Group does not make payments beyond its contractual obligations. The Committee will seek to ensure that no unjustified payments for failure are made.

All Executive Directors are employed on rolling contracts subject to no more than 12 months' notice from either the Executive Director or the Company. Service contracts do not provide explicitly for termination payments or damages but the Company may make payments in lieu of notice. For this purpose, pay in lieu of notice would consist of basic salary and other relevant emoluments for the relevant notice period excluding any bonus. In addition, the Company has discretion in certain circumstances to pay certain fees relating to the termination, for example, fees for legal advice received by the Executive Director. The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

There are no special provisions contained in any of the Executive Directors' contracts which provide for longer periods of notice or additional payments on a change of control of the Company. Further, there are no special provisions providing for additional compensation on an Executive Director's cessation of employment with the Group.

An annual bonus may be payable with respect to the proportion of a financial year served, although it will be pro-rated for time and paid at the normal payment date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. In certain prescribed circumstances set out in the plan rules of the relevant share plan (for example, death, injury or disability, retirement or other circumstances at the discretion of the Committee), "good leaver" status may be applied. For good leavers, awards will usually vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time, and will be reduced pro-rata to reflect the proportion of the vesting period actually served, although the Remuneration Committee has discretion to allow these awards to vest at an earlier date (although not earlier than the date of cessation) and/or disapply time pro-rata.

The Board allows Executive Directors to accept appropriate outside non-executive director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

### Non-Executive Directors

All Non-Executive Directors have a remuneration agreement for an initial period of 12 months and thereafter on a rolling basis subject to three months' notice by either the Non-Executive Director or the Company, given at any time. In addition, temporary additional day rates can be provided to certain Non-Executive Directors. Full details on additional day rates (if any) are set out in the annual report on remuneration.

In the event of termination of their appointment Non-Executive Directors are not entitled to any compensation.

### Key areas of discretion in the remuneration policy

The incentive plan rules provide the Committee with certain discretions which serve to ensure the effective implementation of the policy. The extent of such discretions is set out in the relevant rules but is limited by statements made in the policy. For example, the maximum opportunities and selection of performance measures for the Performance Share Plan are limited by the relevant columns of the policy table. Operational discretions include the following:

- selecting the participants in the incentive plans;
- determining the timing of grants of awards and payments;
- determining award levels and payments;
- assessing the achievement of performance conditions and determining the extent of vesting;
- making appropriate adjustments required in certain circumstances, for example, changes in capital structure;
- determining "good leaver" status for our incentive plans and the application of the appropriate treatment;
- reviewing the weighting of performance measures and setting targets for the incentive plans, where applicable, from year to year; and
- overriding formulaic vesting outcomes if the Committee considers the outcome not to be an accurate representation of performance.

If an event occurs which results in a performance condition or targets being deemed no longer appropriate, the Committee will have the ability to adjust the measures and targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Such events include acquisitions, divestments and change in control.



## ANNUAL REPORT ON REMUNERATION

## How the remuneration policy was implemented in the year ended 30 September 2020

## Directors' remuneration

The details set out on pages 110 to 117 of this report are subject to audit.

	Basic salary/fees <sup>1</sup>		Benefits <sup>2</sup>		Bonus <sup>3</sup>		Long-term incentives <sup>4</sup>		Pension <sup>5</sup>		Total fixed		Total variable		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Executive Directors</b>																
Nigel Hugill	431	421	34	35	—	271	117	884	65	63	530	519	117	1,155	647	1,674
Robin Butler <sup>6</sup>	431	421	30	27	—	271	117	884	65	63	526	511	117	1,155	643	1,666
David Wood	296	288	20	19	—	177	74	513	44	43	360	350	74	690	434	1,040
<b>Non-Executive Directors</b>																
Ian Barlow <sup>7</sup>	65	60	—	—	—	—	—	—	—	—	65	60	—	—	65	60
June Barnes <sup>8</sup>	65	60	—	—	—	—	—	—	—	—	65	60	—	—	65	60
Rosemary Boot <sup>9</sup>	50	18	—	—	—	—	—	—	—	—	50	18	—	—	50	18
Alan Dickinson <sup>10</sup>	155	148	—	—	—	—	—	—	—	—	155	148	—	—	155	148
Jon Di-Stefano <sup>11</sup>	51	55	—	—	—	—	—	—	—	—	51	55	—	—	51	55
Bill Holland <sup>12</sup>	42	—	—	—	—	—	—	—	—	—	42	—	—	—	42	—
Sanjeev Sharma <sup>13</sup>	50	18	—	—	—	—	—	—	—	—	50	18	—	—	50	18

- Basic salary/fees includes salary and fees received during the period that each Director was a Director of Urban&Civic plc.
- Includes a fully expensed company car or cash alternative and private medical insurance.
- Further information on the determination of annual bonus payments is set out in the information following this table.
- The 2020 long-term incentive disclosure refers to the awards granted in February 2018 which had a performance period which ran from 1 October 2017 to 30 September 2020. Following an assessment of performance, based on the scenario that the acquisition is not approved by shareholders, 12.6 per cent of the shares are expected to vest in February 2021. As the awards have not yet vested, the figures shown in the table are based on the average share price in the three months to 30 September 2020, which is 223.0p. However, in the case that the acquisition is approved by shareholders at an offer price of 345p, then the assessment of performance would result in 58 per cent of the shares vesting due to the positive impact on TSR. This would increase the figures shown in the above table to the following amounts: £524,000 for Nigel Hugill and Robin Butler, and £329,000 for David Wood. This would be a non-adjusting post year-end event and hence does not need to be recognised in the current period. The 2019 long-term incentive disclosure refers to the awards granted in December 2016 which had a performance period which ran from 1 October 2016 to 30 September 2019. Following an assessment of performance, 72.3 per cent of the shares vested on 7 December 2019. These figures have been restated from last year's report using the actual share price on the vesting date (330.0p). The figures shown in the table in last year's report were based on the average share price in the three months to 30 September 2019 (316.0p). Further details relating to performance targets, weightings and outcomes can be found on page 112.
- Pension payments equivalent to 15 per cent of salary are made as a cash supplement to the Directors or directly to a pension scheme.
- As permitted by the UK Corporate Governance Code, Executive Directors may be permitted to act as a director of a non-Group company and to retain any earnings they receive for that role. During the year ended 30 September 2020, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2019: £20,000).
- Ian Barlow: Director's fee increased from £60,000 p.a. to £65,000 p.a. on 1 November 2019.
- June Barnes: Director's fee increased from £55,000 p.a. to £60,000 p.a. on 1 November 2018 and from £60,000 p.a. to £65,000 p.a. on 1 November 2019.
- Rosemary Boot: appointed as a Director on 10 May 2019. Director's fee increased from £45,000 p.a. to £50,000 p.a. on 1 November 2019.
- Alan Dickinson: Chairman's fee increased from £125,000 p.a. to £150,000 p.a. on 1 November 2018 and from £150,000 p.a. to £155,000 p.a. on 1 November 2019.
- Jon Di-Stefano: appointed as Chair of the Audit Committee on 13 February 2019. Director's fee increased from £45,000 p.a. to £60,000 p.a. on that date. Director's fee increased from £60,000 p.a. to £65,000 p.a. on 1 November 2019. Resigned as Chair and member of the Audit Committee on 18 November 2019. Director's fee reduced to £50,000 on that date.
- Bill Holland: appointed as a Director and Chair of the Audit Committee on 6 February 2020. Director's fee: £65,000 p.a.
- Sanjeev Sharma: appointed as a Director on 10 May 2019. Director's fee increased from £45,000 p.a. to £50,000 p.a. on 1 November 2019.

## Determination of the annual bonus for the year ended 30 September 2020

The annual bonus for the year ended 30 September 2020 was capped at 100 per cent of salary, with 50 per cent of the annual bonus opportunity based on growth in EPRA NAV, 30 per cent based on personal/strategic objectives and 20 per cent based on cash generation objectives. As explained earlier in this report, no bonuses will be paid to Executive Directors in respect of the year ended 30 September 2020. Further details of the attainment of the objectives are set out below.

## Determination of the annual bonus for the year ended 30 September 2020 continued

### EPRA NAV growth

EPRA NAV at 30 September 2020 was £499.1 million. This was below the minimum threshold and therefore no payment (out of a possible 50 per cent of base salary) was payable to the Executive Directors. The targets for the year ended 30 September 2020, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£537.8m	0 per cent of base salary
Target	£558.2m	25 per cent of base salary
Maximum	£580.2m	50 per cent of base salary

### Personal/strategic objectives

Personal objectives for the year ended 30 September 2020 were set to measure the individual performance of Executive Directors and included:

Executive Director	Personal objectives	Assessment of achievement
Nigel Hugill	<ul style="list-style-type: none"> <li>Continued engagement with institutional shareholders and other stakeholders.</li> <li>Ensure a strong cash generation discipline is established and maintained.</li> <li>Maintain relationships with finance partners.</li> <li>Drive progress in achieving planning consents on Strategic Sites.</li> <li>Develop and implement a sustainability strategy and associated metrics.</li> </ul>	<ul style="list-style-type: none"> <li>Very strong, proactive engagement with all stakeholders.</li> <li>Cash generation constrained by impact of pandemic.</li> <li>Excellent relationships maintained.</li> <li>Considerable positive progress on planning issues.</li> <li>Good progress being made.</li> </ul>
Robin Butler	<ul style="list-style-type: none"> <li>Ensure a strong cash generation discipline is established and maintained.</li> <li>Delivery of projects in line with budget and agreed timescales.</li> <li>Drive performance and key cash delivery of Gatesby business.</li> <li>Leadership and management of staff.</li> <li>Source further opportunities for additional Strategic Sites.</li> </ul>	<ul style="list-style-type: none"> <li>Cash generation constrained by impact of pandemic.</li> <li>Very strong delivery in spite of pandemic restrictions.</li> <li>Gatesby has delivered a good performance.</li> <li>Positive leadership in hugely challenging times.</li> <li>Excellent development of pipeline projects.</li> </ul>
David Wood	<ul style="list-style-type: none"> <li>Ensure a strong cash generation discipline is established and maintained.</li> <li>Maintain relationships with finance partners.</li> <li>Enhance relationships with institutional investors.</li> <li>Management of high quality and informative reporting, both external and Board reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Cash generation constrained by impact of pandemic.</li> <li>Excellent relationships demonstrated in pandemic.</li> <li>Investors have reported very high quality engagement.</li> <li>Outstanding work.</li> </ul>

The Committee scored the Executive Directors' individual performance based on an unweighted objective assessment of the level of attainment of each of the Executive Directors having regard to specific areas of responsibility.

Notwithstanding the achievement of personal objectives and as explained earlier in this report, no bonuses will be paid to Executive Directors in respect of the year ended 30 September 2020.

### Cash generation

Cash generated from completions on Strategic Sites during the year ended 30 September 2020 was £41.6 million. This was below the minimum threshold and therefore no payment (out of a possible 20 per cent of base salary) was payable to the Executive Directors. The targets for the year ended 30 September 2020, and the associated potential bonus payments, were as follows:

Annual bonus target	Revenue	Bonus payable
Threshold	£43.5m	0 per cent of base salary
Target	£54.6m	10 per cent of base salary
Maximum	£65.9m	20 per cent of base salary

### Board changes/payments for loss of office

During the year, Bill Holland was appointed to the Board as Non-Executive Director on 6 February 2020. On 18 November 2019, Jon Di-Stefano resigned as Chair of the Audit Committee and Ian Barlow resumed this role pending the appointment of Bill Holland, who was appointed as Chair of the Audit Committee on 6 February 2020. There were no other changes to the Board during the year ended 30 September 2020.

There were no payments for loss of office.



## ANNUAL REPORT ON REMUNERATION CONTINUED

### Payments to past Directors

There were no payments to past Directors.

### Performance Share Plan (PSP) awards in respect of the performance period ended 30 September 2020

The awards granted on 8 February 2018 (in accordance with the Performance Share Plan 2016 rules as amended and approved by shareholders on 8 February 2018) are expected to vest in February 2021 in the case that the acquisition does not proceed. Half of these awards were subject to an EPRA NAV performance condition and half were based on a TSR performance condition. Following an assessment of performance, as shown in the table below, it is expected that 12.6 per cent of these awards will vest.

	Threshold vesting (% of award)	Maximum vesting (% of award)	Threshold target	Maximum target	Achievement	Outcome
EPRA NAV growth	12.5%	50%	5.0% p.a.	12.0% p.a.	(4.26)%	0%
Urban&Civic TSR	12.5%	50%	5.0% p.a.	12.0% p.a.	5.0%	12.6%
<b>Total</b>						<b>12.6%</b>

As a result of this performance outcome, the following number of shares are expected to vest to the Executive Directors: Nigel Hugill 52,584 shares, Robin Butler 52,584 shares, and David Wood 33,047 shares.

As set out in the Annual Statement, if shareholders approve the offer from the Wellcome Trust, then the vesting of these awards will be based on the offer price of 345p. In this scenario, the NAV performance assessment would not change. However, the offer price would result in strong three-year TSR of 11.16 per cent per annum which would increase the total vesting percentage from 12.6 per cent to 58.0 per cent.

### Performance Share Plan (PSP) awards granted in the year ended 30 September 2020 which could vest in future years

On 6 December 2019, PSP awards were granted to Executive Directors (in accordance with the Performance Share Plan 2016 rules as amended and approved by shareholders on 8 February 2018) as set out below. Executives not on the Board of the Company are typically eligible for PSP awards.

The number of shares granted to each current Executive Director on 6 December 2019 under the PSP is set out below:

	Number of awards	Face value <sup>1</sup>	Amount of base salary	End of performance period	Threshold vesting <sup>2</sup>	Weighting (of award) <sup>3</sup>	Performance condition and performance range
Nigel Hugill	325,015	£1,077,750	250%	30 September 2022	25%	50%	EPRA NAV growth <sup>4</sup> TSR growth <sup>5</sup>
Robin Butler	325,015	£1,077,750	250%	30 September 2022	25%	50%	EPRA NAV growth <sup>4</sup> TSR growth <sup>5</sup>
David Wood	156,001	£517,300	175%	30 September 2022	25%	50%	EPRA NAV growth <sup>4</sup> TSR growth <sup>5</sup>

- For the purpose of determining the market value of shares over which the awards were granted, the market value of a share was calculated using the average of the closing middle-market quotation of a share on the five business days immediately prior to the date of grant.
- Expressed as a percentage of shares subject to the performance condition.
- Expressed as a percentage of the shares awarded under the PSP.
- EPRA net asset value performance (50 per cent weighting) must increase by more than 4.0 per cent per annum for 25 per cent vesting and must increase by more than 11.0 per cent per annum for 100 per cent vesting.
- Total shareholder return (50 per cent weighting) must increase by more than 4.0 per cent per annum for 25 per cent vesting and must increase by more than 11.0 per cent per annum for 100 per cent vesting.

### Implementation of the remuneration policy for the year ending 30 September 2021

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2021, should the acquisition of the Company by the Wellcome Trust not complete.

#### Base salary

Base salary levels for the Executive Directors as at 1 October 2020 and 1 October 2019 are shown below:

Director	Title	2020	2019	% increase
Nigel Hugill	Chief Executive	£431,100	£431,100	—
Robin Butler	Managing Director	£431,100	£431,100	—
David Wood	Group Finance Director	£295,600	£295,600	—

The next salary review date is expected to be 1 October 2021.

## Pension

The Group currently contributes 15 per cent of base salary for all Executive Directors (payable into a pension arrangement or as a salary supplement). New Executive Directors will have contribution to pension aligned with the level available to the majority of the workforce, currently set at 10 per cent of base salary. Under the proposed new Directors' remuneration policy, which is subject to shareholder approval, incumbent Executive Director pensions will also be aligned with the level available to the majority of the workforce with effect from 1 October 2022.

## Benefits

Benefits provided will continue to include a fully expensed company car or cash alternative, private medical insurance, permanent health insurance and life assurance. Other benefits may be payable where appropriate.

## Annual bonus

For the year ending 30 September 2021, the annual bonus structure will be unchanged from that operated in the prior year, as set out in the policy report on pages 105 to 109. The maximum bonus opportunity will be 100 per cent of base salary with 35 per cent of the annual bonus opportunity based on growth in EPRA NAV, 20 per cent based on personal/strategic objectives, 35 per cent based on cash generation and 10 per cent based on the progress on implementing the ESG framework. Annual bonus targets for the year ending 30 September 2021 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2021 annual report on remuneration. The Remuneration Committee retains discretion to reduce (but not increase) annual bonuses, for example, in the event that the share price diverges markedly from reported growth in EPRA NAV.

## Long-term incentives

Award levels and performance targets are yet to be determined, and no awards under the PSP will be made if shareholders approve the offer from the Wellcome Trust. If the acquisition is not approved, then award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and TSR conditions and measured over the performance period from 1 October 2020 to 30 September 2023. Full details of the award levels for Executive Directors and the performance targets will be provided in the relevant Stock Exchange announcement which will be published immediately following grant. When making any new awards and setting targets, the Committee will take account of the prevailing economic circumstances and will seek to avoid any windfall gains resulting from granting awards at a lower share price.

## Clawback provisions

Consistent with best practice, the Company will operate clawback provisions in respect of annual bonus and PSP awards in the year ending 30 September 2021. The Committee may withhold ('malus') or recover ('clawback') awards/payments within a period of three years from award in the event that the Company materially misstates its financial results, there is an error in assessing the performance targets and/or participants cease employment as a result of misconduct on the part of the individual.

## Non-Executive Directors

Non-Executive Directors' fees are reviewed annually and an increase was approved by the Board which took effect from 1 November 2019. The base fee for Non-Executive Directors is £50,000 p.a. (increased from £45,000 p.a.) with an additional £15,000 p.a. payable to the Senior Independent Director and to the chairs of the Audit, Remuneration and Nomination and Governance committees.

Non-Executive Directors' fees as at 1 October 2019 and 1 October 2020 are shown below:

	1 October 2020	1 October 2019
Alan Dickinson <sup>1</sup>	<b>£155,000</b>	£150,000
Ian Barlow <sup>2</sup>	<b>£65,000</b>	£60,000
June Barnes <sup>2</sup>	<b>£65,000</b>	£60,000
Rosemary Boot <sup>3</sup>	<b>£50,000</b>	£45,000
Jon Di-Stefano <sup>4</sup>	<b>£50,000</b>	£60,000
Bill Holland <sup>5</sup>	<b>£65,000</b>	n/a
Sanjeev Sharma <sup>3</sup>	<b>£50,000</b>	£45,000

1. Annual fee increased to £155,000 with effect from 1 November 2019.

2. Annual fee increased to £65,000 with effect from 1 November 2019.

3. Annual fee increased to £50,000 with effect from 1 November 2019.

4. Annual fee increased to £65,000 with effect from 1 November 2019. Resigned as Chair and member of the Audit Committee on 18 November 2019. Fee reduced from £65,000 to £50,000 on that date.

5. Appointed to the Board on 6 February 2020.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2021.





## ANNUAL REPORT ON REMUNERATION CONTINUED

## Statement of Directors' shareholdings and share interests

Full details of unvested performance share awards in the Company held by Executive Directors in office at 30 September 2020, together with details of awards granted to all Directors who held office during the year, are shown below. Vested shares are included in the table on page 110.

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	405,153	8 February 2018	302.4p	Nil	8 February 2021 <sup>1</sup> to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
	325,015	6 December 2019	330.0p	Nil	6 December 2022 to 5 December 2029
Robin Butler	405,153	8 February 2018	302.4p	Nil	8 February 2021 <sup>1</sup> to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
	325,015	6 December 2019	330.0p	Nil	6 December 2022 to 5 December 2029
David Wood	254,629	8 February 2018	302.4p	Nil	8 February 2021 <sup>1</sup> to 7 February 2028
	177,336	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
	156,001	6 December 2019	330.0p	Nil	6 December 2022 to 5 December 2029

1. 12.6 per cent of the shares are expected to vest in February 2021, should the acquisition of the Company by the Wellcome Trust not complete, see table on page 112.

## Directors' shareholdings

The table below sets out Directors' shareholdings, which are beneficially owned or subject to a performance or service condition.

	Interests in ordinary shares		Deferred shares under the bonus scheme		Share awards subject to performance conditions <sup>1</sup>		Share awards no longer subject to performance conditions		Shareholding guideline met <sup>2</sup>
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	
<b>Current Directors</b>									
Nigel Hugill	<b>1,371,173</b>	1,361,589	<b>131,974</b>	130,174	<b>1,173,527</b>	1,235,814	<b>434,492</b>	154,473	Yes
Robin Butler	<b>1,423,265</b>	1,413,318	<b>80,935</b>	79,135	<b>1,173,527</b>	1,235,814	<b>376,269</b>	96,250	Yes
David Wood	<b>279,702<sup>3</sup></b>	94,775	—	76,078	<b>587,966</b>	656,629	—	109,209	Yes
Ian Barlow	<b>142,272</b>	112,272	—	—	—	—	—	—	n/a
June Barnes	<b>25,080</b>	20,037	—	—	—	—	—	—	n/a
Rosemary Boot	<b>17,496</b>	9,100	—	—	—	—	—	—	n/a
Alan Dickinson	<b>100,000</b>	88,889	—	—	—	—	—	—	n/a
Jon Di-Stefano	<b>4,000</b>	4,000	—	—	—	—	—	—	n/a
Bill Holland <sup>4</sup>	<b>6,000</b>	—	—	—	—	—	—	—	n/a
Sanjeev Sharma	<b>8,018</b>	—	—	—	—	—	—	—	n/a

1. Details of the unvested PSP awards of Executive Directors as at 30 September 2020 are shown in the table at the top of this page.

2. Share ownership guidelines as set out in the Directors' remuneration policy are that Executive Directors should satisfy a minimum shareholding requirement: minimum of 500 per cent for the current Chief Executive and Managing Director and 250 per cent for any other Executive Director, including the current Finance Director. The Chief Executive, Managing Director and Finance Director have met the guideline. Satisfaction of the guideline is tested annually and, once it has been met, is fixed as a number of shares. Thereafter, the required number of shares is increased each time that an Executive Director receives a base salary increase.

3. On 13 February 2020, David Wood exercised outstanding entitlements over 348,944 ordinary shares under the Company's Performance Share Plan and Deferred Share Bonus Plan. The related option price and tax withholding obligations from the proceeds were settled by the sale on the same date of 164,684 of those ordinary shares to the Company's employee benefit trust. In total, 184,260 ordinary shares were delivered to him in order to satisfy the 2016 deferred annual bonus, 2017 deferred annual bonus, the exercise of awards granted over ordinary shares in the Company under the Company's Performance Share Plan in September 2014, June 2016 and December 2016.

4. Appointed as a Director on 6 February 2020.

## Directors' service contracts

Details of the service contracts of current Directors are set out below:

### Executive Directors

Current Directors	Company notice period	Contract date	Unexpired term of contract <sup>1</sup>	Potential termination payment	Potential payment on change of control/liquidation
Nigel Hugill	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
Robin Butler	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
David Wood	12 months	1 July 2016	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil

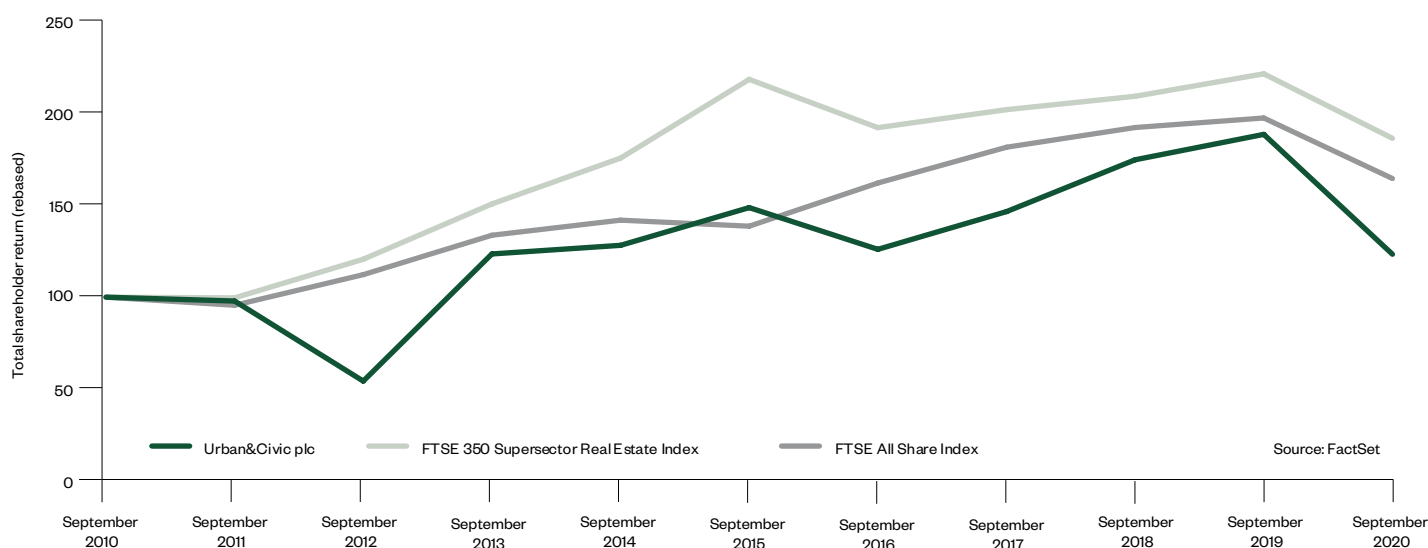
1. Contracts will continue until terminated by notice either by the Company or the Director.

### Non-Executive Directors

	Notice period	Contract date
Ian Barlow	3 months	2 August 2016
June Barnes	3 months	23 September 2015
Rosemary Boot	3 months	9 May 2019
Alan Dickinson	3 months	23 September 2015
Jon Di-Stefano	3 months	29 August 2017
Bill Holland	3 months	4 February 2020
Sanjeev Sharma	3 months	9 May 2019

### TSR performance graph and table

The graph shows the Company's performance, measured by TSR, compared with the FTSE All Share Index and the FTSE 350 Supersector Real Estate Index over the past ten years. The Committee considers these to be relevant indices for TSR comparison. Note that TSR prior to admission is based solely on the TSR of Terrace Hill (Urban&Civic was not listed at that time).





## ANNUAL REPORT ON REMUNERATION CONTINUED

## Chief Executive ten-year history

The table below sets out the single figure of total remuneration for the Chief Executive for the last ten years. Prior to the date of Listing (22 May 2014) we have shown the single figure for the Chief Executive of Terrace Hill.

Year	Incumbent	Single figure of total remuneration £'000	Annual bonus pay-out against maximum <sup>1</sup>	PSP vesting against maximum opportunity
2019/20	Nigel Hugill <sup>2</sup>	£647	0%	12.6%
2018/19	Nigel Hugill	£1,674	64.4%	72.3%
2017/18	Nigel Hugill	£1,167	86.6%	59.7%
2016/17	Nigel Hugill	£1,190	62.5%	28.7%
2015/16	Nigel Hugill	£675	31.7%	—
2014/15	Nigel Hugill	£661	28.6%	—
2013/14	Nigel Hugill	£515	n/a	n/a <sup>4</sup>
2013/14	Philip Leech <sup>5</sup>	£536	n/a	—
2012/13	Philip Leech	£652	n/a	—
2011/12	Philip Leech	£345	n/a	—
2010/11	Philip Leech	£400	n/a	n/a <sup>6</sup>

1. A discretionary annual bonus scheme without a maximum was operated historically (under Terrace Hill). As a result it is not possible to show the annual bonus payment as a percentage of the maximum opportunity.
2. Appointed Executive Chairman of Urban&Civic on 22 May 2014. Resigned as Chairman and was appointed as Chief Executive on 24 March 2016.
3. Expected vesting figure. See table on page 112.
4. No awards were granted with a performance period ended in 2013/14.
5. Chief Executive of Terrace Hill until 22 May 2014.
6. No awards were granted with a performance period ended in 2010/11.

## Percentage change in remuneration of Directors and employees

	Percentage change in:		
	Base salary/fee 2020	Benefits 2020	Bonus 2020
<b>Executive Directors</b>			
Nigel Hugill	2.4%	(2.9)% <sup>1</sup>	(100)% <sup>1</sup>
Robin Butler	2.4%	11.1%	(100)% <sup>1</sup>
David Wood	2.8%	5.3%	(100)% <sup>1</sup>
<b>Non-Executive Directors</b>			
Ian Barlow	8.3%	—	—
June Barnes	8.3%	—	—
Rosemary Boot	11.1% <sup>2</sup>	—	—
Alan Dickinson	3.3%	—	—
Jon Di-Stefano	(7.3)% <sup>3</sup>	—	—
Bill Holland	n/a <sup>4</sup>	—	—
Sanjeev Sharma	11.1% <sup>2</sup>	—	—
<b>Employees of the parent company<sup>5</sup></b>	<b>2.5%</b>	<b>4.5%</b>	<b>(100)%</b>
<b>Employees of the Group<sup>1</sup></b>	<b>2.5%</b>	<b>8.3%</b>	<b>(88)%</b>

1. No bonuses were paid to Executive Directors in respect of the year ended 30 September 2020.
2. Rosemary Boot and Sanjeev Sharma were appointed as Non-Executive Directors on 10 May 2020. The percentage increase is calculated on their annual fee rather than the fees received during the period 10 May 2019 to 30 September 2019.
3. Jon Di-Stefano resigned as Chair of the Audit Committee on 18 November 2019 and his fee was reduced on that date.
4. Bill Holland was appointed as a Non-Executive Director on 6 February 2020.
5. The regulations require disclosure of the change in remuneration of the employees of the parent company. As the parent company employs less than 10 per cent of the workforce, the Remuneration Committee does not think this is a relevant comparator group. The Remuneration Committee has therefore decided to voluntarily disclose the percentage change in remuneration of all employees of the Group.

## Relative importance of the spend on pay

	Year ended 30 September 2020	Year ended 30 September 2019	% change
Wages and salaries (including discretionary bonus) (£m) <sup>1</sup>	9.7	12.4	(21.8)
Dividends paid during the year (£m)	3.6	5.2	(30.8)
EPRA net asset value (£m)	499.1	527.5	(5.4)
Total shareholder return (per cent)	(34.1)	7.9	531.6

1. Including all Executive Directors.

## Details of the Remuneration Committee, advisers to the Committee and their fees

The Committee determines the specific remuneration packages for each of the Executive Directors and no Director is involved in any decisions as to their own remuneration. The Committee has access to information and advice provided by the Chief Executive and the Group Finance Director and has access to independent advice where it considers appropriate. During the year, Aon Hewitt and Alvarez and Marsal both acted as independent advisers to the Committee and the Committee is satisfied that there are no connections with the Group that may impact their objectivity and independence. Neither provides any other services to the Company. Aon Hewitt and Alvarez and Marsal were paid £18,100 and £14,900 respectively in respect of the year ended 30 September 2020.

## Statement of voting

The table below shows the voting outcomes of the resolutions put to shareholders regarding the Directors' remuneration report (at the AGM in February 2020) and the Directors' remuneration policy (at the AGM in February 2018).

Resolution	For the resolution <sup>1</sup>	%	Against the resolution	%	Votes withheld <sup>2</sup>
Directors' remuneration report (2020 AGM) <sup>3</sup>	119,216,760	98.32	2,032,633	1.68	8,298
Directors' remuneration policy (2018 AGM) <sup>4</sup>	117,939,613	95.35	5,756,940	4.65	9,566

1. Includes discretionary votes.
2. A vote withheld is not a vote in law and is not counted in the calculation of votes for or against a resolution.
3. As at the date of the meeting there were 145,148,088 ordinary shares of 20p each in issue.
4. As at the date of the meeting there were 144,964,808 ordinary shares of 20p each in issue.



### June Barnes

Chair of the Remuneration Committee  
4 December 2020