

Directors' Remuneration Policy

Remuneration philosophy and principles

Our principles continue to be to maintain a competitive remuneration package that will attract, retain and motivate a high quality team, avoid excessive or inappropriate risk taking and align their interests with those of shareholders. These principles are designed to:

- Drive accountability and responsibility
- Provide a balanced range of incentives which align both short-term and long-term performance with the value/returns delivered to shareholders
- Apply demanding performance conditions to deliver sustainable high performance; setting these conditions with due regard to actual and expected market conditions and business context
- Ensure that a large part of potential remuneration is delivered in shares in order that executives are expected to build up a shareholding themselves and therefore they are directly exposed to the same gains or losses as all other shareholders
- Take account of the remuneration of other comparator companies of similar size, scope and complexity within our industry sector
- Keep under review the relationship of remuneration to risk, the members of the Remuneration Committee are also that of the Audit Committee
- Ensure that the incentive structure does not raise any environmental, social or governance risks through compliance with our Responsible Business ethics and standards of operating

How the Committee sets remuneration

Salary	Fixed compensation	Median	Total = Median or above for above Median performance
Pension			
Benefits			
Bonus	Performance based compensation	Median or above for above Median performance	
Share Awards			

The Committee benchmarks remuneration against our selected comparator group companies (see page 4) and seeks to ensure that Director's fixed compensation is around the median in the comparator group.

The Committee view is that by putting an emphasis on performance related compensation, executives are encouraged to perform to the highest of their abilities. The performance based compensation is targeted to be at median or above, for above median performance, within the comparator group to ensure that outstanding relative performance is appropriately rewarded. The overall effect is that our total compensation is at median or above, for above median performance.

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Purpose & link to strategy	Operation	Opportunity	Performance metrics
<p>Base salary <i>Median</i></p> <ul style="list-style-type: none"> - To aid recruitment, retention and motivation of high quality people - To reflect experience and importance of role 	<p>Reviewed annually effective 1 January to reflect:</p> <ul style="list-style-type: none"> - general increases throughout the Company or changes in responsibility or role; and - benchmarking against comparator group to ensure salaries are about the median level and market competitive. 	n/a	n/a
<p>Pension <i>Median</i></p> <ul style="list-style-type: none"> - To help recruit and retain high quality people - To provide an appropriate market competitive retirement benefit 	<p>The Company does not operate a pension scheme, all pension benefits are paid either to defined contribution pensions schemes of each Executive Director's choice or as a cash supplement.</p> <p>From appointment in June 2017, Lawrence Hutchings received an allowance of 15% of basic salary, in line with other Executive Directors.</p>	n/a	n/a
<p>Benefits <i>Median</i></p> <ul style="list-style-type: none"> - To aid recruitment and retention - To provide market competitive benefits 	<p>The Company offers a package to Executive Directors including:</p> <ul style="list-style-type: none"> - private medical insurance; - critical illness cover; - life insurance; - permanent health insurance; and - holiday and sick pay. <p>Benefits are brokered and reviewed annually.</p>	n/a	n/a
<p>Annual bonus <i>Median or above</i></p> <ul style="list-style-type: none"> - To incentivise delivery of short-term business targets and individual objectives based on annual KPIs - To recognise performance whilst controlling costs in reaction to the market context or company events 	<p>The bonus plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy.</p> <p>Deferral applies such that bonus in excess of 60% of maximum for Executive Directors (50% for the Chief Executive) will be deferred for two years and then converted into shares. At the end of the deferral period an additional payment equivalent to the dividends that would have been earned on the shares will be made.</p> <p>Malus applies to any bonus award up to the date of determination. Clawback provisions apply to the element of any bonus that is deferred into shares for two years from the date of award.</p>	<p>Maximum bonus is 125% of basic salary for Executive Directors/150% for Chief Executive</p> <p>Targets calibrated so maximum pay-out would represent exceptional performance</p>	<p>Measures and weightings may vary from year to year depending on strategic priorities.</p> <p>2017 and 2018 objectives were weighted at 80% on Group Objectives and 20% on Individual objectives.</p>

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Purpose & link to strategy	Operation	Opportunity	Performance metrics
<p>LTIP Median or above</p> <ul style="list-style-type: none"> - To reinforce delivery of long-term business strategy and targets - To align participants with shareholders' interests - To retain Directors and senior team over the longer term 	<p>Awards are based on achieving specified targets over a three year performance period.</p> <p>An adjustment of the awards may be made in the event of a capital raising or any other event that would have a dilutory impact.</p> <p>In the event of a liquidity event the Committee will pro-rate awards for performance and will normally pro-rate for time although it has the discretion not to.</p> <p>A holding period applies after the end of the performance period. On exercise, individuals will receive an additional payment equivalent to dividends paid on shares that have qualified for vesting during the holding period.</p> <p>Malus and Clawback provisions apply such that the Committee have the discretion to reduce or cancel any awards that have not been exercised, in any of the following situations:</p> <ul style="list-style-type: none"> • C&R's financial statements or results being negatively restated due to the Executive's behaviour; • A participant having deliberately misled management or the market regarding Company performance; • A participant causing significant damage to the Company; or • A participant's actions amounting to serious / gross misconduct. 	<p>The plan provides annual awards of shares of up to 150% of salary for Executive Directors/200% for the Chief Executive</p>	<p>Performance measures apply over a three year period from the date of grant.</p>
<p>Executive shareholding</p> <p>To support alignment of Executive Directors with shareholders</p>	<p>All Executive Directors are expected to build a shareholding to at least 1 x basic annual salary value (2 x for Chief Executive) based on current market value or the aggregate purchase price of the shares.</p> <p>Deferred or other unvested share awards not subject to performance conditions can count towards the guideline.</p>	<p>n/a</p>	<p>n/a</p>
<p>Non-Executive Director fees Median</p> <ul style="list-style-type: none"> - To reflect experience and importance of role 	<p>The Chairman and Non-Executive Directors fees are set by the Board taking into account the time commitment, responsibilities, skills and experience and roles on Board Committees.</p> <p>Details of the fees can be found on page [X]. Individuals who are members of both the Audit and Remuneration Committees receive an additional fee of £5,000 per annum. The Senior Independent Director receives an additional fee of £5,000 per annum.</p>	<p>n/a</p>	<p>n/a</p>

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Employee Context

The Committee ensures that employees' remuneration across the Company is taken into consideration when reviewing executive remuneration policy although no direct consultation is performed. The Committee reviews internal data in relation to staff remuneration and is satisfied that the level is appropriate.

Comparator group

In the review of Remuneration Policy that the Company undertook with assistance from PwC in 2016 the below comparator group was used. The relative size of Capital & Regional in comparison to the constituents was factored into the benchmarking exercise performed. In addition to the Companies listed below consideration was also given to the upper quartile benchmarks for the FTSE Small Cap.

The comparator group is used as a guide to set parameters and in this context is only one of a number of factors taken into account when determining the level and elements of remuneration policy.

<ul style="list-style-type: none">• A & J Mucklow Group Plc• Assura plc• Big Yellow Group Plc• Capital & Counties Properties Plc• Countrywide Plc• Derwent London Plc• Foxtons Group Plc• Grainger Plc• Great Portland Estates Plc	<ul style="list-style-type: none">• Hammerson Plc• Hansteen Holdings Plc• Helical Bar Plc• Intu Properties Plc• Landsec Group Plc• London & Associated Properties Plc• LondonMetric Property Plc• LSL Property Services Plc• McKay Securities Plc• Safestore Holdings Plc	<ul style="list-style-type: none">• Savills Plc• Segro Plc• Shaftesbury Plc• St. Modwen Properties Plc• The British Land Company Plc• U and I Group PLC• Unite Group Plc• Workspace Group Plc
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Directors' service agreements and letters of appointment

Non-Executive Directors are all appointed on rolling contracts with no notice period save for Hugh Scott-Barrett who as Chairman has a six month notice period. All Directors stand for re-election annually and Board appointments automatically terminate in the event of a Director not being re-elected by shareholders. Copies of the Directors' service agreements are available to view, upon appointment, at the Company's registered office.

Recruitment of Executives

New Executive Directors will receive a remuneration package that will reflect the Company's remuneration policy within the parameters outlined. In certain circumstances, such as an internal promotion, an appointment may be at a salary level discount to reflect experience at that point; the Committee may increase it over time on the evidence of performance achievement and market conditions. All new Executive Directors' service agreements will include mitigation of the payment of notice as standard.

The maximum level of sign on awards paid to new joiners will be 100% of salary. This excludes amounts paid to buy out individuals from existing performance awards. In the event that the Committee proposes to make a significant payment to buy out an individual from their existing awards they will first consult with major shareholders. In addition, new Directors may receive share awards on joining although these will not vest in the first year of joining.

Exit payment policy

When considering termination payments the Committee takes into account the best interests of the Company and the individual's circumstances including the reasons for termination, contractual obligations, bonus and LTIP scheme rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The policy in relation to leavers is summarised as follows:

- In normal circumstances the Executive Director will work their notice period and receive usual remuneration payments and benefits during this time. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of the LTIP scheme.
- In the event of the termination of an Executive Director's contract and the Company requesting the Executive cease working immediately, either a compensation for loss of office payment will be made or a payment in lieu of notice plus benefits may be made. The value of the compensation for loss of office will be equivalent to the contractual notice period, pension and benefits value.
- The Executive Director may also be considered for a performance related pay award upon termination. The financial performance of the Company and meeting of KPIs and targets is the prime driver for determining whether to make an award and the quantum. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of a pro rata cash bonus award.
- In the event of termination for gross misconduct neither notice nor payment in lieu of notice will be given and the Executive will cease to perform their services with immediate effect.

The Committee will seek to mitigate the cost to the Company. In the event that the Committee exercises the discretion detailed above to treat an individual as a Good Leaver and/or to make a performance related bonus payment, the Committee will provide an explanation in the next remuneration report.

External Appointments

The Company allows Executive Directors to take up external positions outside the Group, providing they do not involve a significant commitment and do not cause conflict with their duties to the Company. These appointments can broaden the experience and knowledge of the Director, from which the Company can benefit. Executives are allowed to retain all remuneration arising from any external position.

Senior Management

The policy for senior management remuneration is set in line with the policy for the Executive Directors, with a degree of discretion for the Committee to take into account specific issues identified by the Chief Executive, such as the performance of a specific individual or division.

Consultation and shareholders' views

Shareholder voting on the remuneration policy, which was tabled at the 10 May 2016 AGM, was as follows:

Resolution	For	Against	Discretionary	Total Shares Voted	For/Discretionary as % of Total Shares Voted
To approve the Directors' remuneration policy	415,895,797	48,741,878	28,702	464,666,377	89.51%

Where requested, further clarification and discussion can be provided to all shareholders to assist them in making an informed voting decision. If any major concerns are raised by shareholders these can be discussed with the Committee Chairman in the first instance and the rest of the Committee as appropriate.

Committee evaluation

The Committee reviews its performance with Board members and other participants, including through the annual Board evaluation.