

# DIRECTORS' REMUNERATION REPORT



**JUNE BARNES** —  
COMMITTEE CHAIR

## Membership and meetings

The membership of the Committee and attendance at the six scheduled meetings held during the year ended 30 September 2018 are shown below:

		Independent	Date of appointment	Meetings eligible to attend
<b>June Barnes</b>	Chair	Yes	01/07/17	👤👤👤👤👤👤
<b>Ian Barlow</b>	Member	Yes	01/09/16	👤👤👤👤👤👤
<b>Duncan Hunter</b>	Member	Yes	14/05/14	👤👤👤👤👤👤

👤 Meetings attended

## Introduction

The Remuneration Committee's role is to ensure that the remuneration policy for Executive Directors is appropriately designed to promote the long-term success of the Company and is a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives. This Directors' remuneration report includes the Directors' remuneration policy, as approved by shareholders at the 2018 AGM, and a report on the operation of the policy during the year under review.

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## Dear Shareholder,

I am pleased to introduce the Directors' remuneration report for the year ended 30 September 2018. As in previous years, the report has been divided into three sections.

This introduction details the membership of the Committee, sets out the key activities of the Committee over the financial year ended 30 September 2018 and contains an overview of the year ahead. This is followed by the Directors' remuneration policy report, setting out the policy in full. This policy was approved at the 2018 AGM and this financial year represents the first year in which the revised policy has been in operation. The Committee has overseen and assessed the introduction of the new policy and has agreed that no changes are recommended to shareholders for the 2019 AGM. Finally, the annual report on remuneration sets out the remuneration earned by the Group's Directors in the year ended 30 September 2018 and the implementation of the policy. The annual report on remuneration will be subject to an advisory shareholder vote at the 2019 AGM.

The Committee's key purpose is to ensure an appropriate reward structure and remuneration policy. This incorporates the provision of competitive awards for Executive Directors, taking into account the performance of the Group and of individuals. The Committee takes into consideration market comparisons and the attraction, retention and motivation of high calibre individuals. The reward structure also takes into account the relatively long-term business model of the Company and is designed to align the pay and incentives of executives with the delivery of the Group's strategic objectives and financial returns for shareholders.

All members attend meetings of the Committee, which are also attended by other Directors and advisers by invitation. The Company Secretary is secretary to the Remuneration Committee and attends all meetings. Robert Dyson and Mark Tagliaferri both resigned from the Board and the Committee during the year. There were no other changes to the Committee membership during the year. The Company Secretary has established a governance calendar of events requiring Remuneration Committee discussion and approval, and the agendas of Committee meetings reflect this, ensuring that a thorough and effective review of key areas takes place over the year.

## Main activities during the year

### Shareholder consultation

Review of the Directors' remuneration policy prior to recommendation to shareholders for approval at the 2018 AGM. The review of the policy took into account market conditions, market practice, legislation and regulation, corporate governance and published guidance, motivation of executive management, employment conditions in the Group and Group culture and values. The views of shareholders and institutional investors were also taken into account and the process included writing to all our major shareholders and to two investor bodies inviting feedback and face to face discussion. When formulating the proposed policy, we took into account the views that shareholders expressed during this consultation process.

### PSP awards

Approved the vesting calculations of the PSP awards granted in respect of the performance period ended 30 September 2017, which vested in December 2017. The EPRA NAV condition was satisfied in part and the TSR condition was not satisfied. Further details are included in the annual report on remuneration.

Proposed an amendment to the rules of the Performance Share Plan 2016 (the 'PSP rules') for consideration by shareholders at the 2018 AGM. The amendment increased the individual limit such that a participant may not receive awards under the PSP rules in any financial year of the Company over shares having a market value (as at the time of the award) in excess of 300 per cent (increased from 200 per cent) of their annual base salary. This amendment was proposed as part of the review of the remuneration policy, as described in last year's report.

Agreed that the Performance Share Plan ('PSP') awards granted in respect of the year ended 30 September 2017 should be made under the PSP rules, which were adopted following approval by shareholders at the 2018 AGM. Subsequently (in February 2018) approved the grant of PSP awards to Executive Directors and other staff in respect of the performance period starting on 1 October 2017.

Agreed the performance conditions for the PSP awards granted in February 2018, in respect of the performance period starting on 1 October 2017. The conditions, relating to EPRA NAV and absolute TSR performance, are set out in more detail in the annual report on remuneration.

Reviewed a schedule of headroom of shares held by the Employee Benefit Trust at every meeting, to ensure that there is sufficient capacity to issue shares on the exercise of PSP awards.

### Executive Directors' remuneration

Reviewed and assessed the achievement of the Executive Directors' 2016/17 objectives. Approved the bonus in respect of the financial year ended 30 September 2017, based on the achievement of these objectives.

Approved salary increases of Executive Directors to take effect from 1 October 2017.

Approved the Executive Directors' objectives for the 2017/18 financial year. These were based on EPRA NAV performance, personal objectives and cash generation conditions. Further details are set out in the annual report on remuneration.

Approved the grant of the deferred share bonus awards to Executive Directors in respect of the bonus awards for the year ended 30 September 2017, in accordance with the rules of the Annual Bonus Plan and the Deferred Share Bonus Scheme adopted by the Company in 2016. Under the remuneration policy approved at the 2018 AGM, annual bonuses are no longer subject to any deferred payment element.

Approved the vesting of the deferred share bonus awards granted in respect of the financial year ended 30 September 2015.

## Main activities during the year continued

### Senior management remuneration

Approved the performance bandings upon which 2017 remuneration awards to senior management were made.

Reviewed the 2017 salary, bonus and LTIP award proposals for the Company Secretary and other selected senior management.

Approved the grant of PSP awards to senior management and other staff.

### Other staff remuneration

Reviewed the recommendations by management for the annual salary, bonus and PSP awards for all other staff in respect of the financial year ended 30 September 2017, noting the performance metrics applied by management in proposing these awards.

Carried out an initial review of the Group staff remuneration policy in February 2018 and subsequently appointed a third party consultant to carry out a thorough review of the remuneration of senior management and all other staff (excluding the Executive Directors). The purpose of this review was to assess current remuneration against market data and to provide recommendations for improvements in remuneration processes. The report included an analysis of market trends in general, as well as a benchmarking of the salary, bonus and other benefits of staff with available market data collected by an independent third party. The comparisons took into account seniority, length of service, performance in the role and development potential. Gender diversity was also reviewed. The conclusion was that the remuneration for the majority of roles was within market ranges, or that there were justifiable circumstances explaining why levels fell outside the market ranges, for example competency levels. Some individuals require additional review which will be carried out by executive management, reporting to the Committee. The Committee recognises the importance of taking into account the overall remuneration package, not just base salary.

### Share ownership guidelines

Long-term ownership culture and an alignment of executive and shareholder interests is encouraged and, during the year, the Committee proposed changes to the share ownership guidelines for the Group.

The Committee approved revised share ownership guidelines for Executive Directors which were adopted by shareholders at the 2018 AGM as part of the revised remuneration policy. The Chief Executive and Managing Director are required to build and then hold 500 per cent of their base salary in the Company's shares. The Finance Director, and any other Executive Directors appointed to the Board in future, will have a minimum shareholding requirement of 250 per cent.

The Committee also adopted share ownership guidelines for selected members of senior management. The target holding for such staff is 100 per cent of base salary.

### Effectiveness

Carried out a review of the performance and effectiveness of the Committee, taking into account the duties and responsibilities set out in its terms of reference.

### Governance and training

Approved the remuneration report for inclusion in the 2017 Annual Report.

Received a briefing by the Company Secretary on the requirements of the 2018 UK Corporate Governance Code, including those specifically relating to remuneration committees.

Discussed a briefing note prepared by the Company's remuneration consultants setting out new and proposed reporting requirements.

Annual review of terms of reference.

### Performance and reward in the year to 30 September 2018

The Group's results for the year ended 30 September 2018 are discussed in the strategic report on pages 4 to 65. The Group has reported a total comprehensive income for the year of £18.7 million, IFRS net assets of £389.0 million and EPRA net assets of £481.2 million at 30 September 2018, 4.6 per cent and 9.5 per cent higher compared against the same respective net asset valuations at 30 September 2017. Reflecting performance against EPRA net asset growth targets, individual performance of the Executive Directors against their personal objectives and performance against cash generation targets, annual bonus awards for the Executive Directors for the year ended 30 September 2018 were between 83.6 and 86.6 per cent of salary (out of a possible 100 per cent).

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

### Performance Share Plan awards

PSP awards are due to vest in June 2019, based on performance from 1 October 2015 to 30 September 2018, as set out in the annual report on remuneration.

The Committee intends to grant awards under the PSP rules for the performance period from 1 October 2018 to 30 September 2021 within six weeks of the announcement of the results for the year ended 30 September 2018. While award levels and performance targets have yet to be determined, award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and absolute TSR conditions. We believe that the TSR measure directly aligns our executive team with the value created for shareholders over the long term.

### The year ahead

The main focus of the Committee in the coming year will be to develop its role in accordance with the requirements of the UK Corporate Governance Code published in July 2018 and to develop the staff reward framework following the review carried out by a third party consultant.

As a result, we will also be reviewing our terms of reference to ensure that the role and responsibilities of the Committee reflect the requirements of the 2018 Code and best practice guidelines.

The role of the Committee is expected to expand to cover the approval of senior management remuneration and the oversight of staff reward policies and remuneration. We intend to ensure that remuneration levels for employees are in line with market expectations for their level and contribution to the Company. The Committee will be guided by management recommendations when reviewing staff remuneration policies and practices and will assess the remuneration processes currently in operation at the Company to ensure they are as effective as possible. We intend to work with management in assessing the structure and groupings of job titles which will facilitate analysis and comparisons in future years. It is the intention of the Committee to ensure that the remuneration policy for staff is aligned with the policy for Executive Directors. The review of staff remuneration carried out this year commenced this process and I will report further in next year's report.

The EMC has the direct responsibility for seeking employee views and feedback on the performance appraisal and remuneration process and on employment policies of the Group. The EMC reports to the Board on these issues. In addition, through informal meetings with staff, I intend to ensure that the views of employees are fully reflected to, and discussed by, the Committee.

We are committed to the retention and development of staff and to ensuring that Urban&Civic continues to be a company that seeks to attract, retain and reward top talent.

### 2019 AGM

The Committee unanimously recommends that shareholders vote to approve the annual report on remuneration at the 2019 AGM.



**June Barnes**

Chair of the Remuneration Committee  
28 November 2018

DIRECTORS' REMUNERATION POLICY REPORT

**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 80 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.

**Summary of remuneration policy**

The Directors' remuneration policy set out below was approved by shareholders at the 2018 AGM.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
<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.
<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.	Up to 15 per cent of salary for existing Executive Directors. Up to 10 per cent for any new Executive Directors (in line with the rest of the workforce).	Not applicable.
<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.
<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 provision operates.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
<b>Executive Directors</b> continued				
<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.	Awards granted under the PSP have the following features: <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>	300 per cent of salary for CEO and MD. 275 per cent of salary for other Executive Directors.	Performance period: normally three years. 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. Performance will be measured against TSR and/or relevant financial measures. Clawback provision operates.
<b>Share ownership guidelines</b>	To further align executives with shareholders.	The Committee requires that Executive Directors satisfy a minimum shareholding 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).	Not applicable.
<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.	Cash fee normally paid on a monthly basis.  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.  Taxable benefits may be provided where appropriate including the reimbursement of expenses.	There is no prescribed maximum individual fee or fee increase.  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.  Current fee levels are set out in the annual report on remuneration.	Not applicable.

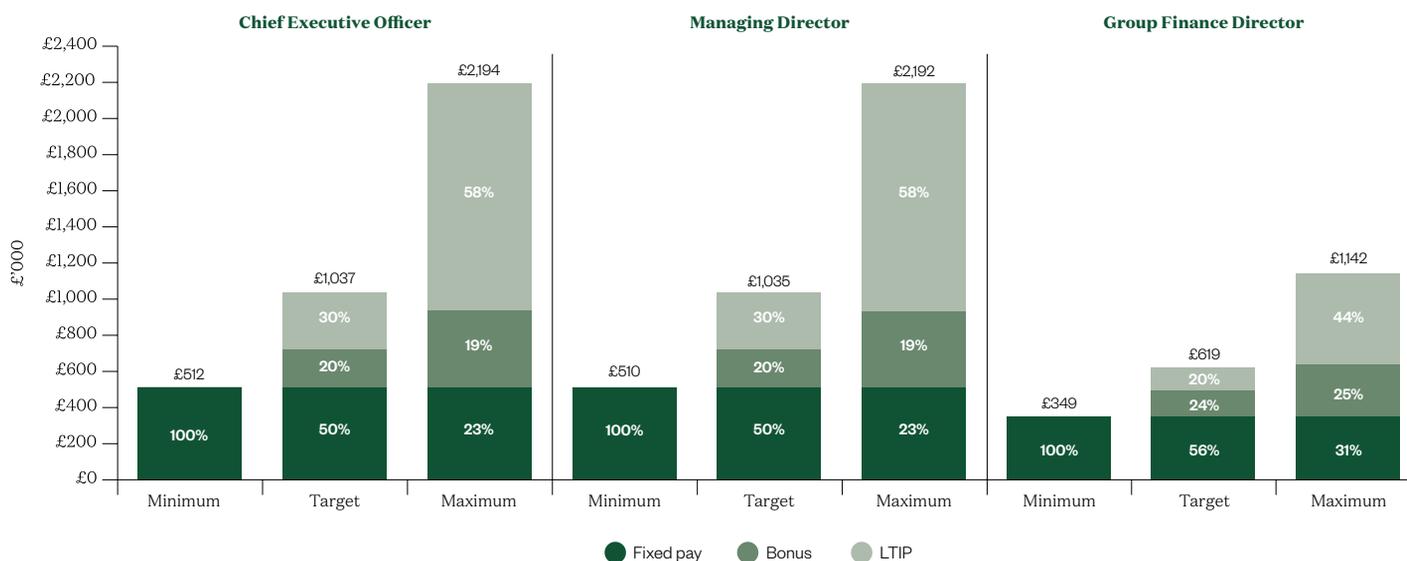
**Notes:**

- 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. 300 per cent of salary for the CEO and MD, and 175 per cent for the FD), in addition to fixed components of minimum remuneration.
- No share price growth has been factored into the calculations.
- PSP award sizes are shown as 300 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 intended award sizes for the 2018 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.

**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 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 internal Executive Director appointment, 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, given at any time. 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 any additional day rates 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.

ANNUAL REPORT ON REMUNERATION

**How the remuneration policy was implemented in the year ended 30 September 2018**

**Directors' remuneration**

The details set out on pages 106 to 113 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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Executive Directors</b>												
Nigel Hugill	408	397	28	26	354	433	293	275	61	59	1,144	1,190
Robin Butler <sup>6</sup>	408	397	26	24	354	433	293	275	61	59	1,142	1,188
David Wood	280	240	17	17	234	295	262	64	42	36	835	652
<b>Non-Executive Directors</b>												
Ian Barlow	60	55	—	—	—	—	—	—	—	—	60	55
June Barnes <sup>7</sup>	55	42	—	—	—	—	—	—	—	—	55	42
Alan Dickinson	125	125	—	—	—	—	—	—	—	—	125	125
Jon Di-Stefano <sup>8</sup>	45	3	—	—	—	—	—	—	—	—	45	3
Robert Dyson <sup>9</sup>	16	45	—	—	—	—	—	—	—	—	16	45
Duncan Hunter	60	55	—	—	—	—	—	—	—	—	60	55
Mark Tagliaferri <sup>10</sup>	35	40	—	—	—	—	—	—	—	—	35	40

- 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 2018 long-term incentive disclosure refers to the awards granted in 2016 which had a performance period which ran from 1 October 2015 to 30 September 2018. Following an assessment of performance, 59.7 per cent of the shares are expected to vest in June 2019. 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 2018, which is 303.98p. The 2017 long-term incentive disclosure refers to the awards granted in 2014 which had a performance period which ran from 22 May 2014 to 30 September 2017. Following an assessment of performance, 28.7 per cent of the shares vested on 13 December 2017. These figures have been restated from last year's report using the actual share price on the vesting date (280p). 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 2017 (255.87p). Further details relating to performance targets, weightings and outcomes can be found on page 108.
- Pension payments 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 2018, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2017: £20,000).
- Appointed as Chair of the Remuneration Committee on 1 July 2017. Director's fee increased from £40,000 p.a. to £46,000 p.a. on that date.
- Appointed as a Director on 1 September 2017.
- Resigned on 8 February 2018.
- Mark Tagliaferri's annual fee was paid to GI Group. He resigned on 11 July 2018.

**Determination of the annual bonus for the year ended 30 September 2018**

The annual bonus for the year ended 30 September 2018 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.

**EPRA NAV growth**

EPRA NAV at 30 September 2018 was £481.2 million. This resulted in 45.6 per cent of base salary (out of a possible 50 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2018, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£447.5m	nil per cent of base salary
Target	£465.5m	32.5 per cent of base salary
Maximum	£483.5m	50 per cent of base salary

## Determination of the annual bonus for the year ended 30 September 2018 continued

### Personal/strategic objectives

Personal objectives for the year ended 30 September 2018 were set to measure the individual performance of Executive Directors and included:

- development of broader investment base;
- development and implementation of successful planning strategies for strategic sites and areas of the business;
- establishment of operational risk management framework;
- sourcing additional strategic sites;
- delivery of projects in line with budget and agreed timescales;
- maintenance of high quality corporate governance;
- maintenance of satisfactory and beneficial banking and funding relationships;
- management and development of financial reporting to the Board and the investor community;
- development of a capital allocation and debt policies; and
- strong leadership across the Group and management and motivation of staff, development of management structures and future leaders.

During the year, acquisitions of strategic sites were made in line with our goals for the year. Planning strategies have been successfully implemented and there has been excellent progress in the delivery of projects across the Group in line with budget and agreed timescales. Strong progress has been made in building the risk management framework and policies and on the management and motivation of the staff. The quality and standard of financial reporting has been significantly enhanced.

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. The Committee approved payments related to personal objectives in the range of 18 per cent to 21 per cent being paid to current Executive Directors as set out in the table below:

Executive Director	Maximum amount payable	Actual amount payable
<b>Current Directors</b>		
Nigel Hugill	30 per cent of base salary	21 per cent payable
Robin Butler	30 per cent of base salary	21 per cent payable
David Wood	30 per cent of base salary	18 per cent payable

### Cash generation

Cash generated from completions on strategic sites during the year ended 30 September 2018 was £21.0 million. This resulted in 20 per cent of base salary (out of a possible 20 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2018, and the associated potential bonus payments, were as follows:

Annual bonus target	Revenue	Bonus payable
Threshold	£8.4m	nil per cent of base salary
Target	£19.1m	17 per cent of base salary
Maximum	£21.0m	20 per cent of base salary

### Board changes/payments for loss of office

During the year, Robert Dyson and Mark Tagliaferri resigned as Non-Executive Directors on 8 February 2018 and 11 July 2018 respectively. There were no payments for loss of office.

There were no other changes to the Board during the year ended 30 September 2018.

### Payments to past Directors

There were no payments to past Directors.

ANNUAL REPORT ON REMUNERATION CONTINUED

**Performance Share Plan (PSP) awards in respect of the performance period ended 30 September 2018**

The awards granted on 21 June 2016 are expected to vest in June 2019. Half of these awards were subject to an EPRA NAV performance condition and half were based on a relative TSR performance condition. Following an assessment of performance, as shown in the table below, it is expected that 59.7 per cent of these awards will vest.

Measure	Threshold vesting (% of award)	Maximum vesting (% of award)	Threshold target	Maximum target	Achievement	Outcome
EPRA NAV growth	12.5%	50%	RPI + 3% p.a.	RPI + 12.5% p.a.	Actual EPRA NAV 8.03% equivalent to RPI +4.98%	20.3%
Urban&Civic TSR rank vs. FTSE 350 Real Estate	12.5%	50%	Median rank	Upper quartile rank	78.79%	39.4%
<b>Total</b>						<b>59.7%</b>

As a result of this performance outcome, the following number of shares are expected to vest to the Executive Directors: Nigel Hugill 96,250 shares, Robin Butler 96,250 shares, and David Wood 86,250 shares.

**Performance Share Plan (PSP) awards granted in the year ended 30 September 2018 which could vest in future years**

On 8 February 2018, PSP awards were granted to Executive Directors 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 8 February 2018 under the PSP is set out below:

	Number of awards	Face value	Amount of base salary	End of performance period	Threshold vesting <sup>3</sup>	Weighting (of award) <sup>4</sup>	Performance condition and performance range
Nigel Hugill	405,153	£1,225,185	300%	30 September 2020	25%	50%	EPRA NAV growth <sup>1</sup> TSR growth <sup>2</sup>
Robin Butler	405,153	£1,225,185	300%	30 September 2020	25%	50%	EPRA NAV growth <sup>1</sup> TSR growth <sup>2</sup>
David Wood	254,629	£770,000	275%	30 September 2020	25%	50%	EPRA NAV growth <sup>1</sup> TSR growth <sup>2</sup>

1. EPRA net asset value performance (50 per cent weighting) must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting.
2. Total shareholder return (50 per cent weighting) must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting.
3. Expressed as a percentage of shares subject to the performance condition.
4. Expressed as a percentage of the shares awarded under the PSP.

**Implementation of the remuneration policy for the year ending 30 September 2019**

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2019.

**Base salary**

Base salary levels for the Chief Executive, Managing Director and Finance Director have been increased by 3.0 per cent. These increases are in line with the increase in base salaries of the general workforce. Base salary levels for the Executive Directors as at 1 October 2018 and 1 October 2017 are shown below:

Director	Title	2018	2017	% increase
Nigel Hugill	Chief Executive	£420,600	£408,395	3.0%
Robin Butler	Managing Director	£420,600	£408,395	3.0%
David Wood	Group Finance Director	£288,400	£280,000	3.0%

The next salary review date is expected to be 1 October 2019.

### Pension

The Group will contribute 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 set at 10 per cent of base salary, in line with the rest of the workforce.

### 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 2019, the annual bonus structure will be unchanged from that operated in the prior year, as set out in the policy report on pages 102 to 105. The maximum bonus opportunity will be 100 per cent of base 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. Annual bonus targets for the year ending 30 September 2019 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2019 annual report on remuneration. The Remuneration Committee retains discretion to reduce (but not increase) annual bonuses 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. 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 2018 to 30 September 2021. 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.

The Remuneration Committee intends to grant awards under the PSP within six weeks of the announcement of the results for the year ended 30 September 2018.

### 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 2019. 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 to take effect from 1 October 2018.

Non-Executive Directors' fees as at 1 October 2018 and 1 October 2017 are shown below:

	2018	2017
Alan Dickinson <sup>1</sup>	£125,000	£125,000
Ian Barlow	£60,000	£60,000
June Barnes <sup>2</sup>	£55,000	£55,000
Jon Di-Stefano	£45,000	£45,000
Duncan Hunter	£60,000	£60,000

1. Annual fee increased to £150,000 with effect from 1 November 2018.

2. Annual fee increased to £60,000 with effect from 1 November 2018.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2019.

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 2018, 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 106.

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	161,223	21 June 2016	238.8p	Nil	21 June 2019 <sup>1</sup> to 20 June 2026
	387,302	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
Robin Butler	161,223	21 June 2016	238.8p	Nil	21 June 2019 <sup>1</sup> to 20 June 2026
	387,302	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
David Wood	144,472	21 June 2016	238.8p	Nil	21 June 2019 <sup>1</sup> to 20 June 2026
	224,664	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
	254,629	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028

1. Expected to vest in 2019; see table on page 108.

**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>		% of salary for shareholding guideline <sup>2</sup>
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018 <sup>1</sup>	30 September 2017	
<b>Current Directors</b>							
Nigel Hugill	1,270,091	1,256,936	164,001	84,866	1,051,895	890,747	947%
Robin Butler	1,273,843	1,260,649	164,001	84,866	1,051,895	890,747	950%
David Wood	93,627	92,657	75,566	21,678	646,725	449,136	102%
Ian Barlow	112,272	74,472	—	—	—	—	n/a
June Barnes	20,037	20,037	—	—	—	—	n/a
Alan Dickinson	88,889	88,889	—	—	—	—	n/a
Jon Di-Stefano <sup>3</sup>	4,000	—	—	—	—	—	n/a
Duncan Hunter	864,642	756,722	—	—	—	—	n/a
<b>Past Directors</b>							
Robert Dyson	175,699 <sup>4</sup>	175,699	—	—	—	—	n/a
Mark Tagliaferri	— <sup>5</sup>	—	—	—	—	—	n/a

1. Details of the PSP awards of Executive Directors as at 30 September 2018 are shown in the table at the top of this page.

2. Based on the number of shares beneficially held, the average share price for the month ended 30 September 2018 (304.5p) and the relevant base salary at 30 September 2018.

3. Appointed as a Director on 1 September 2017.

4. Holding as at 8 February 2018, the date on which Robert Dyson resigned as a Director.

5. Holding as at 11 July 2018, the date on which Mark Tagliaferri resigned as a Director.

## 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

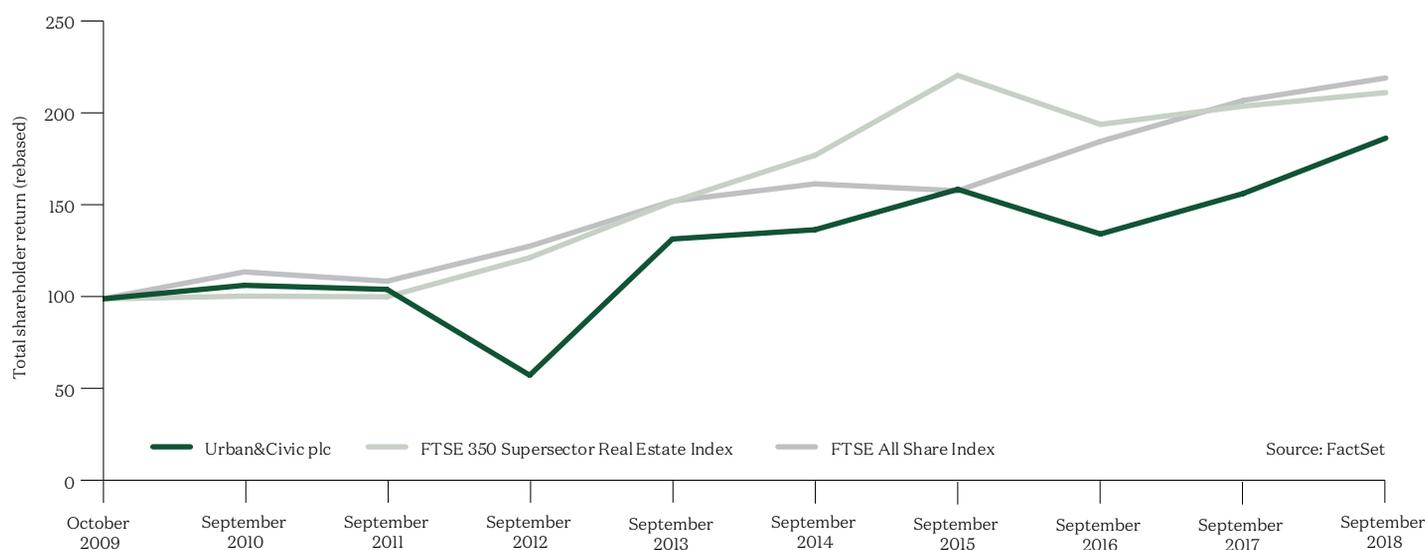
1. Contracts will continue until terminated by notice either by the Company or the Director.

### Non-Executive Directors

	Notice period	Contract date
Ian Barlow	3 months	2 August 2016
June Barnes	3 months	23 September 2015
Alan Dickinson	3 months	23 September 2015
Jon Di-Stefano	3 months	29 August 2017
Duncan Hunter	3 months	23 September 2015

## 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 nine 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 nine-year history**

The table below sets out the single figure of total remuneration for the Chief Executive for the last nine 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	Annual bonus pay-out against maximum <sup>1</sup>	PSP vesting against maximum opportunity
2017/18	Nigel Hugill <sup>2</sup>	£1,144,000	86.6%	59.7%
2016/17	Nigel Hugill	£1,190,000	62%	28.7%
2015/16	Nigel Hugill	£675,000	31%	0%
2014/15	Nigel Hugill	£661,000	29%	0%
2013/14	Nigel Hugill	£515,000	n/a	n/a <sup>3</sup>
2013/14	Philip Leech <sup>4</sup>	£536,000	n/a	0%
2012/13	Philip Leech	£652,000	n/a	0%
2011/12	Philip Leech	£345,000	n/a	0%
2010/11	Philip Leech	£400,000	n/a	n/a <sup>5</sup>
2009/10	Philip Leech	£295,000	n/a	0%

1. A discretionary annual bonus scheme without a maximum was operated historically. 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. No awards were granted with a performance period ended in 2013/14.
4. Chief Executive of Terrace Hill until 22 May 2014.
5. No awards were granted with a performance period ended in 2010/11.

**Percentage change in remuneration of Chief Executive and employees**

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000	% change
<b>Chief Executive</b>			
Salary	408	397	2.8
Benefits	28	26	7.7
Bonus	354	433	(18.2)
	<b>790</b>	<b>856</b>	<b>(7.7)</b>
<b>Average employee<sup>1</sup></b>			
Salary	100	96	4.2
Benefits	7	6	16.7
Bonus	36	40	(10.0)
	<b>143</b>	<b>142</b>	<b>0.7</b>

1. Excludes costs relating to staff employed at the Hampton by Hilton Hotel at Stansted Airport, which was sold on 16 October 2017.

## Relative importance of the spend on pay

	Year ended 30 September 2018	Year ended 30 September 2017	% change
Staff costs (£'000) <sup>1</sup>	11,442	9,572	19.5
Dividends paid during the year (£'000)	4,490	4,536	(1.0)
EPRA net asset value (£m)	481.2	439.3	9.5
Total shareholder return (per cent)	19.1	16.0	19.4

1. Excludes costs relating to staff employed at the Hampton by Hilton Hotel at Stansted Airport, which was sold on 16 October 2017.

## 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 his 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 (currently from Aon Hewitt) where it considers appropriate. Aon Hewitt does not provide any other services to the Company and was paid £49,000 in respect of the year ended 30 September 2018.

## Statement of voting

At the 2018 AGM, shareholders voted in favour of the resolutions to approve the Directors' remuneration policy and the annual statement and annual report on remuneration as follows:

Resolution	For the resolution <sup>1</sup>	%	Against the resolution	%	Votes withheld <sup>2</sup>
To approve the Directors' remuneration report, other than the part containing the Directors' remuneration policy as set out in the report and accounts for the year to 30 September 2017	117,939,613	95.35	5,756,940	4.65	9,566
To approve the Directors' Remuneration Policy as set out in the report and accounts for the year to 30 September 2017	123,681,708	99.99	9,360	0.01	15,051

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.

As at the date of the meeting there were 144,964,808 ordinary shares of 20p each in issue. Proxies amounting to 123,707,599 votes were received in respect of the above resolutions.



### June Barnes

Chair of the Remuneration Committee  
28 November 2018