

Remuneration Policy

1. Policy report

This section of the Directors' Remuneration Report sets out Capco's new Remuneration Policy which will take effect following the 2023 AGM, subject to shareholder approval. Details of actual remuneration paid, share awards made, and the approach to remuneration for 2023 are set out within the Annual Report on Remuneration, which starts on page 117.

1.1 Remuneration policy

The key objectives of the Company's Remuneration Policy are to:

- Strongly align executive and shareholder interests
- Underpin an effective pay-for-performance culture
- Support the retention, motivation and recruitment of talented people who are commercially astute
- Encourage executives to acquire and retain significant holdings of Capco shares

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary, benefits and pension. Variable remuneration includes an annual bonus, of which part is deferred in shares, and awards under the Performance Share Plan ("PSP").

The Remuneration Policy is aligned to the strategy and nature of the Company, and reflects the importance of total return and the long-term nature of Capco's business, rewarding the Executive Directors for delivering strong performance against the Company's key performance indicators ("KPIs").

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all Executive Directors is set and approved by the Committee; none of the Executive Directors are involved in the determination of their own remuneration arrangements.

Each year, with the support of external advisers, the Committee undertakes a review of the remuneration of the Executive Directors. It has oversight of the remuneration of the senior managers immediately below Board level, and the Company Secretary. It considers the responsibilities, experience and performance of the Executive Directors and pay across the Group.

Subject to approval by shareholders at the 2023 AGM, this Policy will be effective for the 2023 financial year and will apply to incentive awards with performance periods beginning on 1 January 2023. Payments to Directors can only be made if they are consistent with a shareholder approved Policy or amendment to the Policy.

Details of each element of remuneration, its operation, purpose, link to strategy and performance metrics are set out in this section.

1.2 Executive Director policy table

The table below summarises each of the components of the remuneration package for the Executive Directors:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<p>Base salary</p> <p>To provide an appropriately competitive base salary, whilst placing emphasis on the performance-related elements of remuneration.</p> <p>The Committee believes base salary for high-performing experienced Executive Directors should be at least median.</p>	<p>Base salaries are normally reviewed on an annual basis, with any increase normally taking effect from 1 April. The Committee reviews base salaries with reference to:</p> <ul style="list-style-type: none"> – Other property companies (including the constituents of the long-term incentive plan's comparator group) – UK companies of a similar size – Each Executive Director's performance and contribution during the year – Scope of each Executive Director's responsibilities – Changes to the remuneration and overall conditions of other employees <p>When reviewing base salaries, the Committee is mindful of the gearing effect that increases in base salary will have on the potential total remuneration of the Executive Directors.</p>	<p>Base salary increases will be applied in line with the outcome of the review and will normally be in line with increases awarded to other employees. However, the Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, development in role, to address an increase in size or complexity of the business, to address a gap in market positioning and/or to reward the long-term performance of an individual. For the purposes of stating a maximum as required by the remuneration regulations, no increase will be applied to an Executive Director's base salary if the resulting base salary would be above the upper quartile base salary for CEOs at companies in the FTSE 350.</p>	<p>The Committee considers individual and Company performance when setting base salary, as well as the general increase awarded other employees.</p>

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<p>Benefits</p> <p>To be appropriately competitive with those offered at comparator companies.</p>	<p>Benefits will be in line with those offered to some or all employees and may include private dental and health care, life insurance, personal accident cover, travel insurance, income protection, and a car allowance, which may be paid in cash. Directors may participate in flexible benefit arrangements offered to other employees, including the ability to buy or sell annual leave. Directors may receive seasonal gifts and a gift on leaving the Board (including payment of any tax thereon), in appropriate circumstances.</p> <p>Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects individual circumstances. For example, Directors may be offered relocation and/or expatriate benefits should a Director be required to relocate as a result of emerging business requirements.</p>	<p>Set at a level which the Committee considers appropriate in light of relevant market practice for the role and individual circumstances. The cost of all benefits will not normally exceed 10 per cent of base salary, with the exception of any future expatriate and/or relocation benefits, which would be disclosed in the Annual Report on Remuneration. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p>	N/A
<p>Pension</p> <p>To be appropriately competitive with that offered by comparator companies.</p>	<p>Capco offers a defined contribution pension scheme.</p> <p>Executive Directors may elect to be paid some or all of their entitlement in cash.</p>	<p>The maximum contribution for any Executive Director will be in line with the level available for other employees at any given time (which is currently 17.5 per cent of salary).</p>	N/A
<p>Annual bonus</p> <p>To incentivise and reward performance.</p> <p>The Committee selects performance measures and targets each year to reinforce the strategic business priorities for the year.</p> <p>The deferral into shares of 40% any annual bonus is designed to further align executives with shareholders' interests.</p>	<p>The annual bonus arrangements are reviewed at the start of each financial year to ensure performance measures and weightings are appropriate and support the business strategy.</p> <p>The Committee reviews performance against the annual bonus targets but has the ability to take into account broader factors and, subject to the 150 per cent of salary maximum, may exercise two-way discretion to ensure that the annual bonus awarded properly reflects the performance of the Company and each Director.</p> <p>The rationale for award of bonuses will be explained in the Directors' Remuneration Report.</p> <p>Bonus may be deferred in Capco shares or nil-cost options for three years under the Performance Share Plan without further performance conditions but subject to risk of forfeiture should an Executive Director leave the Company in certain circumstances. Directors may be entitled to be paid dividend equivalents on deferred bonus. Deferred bonus is subject to malus as described in the notes to this table.</p>	<p>The maximum bonus opportunity for Executive Directors is 150 per cent of annual salary with a bonus of 75 per cent of salary payable for achieving target levels of performance. No bonus is payable for below threshold performance. The payment for threshold performance will not exceed 10 per cent of maximum. Awards are made on a straight-line basis for performance between threshold and target, and on a separate straight-line basis for performance between target and maximum.</p>	<p>Executives' performance is measured relative to challenging one-year targets in key financial, operational and strategic measures. The measures selected and their weightings may vary each year according to the strategic priorities.</p> <p>At least 75 per cent of the bonus will be measured against financial performance.</p>

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<p>Performance Share Plan ‘PSP’</p> <p>To incentivise and reward long-term outperformance, and help retain Executive Directors over the longer-term.</p>	<p>Executive Directors are eligible to receive awards of shares under the PSP, which may be made as awards of shares or nil-cost options, at the discretion of the Committee. In assessing the outcome of the performance conditions, the Committee must satisfy itself that the figures are a genuine reflection of underlying financial performance, and may exercise downward discretion when determining the proportion of an award that will vest.</p> <p>Dividend equivalents may be paid.</p> <p>The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice this will only be used in exceptional circumstances for Executive Directors.</p> <p>PSP awards are subject to malus and clawback as described in the notes to this table.</p>	<p>The maximum grants which may be made to participants as awards or nil-cost options are 300 per cent of salary.</p> <p>25 per cent of an award vests for threshold performance, with full vesting taking place for equaling or exceeding maximum performance conditions and straight-line vesting between threshold and maximum.</p>	<p>PSP awards usually vest on the third anniversary of the date of grant, and are subject to a two-year post-vesting holding period.</p> <p>The vesting of awards is usually subject to continued employment and the Company’s performance over a three-year performance period.</p> <p>It is intended that the performance measures that will apply to the 2023 awards will be split equally between relative Total Return and relative Total Shareholder Return metrics vs. FTSE 350 REITs. The performance measures, weightings and targets which apply to the PSP are reviewed by the Committee annually and, subject to consultation with shareholders, the Committee has discretion to make changes to the measures, the weightings and/or the comparator group for future awards to ensure that they remain relevant to the Company strategy and are suitably stretching.</p>
<p>All employee share schemes</p>	<p>The Company does not currently operate any all employee share schemes. However, if such a scheme were introduced the Executive Directors would be able to participate on the same terms as other employees.</p>	<p>In line with HMRC-approved limits.</p>	

1.3 Notes to the policy table performance measurement selection

Annual bonus scheme

Executive Directors may earn bonuses depending on the Company’s financial performance and performance against individual performance targets designed to deliver strategic goals. The current structure of the annual bonus performance conditions is illustrated within the Annual Report on Remuneration on page 120. The financial performance measures and the importance of each are set out in the table below. The Remuneration Committee has discretion to change the performance conditions in the annual bonus, but within the bounds set out in the Remuneration Policy Table.

The annual financial performance measures and targets are set by the Committee usually in the first quarter of each year following an analysis of external and internal expectations compiled by the Committee’s independent adviser. The Committee sets targets it believes to be appropriately stretching, but achievable.

Why are the current annual bonus performance measures appropriate for Capco?

Measure	Reason
EPRA Net Tangible Assets per share (NTA)	Considered by the Committee to be an important driver of value creation for Capco.
Underlying Earnings per share	Rewards value growth in net rental income as well as the management of administration, financing and other costs.
Relative Total Property Return	Rewards the additional portfolio value created by management over and above any changes in value from tracking the property market as a whole, as measured by the MSCI Total Return All Property Index, an external benchmark widely used in the property industry.

Long-term incentives

The performance conditions for the PSP currently comprise two measures:

- Three-year relative Total Return (TR, growth in NTA plus dividends)
- Three-year relative Total Shareholder Return (TSR, increase in price of an ordinary share plus dividends)

The Committee believes that these two measures are currently the most appropriate measures of long-term success for Capco as long-term relative performance provides an appropriately objective and relevant measure of Capco's success, which is strongly aligned with shareholders' interests.

The Committee believes that NTA growth is an important internal measure of success for Capco at this time. Accordingly, the Committee considered it appropriate to reward NTA performance in both the short- and long-term incentive arrangements, with a one-year absolute NTA target being used in respect of the annual bonus arrangements and three-year relative NTA (as the main component of three-year Total Return) being used in respect of the long-term incentives.

A significant element of the Company's NTA is the value of properties which are based on independent external valuations carried out in accordance with RICS Valuation Professional Standards.

Relative TSR helps align the interests of Executive Directors with shareholders by incentivising share price growth and, in the Committee's view, provides an objective measure of the Company's long-term success.

The current long-term incentive performance conditions are summarised within the Annual Report on Remuneration on page 118. Performance is measured relative to a bespoke comparator group of property companies and Capco. The members of the current comparator group are shown in the table on page 118.

In order for any awards to vest, the Committee must also satisfy itself that the TR and TSR figures are a genuine reflection of underlying financial performance. In assessing the extent to which the performance conditions have been met, the Committee consults with its independent remuneration adviser. The calculation of the returns is also reviewed by the Company's auditors as appropriate. The performance targets are set by the Committee following an analysis of internal and external expectations, and are believed to be appropriately stretching.

For future awards, the Remuneration Committee has discretion to change the performance measures and weightings. However, any such changes would only be made after consulting with shareholders.

Discretions

Under the annual bonus scheme and the PSP the Company has the standard discretions to take appropriate action in the event of unforeseen events which affect the schemes, such as a variation in share capital as well as terminations and on a change in control, as described in the Policy. The Committee does not intend to make adjustments to the methods by which it measures the performance conditions. However, it reserves the discretion to make adjustments in very exceptional circumstances. Shareholders would be given details of any exercise of discretion.

Payments resulting from existing arrangements

The Committee may make any remuneration payments and payments for loss of office (including exercising any discretions it has relating to such payments) even though they are not in line with the Policy set out in this report. This will apply where the entitlement to the payment arose:

(i) before the 2014 AGM; (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company; or (iii) under a remuneration policy previously approved by the Company's shareholders. For these purposes entitlements arising under the Company's previous remuneration policies (as approved by shareholders at the 2014, 2017 and 2020 AGMs) will be incorporated into this policy, 'payments' includes the Committee satisfying awards of variable remuneration, and an entitlement under an award over shares arises at the time the award is granted.

Malus and clawback

Awards granted under the long-term incentive arrangements are subject to malus and clawback until the end of the respective holding periods. Deferred bonus awards are subject to malus prior to vesting. Reasons for applying malus and clawback include: in the event of gross misconduct of a Director which is considered to have had a material detrimental impact on the business or any member of the Group or to have brought the business of any such company into significant disrepute, in the event of a material misstatement in the audited accounts of the Company for a period that was wholly or partly before the end of the financial year by reference to which any performance condition was assessed, or in the event that the assessment of the satisfaction of any performance condition was based on error or inaccurate or misleading information. In the latter two scenarios, this would be to the extent an overpayment resulted. The application of any malus or clawback is at the discretion of the Remuneration Committee.

Summary of changes to Remuneration Policy

The proposed new Remuneration Policy does not include any new elements of remuneration. A summary of key changes from the provisions of the previous Remuneration Policy is set out below, and the details of the new Remuneration Policy are set out within the Policy Table. Minor changes are also being proposed to update the Policy and provide greater clarity in how it can operate:

Element of remuneration	Change under new Policy
Annual bonus	Amount deferred into shares changed to 40% of bonus, from any element of bonus greater than 100% of salary. On recruitment of an Executive Director, the ability to provide up to an additional 50% of salary is being removed.

Remuneration of employees below the Board

No element of remuneration is operated solely for Executive Directors. Capco employees below the Board receive base salary, benefits, pension, annual bonus, and some participate in the PSP. However, there are some differences in operation as set out below:

- In exceptional circumstances, such as recruitment, long-term incentive awards may be granted without performance conditions to participants below the Board
- Employees below the Board are not subject to any minimum shareholding requirement
- Incentive awards granted to employees below the Board may not be subject to holding periods, clawback or malus

Shareholding requirements

The Chief Executive is required to achieve a shareholding in the Company equivalent to 300 per cent of base salary and the other Executive Directors are required to achieve a shareholding in the Company equivalent to 200 per cent of base salary, to be achieved normally within five years by retaining at least 50 per cent of any vested share awards (net of tax and NIC). There is a two-year post-cessation shareholding requirement of 200 per cent of salary for all Executive Directors, capturing annual bonus awards made from 1 January 2022 (in respect of 2021) and all Performance Share Plan awards made from 1 January 2021. The current shareholdings of the Executive Directors are also set out on page 125.

1.4 Performance Scenario charts

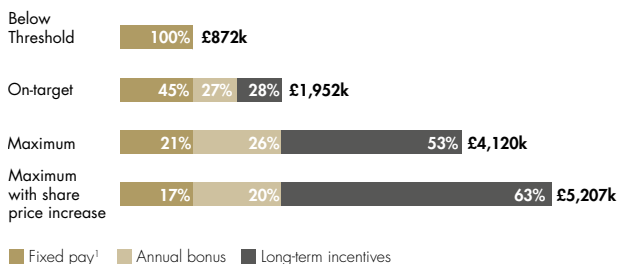
The potential reward opportunities illustrated in Figure 1 are based on the policy which will apply in 2023, applied to the base salary that will apply for Ian Hawsworth and Situl Jobanputra from completion of the proposed merger on 6 March 2023, and the salary that would apply for Michelle McGrath from the salary review date, 1 April 2023, were the proposed merger not to complete, and provide estimates of the potential future reward opportunity for each of the three current Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Below Threshold', 'Target' and 'Maximum'.

The Below Threshold scenario includes base salary, pension and benefits (fixed pay). No annual bonus or PSP elements are included (variable pay). The Target scenario includes fixed pay, on-target bonus (50 per cent of opportunity) and threshold vesting of PSP awards. The Maximum scenario includes fixed pay, maximum bonus and full vesting of PSP awards. For variable pay, the amounts illustrated are the normal maximum opportunities. The Maximum scenarios also include an illustration of the amount that would be payable under the PSP elements if there was share price appreciation of 50 per cent between the date of award and the date of vesting.

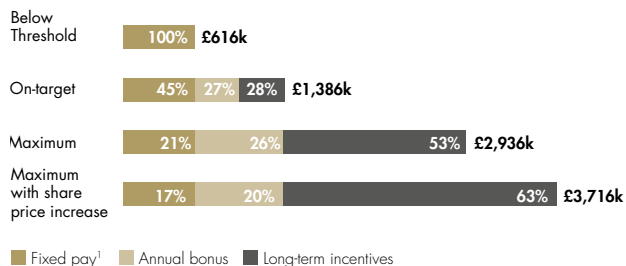
It should be noted that the PSP awards granted in a year do not normally vest until the third anniversary of the date of grant and are subject to a two-year post-vesting holding period. The projected values of long-term incentives shown here exclude the impact of share price movement and dividends (other than where 50 per cent share price appreciation is assumed).

Figure 1

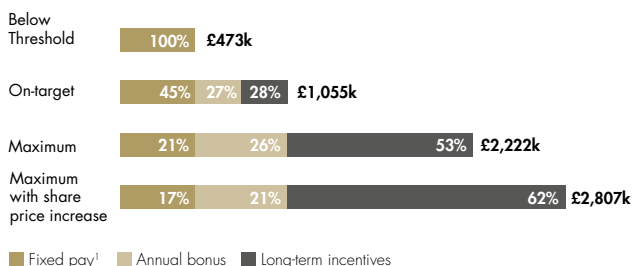
Ian Hawsworth, Chief Executive



Situl Jobanputra, CFO



Michelle McGrath, Executive Director



1. Fixed pay comprises salary, pension and benefits.

1.5 Approach to Recruitment Remuneration

When hiring or appointing a new Executive Director, which includes appointing an individual who is not an Executive Director but who still falls within this Policy, the Committee may make use of any of the existing components of remuneration, as follows:

Element of remuneration	Policy on recruitment	Maximum opportunity
Salary	Based on scope and nature of responsibilities of the proposed role; the candidate's experience; implications for total remuneration positioning vs market pay levels for comparable roles; internal relativities; and the candidate's current salary. A new Director may be appointed at a salary which is less than the prevailing market rate but increased over a period to the desired positioning subject to satisfactory performance.	N/A
Pension	A contribution in line with the level available for other employees at any given time (currently 17.5 per cent of salary) may be offered, consistent with policy.	Consistent with Policy Table limit.
Benefits	Appropriate benefits will be provided, which may include the continuation of benefits received in a previous role.	Consistent with Policy Table limit.
Annual bonus	Executive Directors will be eligible to participate in the annual bonus scheme on the same basis as existing Executive Directors, pro-rated for proportion of year served. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions from the current Executive Directors in the first performance year of appointment.	150 per cent of salary, consistent with Policy Table.
Performance Share Plan	New Executive Directors will be eligible to participate in the long-term incentive scheme set out in the Remuneration Policy Table. A PSP award can be made shortly following an appointment (assuming the Company is not in a prohibited period).	300 per cent of salary, consistent with Policy Table.
Other	In determining appropriate remuneration for new Executive Directors, the Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and where the candidate was recruited from) to ensure that arrangements are in the best interests of Capco and its shareholders. Remuneration, which may be outside the usual policy limits, may include: <ul style="list-style-type: none"> - An award made in respect of a new appointment to 'buy out' existing incentive awards forfeited on leaving a previous employer. In such cases the compensatory award would typically be a like-for-like award with similar time to vesting, performance conditions and likelihood of those conditions being met. The fair value of the compensatory award would not be greater than the awards being replaced. To facilitate such a buyout, the Committee may use an award under a different structure or an additional award under the PSP - A relocation package, should this be required - For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation - In the event that an employee is promoted to the Board, the Company would honour any existing contractual arrangements 	

1.6 Service contracts and exit payment policy

The service contracts of Executive Directors are approved by the Remuneration Committee and are one-year rolling contracts. The commencement dates of the current contracts are shown below. The service contracts may be terminated by either party giving one year's notice to the other. It is the Company's policy that payments in lieu of notice should not exceed the Director's current salary and benefits (including pension contributions) for the notice period. The service contracts may be viewed at the Company's registered office.

The Committee will be entitled to enter into a settlement agreement with a Director, and may pay a Director's legal fees in relation to any settlement agreement. The Committee may make additional incidental payments, which are not material in quantum, to a departing Director on exit, if appropriate, for example in settlement of disputes or to pay other incidental sums in connection with the exit. The Committee may pay what it feels are reasonable outplacement fees where considered appropriate.

When considering exit payments, the Committee reviews all potential incentive outcomes, having regard to the reason for leaving and the Director's performance. The payment of any annual bonus is subject to the discretion of the Committee, and both the cash and deferred share elements of an annual bonus would normally be payable at the normal payment date. Any deferred share element could be paid in cash. Any outstanding deferred bonus may be released or paid in cash, subject to clawback for a period of three years from the date of grant.

	Commencement date	Notice period
Ian Hawksworth	17 May 2010	12 months
Situl Jobanputra	1 January 2017	12 months
Michelle McGrath	26 February 2020	12 months

An individual would generally be considered a 'good leaver' if they left the Group's employment for reasons including injury, ill-health, disability approved by the Committee, redundancy, retirement with the agreement of the employing company, the employing company ceasing to be a member of the group, the transfer of the undertaking or part of the undertaking in which the Director works to a person which is not a member of the Group, or in any other circumstances at the discretion of the Committee. The table below summarises how PSP awards are typically treated in specific leaver circumstances, with the final treatment remaining subject to the Committee's discretion. For example, an individual may be considered a 'good leaver' for any other reason at the absolute discretion of the Committee, and the vesting of awards may be reduced for 'good leavers'.

Reason for leaving	Timing of vesting	Treatment of awards
Good leaver	Normal vesting date, although the Committee has discretion to accelerate	Awards are normally pro-rated for time and remain subject to outstanding performance conditions. Where vesting is accelerated, the Committee will determine the extent to which the performance conditions had been satisfied at the date of leaving. The holding period would continue to apply.
Change of control	Immediately	Awards will normally be pro-rated for time and remain subject to performance conditions. However, the Committee has discretion to allow awards to vest in full in such circumstances if it deems this to be fair and reasonable. The holding period would cease to apply.
Any other reason	Awards lapse	

There are no obligations on the Company contained within the existing Directors' service contracts which would give rise to payments not disclosed in this report.

The service contracts of any future-appointed Directors will provide for mitigation in the event of termination.

1.7 Non-Executive Director policy table

The Non-executive Directors do not have service contracts but instead have letters of appointment. The letters of appointment of the Non-executive Directors are reviewed by the Board annually and contain a one-month notice period. The Chairman's letter of appointment contains a three-month notice period. The letters of appointment may be viewed at the Company's registered office.

Non-executive Directors' dates of appointment and unexpired terms

	Date of appointment	Date of most recent letter of appointment	Unexpired term as at 31 December 2022
Charlotte Boyle	1 October 2017	28 June 2022	6 months
Jonathan Lane	1 March 2019	28 June 2022	6 months
Henry Staunton	2 June 2010	28 June 2022	6 months
Anthony Steains	1 March 2016	28 June 2022	6 months

The table below summarises each of the components of the remuneration package for the Non-executive Directors (including the Chairman). The Non-executive Directors do not receive any pension, bonus or long-term incentive benefits from the Company. This policy also applies to the recruitment of new Non-executive Directors.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fee To recruit and retain appropriately qualified Non-executive Directors	The Chairman and Non-executive Director fees are reviewed on an annual basis, with any increase taking effect from 1 May. The Board and Committee review fees with reference to: <ul style="list-style-type: none"> – Other property companies – UK companies of a similar size – The time that Non-executive Directors are required to devote to the role In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.	Non-executive Director fees may include a basic fee and Committee/SID fees as disclosed in the Annual Report on Remuneration. These are set at a level that is considered appropriately competitive in light of market practice, and will not exceed the aggregate fees permitted by the Company's Articles of Association.	N/A
Benefits To be appropriately competitive with those offered at comparator companies	The Chairman's benefits include private healthcare and personal accident and travel insurance. Other Non-executive Directors will be covered by the Company's travel insurance policy should they be required to travel on Company business. Any reasonable business-related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit). Directors may receive seasonal gifts and a gift on leaving the Board (including payment of any tax thereon), in appropriate circumstances.	The maximum value of the benefits provided to Non-executive Directors will be the cost of purchasing them in the market.	N/A

1.8 External directorships

The Company's policy is to encourage each Executive Director to take up one or more non-executive directorships, subject to Board approval. Fees received for serving as a non-executive director of a company outside the Capco Group are retained by the Executive Director.

1.9 Consideration of conditions elsewhere in the company

When setting Executive Director pay the Committee considers the remuneration and overall conditions of all employees. As Capco has a relatively small workforce, the Committee does not consult with employees when deciding Remuneration Policy, but it receives regular updates from the Head of HR on salary increases, bonus and share awards made to Group employees and is aware of how the remuneration of Directors compares with that of other employees. For example, salary increases are generally no higher than increases awarded to other employees, which are set with reference to market data.

1.10 Consideration of shareholder views

It is the Committee's policy to engage with major shareholders as appropriate. For example prior to finalising any major changes to its executive Remuneration Policy. Shareholder feedback on the previous Remuneration Policy and investor guidelines were considered by the Committee when preparing the Remuneration Policy, and a number of best practice measures were incorporated.