

Welcome to Governance

The UK Corporate Governance Code 2018 (the Code) has been applied for the financial year ended 31 March 2023. Our Statement of Compliance is set out in the Directors' Report on page 123.

A summary of the system of governance adopted by the Company and how we have applied the principles of the Code are set out in this section of the Annual Report.





Chair's Introduction

- 80 An overview of our governance activities over the year

Board and Team

- 82 Board of Directors
- 84 Our Team

Leadership and Purpose

- 86 The Company's purpose and values
- 87 Board and Committee attendance
- 87 Conflicts of interest
- 88 The Board's activities during the year
- 90 Section 172 Statement
- 92 How the Board has engaged with its stakeholders this year

Division of Responsibilities

- 94 The role of the Board and its Committees
- 95 The roles of each Director

Composition, Succession and Evaluation

- 96 Board composition and diversity
- 97 Nomination Committee Report
- 98 Board evaluation

Audit, Risk and Internal Control

- 100 Overview of controls and risk management
- 101 Audit and Risk Committee Report
- 104 Property Valuation Committee Report

Remuneration Report

- 106 Introduction from the Chair of the Remuneration Committee
- 110 Remuneration at a glance
- 112 Directors' Remuneration Policy
- 115 Annual Report on Remuneration

Directors' Report

- 123 Directors' Report



Introduction to the Corporate Governance Report

On behalf of the Board, I am pleased to introduce our 2023 Corporate Governance Report.

Dear Shareholder

This year we have returned to more familiar working arrangements. We have maintained our schedule of Board and Committee meetings throughout the year with our main meetings held in person. As a result we have also been able to interact more regularly with the whole Picton team, which we have all valued.

The external Board evaluation was conducted this year and brought interesting perspectives to how we operate. More detail is set out in the Nomination Report.





The return to in-person meetings has helped to build a stronger working relationship across the whole Picton team.

Lena Wilson CBE
Chair

Board activities

Under the Leadership and Purpose section of this report we have set out the activities of the Board and its Committees during the year. It has been another busy year. Following feedback from our investors, we have looked at opportunities to increase the scale of the business and which would also provide benefit to shareholders. We have progressed our sustainability agenda and have actioned many of the recommendations arising from the Board evaluation.

Board composition and diversity

There have been no changes in the composition of the Board this year.

The Board is aware of the recent changes to the Listing Rules around diversity and inclusion. As set out on page 96 we currently meet one of the three new requirements for diversity on listed company boards. We recognise the need for diversity and support the move for greater gender and ethnicity representation on Boards. From an all-male Board in 2018 we have moved to 33% female representation, in line with the Alexander-Hampton Review target, but slightly short of the new Listing Rules. As a small Board we do not have frequent turnover and opportunities to increase diversity are limited; however, we fully intend to comply with the new Listing Rules as future appointments are made.

UK Corporate Governance Code

Our Statement of Compliance with the Corporate Governance Code is set out within the Directors' Report. I am

pleased to report that we have fully complied with the Code this year.

The following sections describe the workings of the Board and the Committees and how these interact with the provisions of the Corporate Governance Code.

Board evaluation

Last year we carried out a Board evaluation internally, which gave rise to a number of actions and recommendations. Good progress has been made against these actions and this is set out in more detail in the Nomination Committee report.

This year an external review has been conducted by Boardroom Review Limited. The conclusion of the review was that the Board and its Committees were continuing to operate very effectively. The review provided helpful improvements to operating practices and we will address these over the course of this year.

One key action was to review our company secretarial and governance arrangements. We have considered this and decided that the company secretarial function would be more effective if brought in-house. As a result, I am pleased to note that Kathy Thompson has recently joined the Picton team and she will shortly become our Company Secretary following an orderly transition from Northern Trust in Guernsey. I would very much like to express my thanks to the team at Northern Trust for their hard work and support over many years.

Annual General Meeting

This year we held our Annual General Meeting in September, earlier than in previous years and closer to the announcement of our annual results. I am pleased that the meeting was held in-person for the first time since the Covid-19 pandemic, and I would like to thank shareholders for their support. All of the resolutions were approved by shareholders, with at least 97% of votes in favour.

Our people and culture

We have returned to a regular pattern of in-person Board meetings this year in the office, giving us the opportunity to meet with the whole team on many occasions. This has certainly helped to build a stronger

working relationship across the whole Picton team. We have maintained our flexible working arrangements for the team, working in the office three days each week, and at home on the other two days. Feedback from the team confirms that they continue to value this flexibility.

In November our new Head of Building Surveying, Andy Lynch, joined the team. Andy will be overseeing capital projects across the portfolio and will be key in helping us with our net zero carbon pathway. On behalf of the whole Board, I would like to welcome both Andy and Kathy to the team.

The results of this year's employee engagement survey were discussed at our Board meeting in March. The feedback from the survey is that the team is content and functioning well. More detail is provided in the Being Responsible section on page 73, as well as the actions arising from the survey.

Our stakeholders

Our occupier focused approach is key to our portfolio strategy. We have carried out two occupier surveys this year, one at our office assets, and another at the industrial assets. Overall the results showed that there was a high level of satisfaction among our occupiers. The surveys covered sustainability topics, and there was good interest from occupiers in making environmental improvements at their properties. This is very encouraging from a net zero carbon perspective.

Reporting

I am pleased to report that last year's Annual Report and Sustainability Report both received an EPRA Gold award, reflecting our aim to report our activities and results clearly and concisely. This year we are fully incorporating our sustainability activities within this report, which is more consistent with our integrated approach to sustainability. The progress that we have made against our net zero carbon pathway is set out in the Being Responsible section on pages 62 to 65. We will, however, publish all of our sustainability data in a separate report online, which will be available shortly.

Lena Wilson CBE
Chair
24 May 2023

We have the relevant skills and experience for future growth.



Lena Wilson CBE
Chair
Chair of the Nomination Committee

Appointed to the Board
January 2021

Responsible for ensuring the Board is effective in setting and implementing the Company's direction and strategy, including reviewing and evaluating the performance of the CEO.

Key strengths and skills

- Over 15 years of Non-Executive, Senior Independent Director and Chair experience including FTSE 100 companies across the financial and industrial sectors
- Multi-disciplinary global career across private and public sectors
- Experienced CEO leading organisations with an international footprint

Principal external commitments

- Chair, Chiene + Tait LLP
- Non-Executive Director and Chair of the Group Performance and Remuneration Committee NatWest Group plc
- Chair, AGS Group (to 31 May 2023)

Previous experience and appointments

- Chief Executive, Scottish Enterprise
- Senior Investment Advisor at the World Bank
- Non-Executive Director, Intertek PLC
- Non-Executive Director, Scottish Power Renewables
- Non-Executive Director and Senior Independent Director, Argentex Group PLC



Mark Batten
Chair of the Audit and Risk Committee
Senior Independent Director

Appointed to the Board
October 2017

Responsible for financial reporting and accounting policies, audit strategy and the evaluation of internal controls and risk management systems.

Key strengths and skills

- Chartered Accountant and restructuring specialist
- Extensive experience in banking, insurance, real estate, debt structuring and restructuring
- Broad real estate knowledge, covering most sub-sectors

Principal external commitments

- Chair, Assured Guaranty UK
- Non-Executive Director and Chair of the Audit and Risk Committee, Reliance National Insurance Company (Europe)
- Chair, Governing Body, Westminster School

Previous experience and appointments

- Partner, PricewaterhouseCoopers LLP (restructuring and corporate valuation practices)
- Non-Executive Director, L&F Indemnity
- Senior adviser, UK Government Investments
- Non-Executive adviser and Chair of the Finance Committee, Royal Brompton and Harefield NHS Clinical Group



Maria Bentley
Chair of the Remuneration Committee

Appointed to the Board
October 2018

Responsible for leading on the recommendation of remuneration policies and levels, for effective succession planning and employee engagement.

Key strengths and skills

- Business head leading change across global teams
- Expertise in human resources
- Extensive experience in financial services

Principal external commitments

- Non-Executive Director and Chair of the Remuneration Committee, BlueBay Asset Management LLP
- Non-Executive Director and Chair of the Remuneration Committee, Daiwa Capital Markets Europe Limited
- Non-Executive Director and Chair of Remuneration Committee, Peel Hunt Limited

Previous experience and appointments

- Senior Managing Director & Global Head of HR, Wholesale & Head of HR EMEA, Nomura International plc
- Group Managing Director & Global Head of HR, UBS Investment Bank
- Managing Director, Global Head of HR for Equities and Fixed Income, Goldman Sachs International

The Board is responsible for the long-term success of the business, providing leadership and direction with due regard and consideration to all stakeholders in the business.



Richard Jones
Chair of the Property Valuation
Committee

Appointed to the Board

September 2020

Responsible for overseeing the review of the quarterly valuation process and making recommendations to the Board as appropriate.

Key strengths and skills

- Significant real estate investment experience
- Broad experience of property asset management
- Extensive experience of property valuation

Principal external commitments

- Investment Committee, Henley Secure Income Property Unit Trust
- Investment Committee, Henley Secure Income Property Unit Trust II
- Special Advisor, Clearbell UK Strategic Trust

Previous experience and appointments

- UK Managing Director on Aviva's Investors' Global Real Estate Board
- Special Director, Ribston UK Industrial Property Unit Trust
- Non-Executive Director, Royal Brompton and Harefield Hospital NHS Foundation Trust
- Transport for London's Commercial Property Advisory Group



Michael Morris
Chief Executive

Appointed to the Board

October 2015

Responsible for overall strategic direction and execution of the Group's business model.

Key strengths and skills

- Successful track record of driving investment strategy and delivering results for shareholders
- Proven leadership skills
- In-depth understanding of real estate equity capital markets

Principal external commitments

None

Previous experience and appointments

- 25 years' wide-ranging commercial real estate market experience
- Senior Director and Fund Manager, ING Real Estate Investment Management



Andrew Dewhirst
Finance Director

Appointed to the Board

October 2018

Responsible for strategic financial planning and reporting for the Group.

Key strengths and skills

- Chartered accountant with extensive experience in financial planning and reporting
- In-depth knowledge of financial services, capital markets and real estate funds
- Expertise in debt and equity financing

Principal external commitments

None

Previous experience and appointments

- Director of Client Accounting, ING Real Estate Investment Management
- Director, Hermes Administration Services

With extensive experience across real estate management and financial services, our team have an in-depth knowledge and understanding of the UK commercial property market.



Louisa McAleenan
Research Analyst

Louisa has over 15 years of experience in real estate research and is responsible for all aspects of research and analysis, contributing to the direction of the Group's investment strategy and is a member of the Responsibility Committee.



James Forman
Director of Accounting

James is a Certified Accountant and has worked with the Group since its launch in 2005 and has over 20 years of experience in the real estate sector. He is responsible for all the accounting and financial reporting for the Group and is a member of the Transaction and Finance Committee.



Mark Alder
Head of Occupier Services

Mark joined in 2020 and is a Chartered Surveyor with over 30 years of property management experience. He is responsible for delivering effective property management and strengthening our relationship with our occupiers. Mark is a member of the Responsibility Committee and the Health and Safety Committee.



Michael Morris
Chief Executive

Michael has over 25 years of experience within the UK commercial property sector and is responsible for the strategic direction and effective execution of the Group's business model. Michael is Chair of the Executive Committee and of the Transaction and Finance Committee.



Melissa Ricardo
Office Manager

Melissa joined in 2017 and is responsible for the day-to-day management of the office and oversees the administrative aspects of the Company. She is a member of the Health and Safety Committee.



Tim Hamlin
Director of Asset Management

Tim is a Chartered Surveyor with over 15 years of real estate experience and is responsible for creating and implementing asset level business plans in line with the portfolio's strategic direction and is a member of the Responsibility Committee.



Andrew Dewhirst
Finance Director

Responsible for the financial strategy and reporting for the Group, Andrew has over 30 years of experience within the financial services and real estate sectors. Andrew is Chair of the Responsibility Committee.



Jay Cable
Senior Director and Head of Asset Management

A Chartered Surveyor with over 20 years of real estate experience, Jay has worked with the Group since its launch in 2005. He is responsible for the proactive asset management of the portfolio and overseeing its strategic direction and is a member of the Executive Committee, the Transaction and Finance Committee and is Chair of the Health and Safety Committee.



Lucy Stearman
Assistant Accountant

Lucy has over ten years of experience within financial services and joined the Group in April 2019 to assist with the accounting and financial reporting.



Andy Lynch
Head of Building Surveying

Andy is a Chartered Surveyor with over 15 years of experience within the commercial real estate sector. Andy joined the Group in November 2022 and will oversee refurbishment projects and other building matters across the portfolio, with a particular focus on environmental improvements.



Kathy Thompson
Company Secretary

Kathy joined in May 2023 and, following a handover period, will become Company Secretary to the Group. Kathy is a Chartered Secretary with over ten years of experience within the financial services sector.

Leadership and purpose

Purpose

Our purpose is to be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

The role of the Board

The Board is responsible for the long-term success of the business. It provides leadership and direction, with due regard to the views of all of the stakeholders in the business. The Board operates in an open and transparent way, and seeks to engage with its shareholders, employees, occupiers and local communities.

The Board has full responsibility for the direction and control of the business, and sets and implements strategy, within a framework of strong internal controls and risk management. It establishes the culture and values of the Group.

The Board has a schedule of matters reserved for its attention. This includes all acquisitions and significant disposals, significant leasing transactions, dividend policy, gearing and major expenditure.

The Board has collectively a range of skills and experience that are complementary and relevant to the business.

These are set out in the biographies of the individual Directors on pages 82 and 83.

Our culture and values Principled

We are professional, diligent and strategic.

Demonstrated through our transparent reporting, occupier focused approach, alignment with shareholders, delivery of our Picton Promise, our commitment to sustainability and positive environmental initiatives.

Perceptive

We are insightful, thoughtful and intuitive.

Demonstrated through our long-term track record, our dynamic positioning of the portfolio, gearing strategy and engagement with our occupiers.

Progressive

We are forward-thinking, enterprising, and continually advancing.

Demonstrated through our culture, work ethic, and proactive asset management.

Board meetings

The Board has a regular schedule of meetings throughout the year. There are normally two scheduled Board meetings each quarter; the first to deal with regular operational matters such as approval of the dividend and to review key portfolio activity; and the second to consider more strategic matters and thematic discussions. Meetings are also scheduled for the approval of the annual and half-year results. Board education sessions are included in the schedule, and there is an annual Strategy Day. External advisers are invited to attend Board meetings on a regular basis. Meetings this year have been a mixture of in-person and virtual.

Attendance at Board and Committee meetings

Board members	Date appointed	Board	Audit and Risk	Remuneration	Property Valuation	Nomination
Lena Wilson	01.01.2021	10/10	-	5/5	4/4	2/2
Michael Morris	01.10.2015	10/10	-	-	-	-
Andrew Dewhirst	01.10.2018	10/10	-	-	-	-
Mark Batten	01.10.2017	10/10	5/5	5/5	4/4	2/2
Maria Bentley	01.10.2018	10/10	5/5	5/5	4/4	2/2
Richard Jones	01.09.2020	10/10	5/5	5/5	4/4	2/2
Total number of meetings		10	5	5	4	2

The above meetings were the scheduled Board and Committee meetings. Additional meetings were held to deal with other matters as required and are not included above.

Board Committees

The Board has established four Committees:

Audit and Risk, Remuneration, Property Valuation and Nomination. These are comprised entirely of Non-Executive Directors and operate within defined terms of reference.

Conflicts of interest

Directors are required to notify the Company of any potential conflicts of interest that they may have. Any conflicts are recorded and reviewed by the Board at each meeting. No conflicts have been recorded during the year.



The terms of reference

are available on the Company's website.

Board activities in 2022/23

The Board met on ten occasions during the year, as well as having a more informal Strategy Day. Here we have set out the key activities and approvals over the year. Throughout the year we have maintained a programme of Board education within the schedule of regular meetings, with relevant external input. How the Board has engaged with all its stakeholders is set out on pages 92 and 93, and consideration of Section 172 matters is described on pages 90 and 91.

2022

April/May

June/July

September

The following recurring matters were considered and discussed at these meetings

- Review of quarterly management accounts
- Review of portfolio activity
- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary
- Review of quarterly management accounts
- Review of portfolio activity
- Health and safety matters across the portfolio
- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary

The Board considered and approved the following matters

- The quarterly dividend for the January to March 2022 period at the rate of 0.875 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of the 31 March 2022 independent valuation
- The Annual Report for the year ended 31 March 2022 and the Stock Exchange announcement of the results
- The net zero carbon pathway
- The salary and bonus awards for the year ended 31 March 2022
- Deferred Bonus and LTIP share awards for the team
- The acquisition of 109-117 High Street, Cheltenham
- The quarterly dividend for the April to June 2022 period at the rate of 0.875 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of the 30 June 2022 independent valuation
- Corporate bonus objectives for the Executive Directors for 2022/23
- The Company's Modern Slavery Statement for the year ended 31 March 2022
- The updated Sustainability and Health and Safety policies
- The updated Share Dealing Code
- Capital expenditure at Madleaze Trading Estate, Gloucester

The Board discussed the following one-off items of business

- Initial salary review and bonus proposals for the team
- Review of independent benchmarking report on market remuneration levels, both for employees and Directors
- Review of feedback received on corporate opportunity
- Options for renewable energy within the Picton portfolio
- Planning of the forthcoming Annual General Meeting
- Actions from the previous Board evaluation
- Actions arising from the previous Board evaluation



- Review of quarterly management accounts
- Review of portfolio activity
- Health and safety matters across the portfolio
- Review of the external auditor
- Review of progress against sustainability priorities

- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary

- Review of quarterly management accounts
- Review of portfolio activity

- Review of portfolio and financial forecasts
- Market update from the Company's brokers
- Report from the Company Secretary

- The quarterly dividend for the July to September 2022 period at the rate of 0.875 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of the 30 September 2022 independent valuation

- The Half Year Report to 30 September 2022 and the Stock Exchange announcement of the results

- The quarterly dividend for the October to December 2022 period at the rate of 0.875 pence per share
- Acceptance of the recommendation from the Property Valuation Committee in respect of the 31 December 2022 independent valuation

- The updated Sustainability and Health and Safety policies

- Debrief from the recent Annual General Meeting

- Feedback from the announcement of the Half Year results
- Consideration of the external Board effectiveness review
- Reviewed feedback on current corporate opportunities

- Reviewed feedback on current corporate opportunities

- Reviewed feedback on current corporate opportunities
- Reviewed the feedback from the latest employee engagement survey, and considered actions arising
- Reviewed the actions arising from the external Board evaluation
- Reviewed succession planning
- Considered Board diversity and inclusion measures

Section 172 Statement

As the Company is registered in Guernsey, the UK Companies Act 2006 has no legal effect. However, in accordance with the UK Corporate Governance Code 2018 and as a matter of good governance, the Directors, individually and collectively as the Board, act as they consider most likely to promote the success of the Company for the benefit of shareholders as a whole.

The Directors have regard to:

The likely long-term consequences of decisions



Read more on pages **86-93**

The interests of its employees



Read more on page **73**

The Company's relationships with its suppliers, customers and others



Read more on pages **72-75**

The impact of the Company's operations on the community and the environment



Read more on pages **56-71**

The Company's reputation and maintaining a reputation for high standards of business conduct



Read more on pages **80-95**

The need to act fairly towards shareholders



Read more on pages **88-93**

Consideration of these factors and other relevant matters is embedded into all Board decision-making, strategy development and risk assessment throughout the year. We consider our key stakeholders to be our occupiers, our people, our communities, our suppliers and our shareholders. Working closely with our stakeholders falls within one of our three strategic pillars set out within our business model and strategy. The primary ways in which the Board engages directly or delegates responsibility for engagement to management are set out below.

Board engagement with stakeholders Our shareholders

As the owners of the business we rely on the support of our shareholders and their views are important to us. The long-term success of the business will deliver value for shareholders. The Chair and Chief Executive hold regular meetings with shareholders and feedback from these meetings is reported back to the Board. This feedback may be on operational matters, financing strategy or dividend policy, as examples. Other Non-Executive Directors will engage with shareholders on specific matters as appropriate. The Directors normally attend the Annual General Meeting to meet with shareholders and to answer any questions they may have.

Our occupiers

One of our key priorities is to work with our occupiers, so that we can understand their needs and aim to meet their current and future requirements. The Board has delegated responsibility for engaging with occupiers to the asset management team, who have ongoing communication with occupiers, and use this information when making proposals to the Board on investment transactions, such as refurbishment projects or leasing events.

Our people

Our people are key to our success and we want them to succeed both as individuals and as a team. One of our Non-Executive Directors, Maria Bentley, has responsibility for employee engagement. This year we have carried out our annual employee survey and the feedback from the survey has been discussed by the Board, with a number of actions arising. The Board has also been able to meet with the whole team informally when in-person Board meetings have been held at Stanford Building.

Local communities and environment

We are committed to improving the impact of our buildings on local communities, whether providing space to local businesses, improving local areas or minimising the environmental impact of buildings themselves. The Board has established a Responsibility Committee, which is chaired by one of the Executive Directors, to deal with sustainability policy and initiatives on its behalf. The Board reviews progress on sustainability matters and has attended relevant workshops during the year.

Suppliers

We have in place a framework for conducting business across the Group in a way that makes a positive contribution to society, while minimising any negative impact on people and the environment. The Board has agreed the overall business framework and delegated its implementation to the management team.

Considering stakeholders in key Board decision-making

Set out below are examples of important decisions taken during the year. These are decisions that are material to the Group but also significant to any of our key stakeholders. In its decision-making the Board considered the feedback from stakeholder engagement as well as the need to act fairly between shareholders and to maintain high standards of business conduct.

Actions

Evaluation of growth opportunities

The Board has considered a number of growth opportunities over the year. Growth of the business would bring financial benefits to shareholders in the form of enhanced earnings and dividends. Growth would also bring further benefits to the team in the form of career progression.

Review of dividend

The Board is aware of the value of regular dividend payments to shareholders and reviews the level of dividend each quarter. The Board has maintained the current dividend level throughout the year, despite more challenging microeconomic conditions.

Occupier engagement

The Board agreed that occupier surveys should be carried out this year to determine whether occupiers were satisfied with the quality of space provided and the level of service provided by the property managers.

Company Secretary

Following the Board evaluation in 2022, the Board decided to bring the Company Secretary role in-house. The Board considered that this would create a more effective function that would benefit both shareholders and the team.

Engagement with stakeholders

We believe that taking into account the views of our key stakeholders is critical to the long-term success of the business. We engage with all of our stakeholders to understand what is important to them. The following table sets out our key stakeholders and how we effectively engage with them.

Our Section 172 statement for the year ended 31 March 2023 is available on the previous pages and sets out how some of the key decisions made by the Board during the year were guided by stakeholder engagement.

Stakeholders and what is important to them



Our people

- Fair and equal treatment
- Career development
- Fair pay and conditions
- Good work/life balance
- Positive work culture and values



Local communities and charities

- Local employment opportunities
- Positive contribution to local economy
- Safe and clean environment



Our occupiers

- Cost-effective space suited to their needs
- Fair lease terms
- Well-managed, efficiently run and sustainable buildings
- Good relationships



Our investors

- Clear strategy
- Regular dividends
- Financial performance
- Clear and transparent reporting



Suppliers

- Prompt payment
- Fair terms of business
- Long-term relationships

How we engage

We have a small team and engage regularly with them. We have an appraisal process where each member of the team will discuss their performance and objectives with their line manager twice a year. The Board discusses individual development and career progression regularly. We carry out an annual employee survey, and the results of this are discussed by the Board. The Board also meets with the whole team informally when in-person Board meetings are held at Stanford Building.

We are committed to improving local communities where we own buildings, whether providing space to local businesses, improvement of local areas or minimising the environmental impact of buildings themselves. We engage through our charity and community initiatives and through our occupier engagement programme.

One of our key priorities is to work with our occupiers, so that we can understand their needs and aim to meet their current and future requirements. Our asset managers, guided by our Picton Promise, maintain regular contact with occupiers and discuss with them any issues regarding the buildings and any future plans we have. Our Head of Occupier Services has developed an occupier engagement programme and attends occupier meetings and other events. We send out an occupier newsletter regularly with relevant and helpful information.

We value the views of all our shareholders and senior management hold regular meetings to update shareholders on progress and activity. We issue regular investor updates with key financial highlights and updates on the portfolio. Our website provides investors with up-to-date information about the Group. This year our Annual General Meeting was at Stanford Building and we also held a webinar for shareholders at the same time for those unable to attend in person.

We seek to maintain productive and long-term relationships with our business partners. We have in place a framework for conducting business across the Group in a way that makes a positive contribution to society, while minimising any negative impact on people and the environment.

What we have done this year

The results of the employee engagement survey were positive and our flexible working arrangements were still valued by the team. This year we were able to hold a Christmas social event for the team and guests for the first time since the start of the pandemic.

Our charitable donations for the year were £27,000, and we supported 23 different charities. We have maintained our long-standing partnerships with The Funding Network and Coram, and this year have established new charity partnerships with The Fostering Network and Future Youth Zone, which is based close to one of our properties.

This year we have undertaken occupier surveys at our multi-let offices and industrial estates. The results from the surveys were positive, and the specific issues raised regarding buildings have been dealt with by our property managers. We have also rolled out our occupier app at a further two properties, and will continue to implement this at more properties over the course of this year.

The Chair and Chief Executive have held meetings with major shareholders this year to receive feedback on issues important to the strategic direction and growth of the business. The Chair of the Remuneration Committee has sought consultation from our shareholders regarding the Directors' Remuneration Report ahead of the 2022 Annual General Meeting and will consult further ahead of this year's Annual General Meeting.

We have continued to ensure that our suppliers are paid promptly and within payment terms. This year we have further rolled out our modern slavery terms with new suppliers.

The role of the Board and its Committees

The Board
Chair: Lena Wilson CBE
Comprises: 2 Executive Directors and 4 Non-Executive Directors
Responsibilities:

- Direction and control of the business
- Overall long-term success
- Sets and implements strategy
- Establishes the culture and values of the business
- Promotes wider stakeholder relationships

Board Committees

Audit and Risk
Chair: Mark Batten
Comprises: 3 Non-Executive Directors
Responsibilities:

- Oversees financial reporting
- Monitors risk management
- Reviews system of internal controls
- Agrees internal audit plan and reviews reports
- Evaluates external auditor

Remuneration
Chair: Maria Bentley
Comprises: 4 Non-Executive Directors
Responsibilities:

- Determines remuneration policy
- Sets remuneration of Executive Directors
- Reviews remuneration of whole workforce
- Approves bonus and LTIP awards

Property Valuation
Chair: Richard Jones
Comprises: 4 Non-Executive Directors
Responsibilities:

- Oversees the independent valuation process
- Recommends the appointment and remuneration of the valuer
- Ensures compliance with applicable standards

Nomination
Chair: Lena Wilson CBE
Comprises: 4 Non-Executive Directors
Responsibilities:

- Recommends Board appointments
- Considers succession planning
- Board evaluation
- Board composition and diversity

Management Committees

Executive Committee
Chair: Michael Morris
Comprises: 2 Executive Directors and 1 senior executive
Responsibilities:

- Implementation of strategy
- Manages operations
- Day-to-day management of the business
- Employee remuneration and development

Transaction and Finance
Chair: Michael Morris
Comprises: 2 Executive Directors and senior management
Responsibilities:

- Reviews and recommends portfolio transactions
- Monitors portfolio costs
- Reviews compliance with lending covenants

Responsibility
Chair: Andrew Dewhirst
Comprises: 1 Executive Director and senior management
Responsibilities:

- Determines sustainability policy and strategy
- Monitors compliance with relevant standards and legislation
- Oversees Health and Safety Committee and Climate Action Working Group
- Approves sustainability reporting
- Employee wellbeing

Responsibilities of the Directors

The roles and responsibilities of each of the Directors are explained below:

Role	Responsibilities
Chair Lena Wilson CBE	<ul style="list-style-type: none"> – Leads the Board – Responsible for overall Board effectiveness – Promotes Company culture and values – Sets the agenda and tone of Board discussions – Ensures that all Directors receive full and timely information to enable effective decision-making – Promotes open debate at meetings – Ensures effective communication with stakeholders – Fosters productive relationships between Executive and Non-Executive Directors
Chief Executive Michael Morris	<ul style="list-style-type: none"> – Develops and recommends strategy to the Board – Responsible for the implementation of strategy set by the Board – Manages the business on a day-to-day basis – Manages communication with shareholders and ensures that their views are represented to the Board
Senior Independent Director Mark Batten	<ul style="list-style-type: none"> – Leads the evaluation of the Chair – Available for communication with shareholders when other channels are not appropriate
Non-Executive Directors Mark Batten Maria Bentley Richard Jones	<ul style="list-style-type: none"> – Bring independent judgement and scrutiny to the decisions of the Board – Bring a range of skills and experience to the deliberations of the Board – Monitor business progress against agreed strategy – Review the risk management framework and the integrity of financial information – Determine the remuneration policy for the Group and approve performance targets in line with strategy
Executive Director Andrew Dewhurst	<ul style="list-style-type: none"> – Supports the Chief Executive in the formulation of strategy – Manages the financial operations of the Group – Develops and maintains the system of financial controls within the Group – Recommends the risk management framework to the Audit and Risk Committee and the Board

Board composition and diversity

These charts set out the Board's composition, tenure and diversity characteristics.

The Board currently comprises the Chair, two Executive Directors and three independent Non-Executive Directors. The Non-Executive Directors bring a variety of skills and business experience to the Board. Their role is to bring independent judgement and scrutiny to the recommendations of the Executive Directors. Each of the Non-Executive Directors is considered to be independent in character and judgement.

As at 31 March 2023 the Board comprised 50% independent Non-Executive Directors.

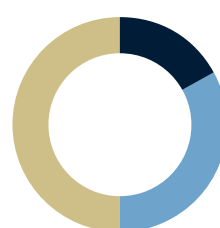
The biographies of the Directors can be found on pages 82 and 83, which set out their skills and experience, and their membership of each of the Committees.

Sex/gender representation

	Number of Board members	Percentage of the Board	Number of senior Board positions	Number in executive management	Percentage of executive management
Men	4	67%	3	3	100%
Women	2	33%	1	0	0%

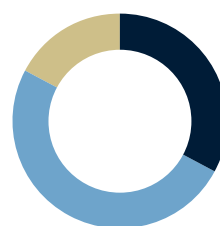
Ethnic representation

	Number of Board members	Percentage of the Board	Number of senior Board positions	Number in executive management	Percentage of executive management
White British	6	100%	4	3	100%



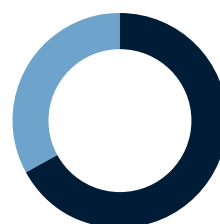
Function

- Non-Executive Chair - 1 (17%)
- Executive Directors - 2 (33%)
- Independent Non-Executive Directors - 3 (50%)



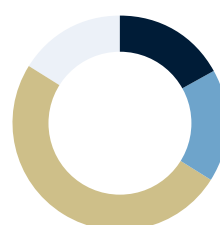
Tenure

- 0 to 3 years - 2 (33%)
- 3 to 6 years - 3 (50%)
- 6 to 9 years - 1 (17%)



Diversity

- Male - 4 (67%)
- Female - 2 (33%)



Age

- 50 to 54 years - 1 (17%)
- 55 to 59 years - 1 (17%)
- 60 to 64 years - 3 (50%)
- 65 to 69 years - 1 (16%)

Nomination Committee

The Nomination Committee is chaired by Lena Wilson. The other members of the Committee are Mark Batten, Maria Bentley and Richard Jones.

The role of the Committee is to consider the size, structure and composition of the Board to ensure that it has the right balance of skills, knowledge, experience and diversity to carry out its duties and provide effective leadership. In making any new appointment the Committee will consider many factors, including the skills and experience that will be relevant to any specific role and that will complement the existing Board members. The Committee will also seek to continuously improve the diversity of the Board including gender, ethnicity, age and socio-economic background.

It is also the Committee's role to consider succession planning for the Board and for the Executive team, and to lead on the appointment process, ensuring that this is formal, rigorous and transparent.

The Committee makes recommendations to the Board regarding the composition of the Remuneration, Audit and Risk, Nomination and Property Valuation Committees, taking into account individuals' time commitments and experience.



Terms of reference

The Committee’s terms of reference include consideration of the following issues:

- Review and make recommendations regarding the size and composition of the Board;
- Consider and make recommendations regarding succession planning for the Board and senior management;
- Identify and nominate candidates to fill Board vacancies as they arise;
- Review the results of the Board evaluation relating to composition;
- Review the time requirements for Directors; and
- Recommend the membership of Board Committees.

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Activity

The Committee met twice during the year ended 31 March 2023 and considered the following matters:

- The performance and constitution of the Committee;
- The time commitment required from Non-Executive Directors;
- The changes to the Listing Rules in respect of diversity targets;
- The external Board evaluation for the current year and the recommendations arising from it; and
- Succession planning for the Executive Directors.

Board evaluation

In accordance with the requirements of the Code, the Board undertakes a review of the effectiveness of its performance and that of its Committees every year. An external review is normally carried out every three years, with internal reviews in the intervening years.

In 2022 the Board carried out an internal review of its effectiveness. The following sets out the actions that were identified following the review together with the progress made since the review.

Action	Progress
Establish an ongoing programme of shareholder engagement with clarity on roles	Discussions on shareholder engagement have taken place at all Board meetings during the year and a programme of engagement has been put in place principally for the Chair, the Chief Executive and the Chair of the Remuneration Committee.
Incorporate relevant external perspectives to Board meetings and strategy sessions	A series of external advisers and other third parties have provided input to both Board and strategy days on key topics identified by the Board.
Review strategy statements to ensure they reflect ambition	Relevant external communications have been reviewed and updated to include appropriate wording.
Highlight relevant governance updates in Board packs	Governance and company secretarial updates are included in Board packs.
Establish external annual review of governance and director training	Governance was further considered in this year’s external Board evaluation and the resulting recommendations are being actioned. Director training has taken place through external speakers at Board meetings and attendance at relevant seminars and/or webinars.
Prepare annual governance calendar	A corporate calendar covering the Board and its Committees has been implemented.
Ensure proactive approach to governance topics	The Chair regularly discusses governance topics, changes and updates with the Company Secretary and the Board is advised accordingly.
Focus on key items in Board materials and discussions	Board agendas clearly state key decision items allowing these to be prioritised for discussion.
Reduce business as usual topics	Items for the Board to note are highlighted as such and dealt with after key decision items.
Implement thematic calendar for meetings	This has been implemented as part of the corporate calendar.
Develop focused risk reporting for Board	A new risk radar document has been implemented which summarises principal and emerging risks together with an assessment of impact and likelihood. This is reviewed by the Audit and Risk Committee on a regular basis.
Undertake in-depth reviews of specific risk areas	This year we have appointed BDO as internal auditor to the Group. They have carried out three in-depth reviews this year, covering cyber security, key financial controls and debt covenants. The results of these reviews are discussed in the Audit and Risk Committee report. The internal audit plan for 2023/24 has been agreed with the Audit and Risk Committee, and will cover property and lease management, and valuations.
Ensure annual review of Board composition	The composition of the Board and succession planning are discussed at the Nomination Committee meetings.
Establish programme of engagement with team	In addition to the annual employee engagement survey, we have established regular informal meetings between the Board and the rest of the team following each in-person Board meeting.



The external review concluded that the Board, its Committees and the individual Directors continue to operate very effectively.

Lena Wilson CBE

Chair of the Nomination Committee

This year the Board conducted an external review carried out by Boardroom Review Limited. This comprised a series of interviews with each of the Directors individually, and the Company Secretary, followed by a workshop where the interview feedback was discussed and summarised, and subsequent actions agreed.

The review concluded that the Board, its Committees and the individual Directors continue to operate very effectively.

The key themes and actions arising from the review were:

- Ensure opportunities for growth and increasing scale are fully considered
- Establish clear parameters on risk appetite
- Maintain occupier focus, especially around office working and technology
- Encourage more external perspectives, particularly ESG and technology
- Consider expertise and resource within the team
- Improve diversity at Board level and within the team
- Review existing company secretarial arrangements
- Consider future Board composition
- Review cyber security and data

As noted in the Introduction to Governance, we have reviewed our company secretarial arrangements and decided the function should be brought in-house. The Committee will provide an update on the other actions arising from the evaluation in its next report.

Boardroom Review Limited has no connection to Picton or with any of its Directors.

Diversity and inclusion

The Company values the contributions made by all of our team and is committed to treating all employees equally and considers all aspects of diversity, including gender, when considering recruitment at any level of the business. We recognise the need for diversity and support the move for greater gender and ethnicity representation on Boards. As a small team we do not have regular appointments and opportunities to increase diversity are limited, however it is our strong intention to do so whenever possible. All candidates are considered on merit but having regard to the right blend of skills, experience and knowledge at Board and Executive level, and amongst our employees generally.

Tenure and re-election

The tenure of Non-Executive Directors, including the Chair, is limited to nine years in accordance with the Corporate Governance Code.

The provisions of the Corporate Governance Code recommend that all Directors be subject to annual re-election at the Annual General Meeting. The Board will follow this recommendation at this year's Annual General Meeting.

Lena Wilson CBE

Chair of the Nomination Committee
24 May 2023

Audit, risk and internal control

The Board has established procedures to manage risk, oversee the framework of internal controls and determine its risk appetite to achieve its long-term strategic objectives.

The Board and the Audit and Risk Committee are responsible for ensuring that the Group has an effective internal control and risk management system and that the Annual Report provides a fair reflection of the Group's activities during the year following its review of the methodology.

The Property Valuation Committee has oversight of the independent valuers and the valuation process. It recommends the adoption of the quarterly valuations by the Board, following its review of the methodology and assumptions used by CBRE Limited, the Group's external valuers.

Internal control and risk management

The Board is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Internal control systems are designed to manage the achievement of business objectives, rather than eliminate the failure to achieve them and can only provide reasonable, and not absolute, assurance against material misstatement or loss. They have therefore established an ongoing process designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Such review procedures have been in place throughout the full financial year, and up to the date of the approval of the financial statements, and the Board is satisfied with their effectiveness.

This process involves a review by the Board of the control environment within the Group's service providers to ensure that the Group's requirements are met.

The Board has appointed BDO LLP ('BDO') to provide internal audit and assurance services to the Group, in place of additional control testing procedures carried out by the external auditor. The Board considers that this will provide it with a greater level of assurance that the Group's internal controls are robust and are operating effectively. The annual programme of testing carried out by BDO is agreed in advance by the Audit and Risk Committee. Details of the reviews carried out by BDO are set out in the Audit and Risk Committee report.

These systems are designed to ensure effective and efficient operations, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable, but not absolute, assurance against the risk of material misstatement or loss.

The effectiveness of the internal control systems is reviewed annually by the Audit and Risk Committee and the Board. The Audit and Risk Committee has a discussion annually with the external auditor to ensure that there are no issues of concern in relation to the audit opinion on the financial statements and representatives of senior management are excluded from that discussion.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mark Batten. The other members of the Committee are Maria Bentley and Richard Jones.

Meetings of the Audit and Risk Committee are attended by the Group's Finance Director and other members of the finance team, the internal auditor and the external auditor. The external auditor is given the opportunity to discuss matters without management presence.



The Committee was satisfied that the 2023 Annual Report is fair, balanced and understandable.

Mark Batten

Chair of the Audit and Risk Committee



Terms of reference

The Committee's terms of reference include consideration of the following issues:

- Financial reporting, including significant accounting judgements and accounting policies;
- Development of a comprehensive Risk Management Policy for the adoption by the Group;
- Evaluation of the Group's risk profile and risk appetite, and whether these are aligned with its investment objectives;
- Ensuring that key risks, including climate-related risks, are being effectively identified, measured, managed, mitigated and reported;
- Internal controls, controls testing and risk management systems;
- The Group's relationship with the external auditor, including effectiveness and independence;
- Internal audit and assurance services, including review of any report and assessment of control weaknesses; and
- Reporting responsibilities.



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Activity

The Audit and Risk Committee met five times during the year ended 31 March 2023 and considered the following matters:

- External audit strategy and plan;
- Audit and accounting issues of significance;
- The Annual and Interim Reports of the Group;
- Reports from the external auditor;
- The effectiveness of the audit process and the independence of KPMG Channel Islands Limited;
- Review of the Group's Risk Management Policy and appetite;
- Review of the risk matrix and mitigating controls;
- Internal audit reports and programme; and
- Stock Exchange announcements.

Financial reporting and significant reporting matters

The Committee considers all financial information published in the annual and half-year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and the key judgements made by management in preparing the financial statements.

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee considered whether the 2023 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's strategy, business model and performance.

The key area of judgement that the Committee considered in reviewing the financial statements was the valuation of the Group's investment properties.

The valuation is conducted on a quarterly basis by external valuers and is subject to oversight by the Property Valuation Committee. It is a key component of the annual and half-year financial statements and is inherently subjective, requiring significant judgement. Members of the Property Valuation Committee, together with members of the Picton team, meet with the external valuer on a quarterly basis to review the valuations and underlying assumptions, including the year-end valuation process. The Chair of the Property Valuation Committee reported to the Audit and Risk Committee at its meeting on 2 May 2023 and confirmed that the following matters had been considered in discussions with the external valuers:

- Property market conditions;
- Yields on properties within the portfolio;
- Letting activity and vacant properties;
- Covenant strength and lease lengths;
- Estimated rental values; and
- Comparable market evidence.

The Audit and Risk Committee reviewed the report from the Chair of the Property Valuation Committee including the assumptions applied to the valuation and considered their appropriateness, as well as considering current market trends and conditions, and valuation movements compared to previous quarters. The Committee considered the valuation and agreed that this was appropriate for the financial statements.

The Committee was satisfied that the 2023 Annual Report is fair, balanced and understandable and included the necessary information as set out above, and it has confirmed this to the Board.

Risk Management Policy

The Committee has considered and developed a comprehensive Risk Management Policy which has been adopted by the Group.

The purpose of the Risk Management Policy is to strengthen the proper management of risks through proactive risk identification, measurement, management, mitigation and reporting in respect of all activities undertaken by the Group. The Risk Management Policy is intended to:

- Ensure that major risks are reported to the Board for review;
- Result in the management of those risks that may significantly affect the pursuit of the stated strategic goals and objectives;
- Embed a culture of risk awareness and evaluation and identify risks at multiple levels within the Group; and
- Meet legal and regulatory requirements.

Internal control and internal audit

The Board is responsible for the Company's internal control system and for reviewing its effectiveness. It has therefore established a process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

As part of this process, a risk matrix has been prepared that identifies the Company's key functions and the individual activities undertaken within those functions. From this, the Board has identified the Company's principal risks and the controls employed to manage those risks. These are reviewed at each Audit and Risk Committee meeting. The Board monitors the performance of the Company against its strategy and receives regular reports from management covering all business activities.

The Committee has received and reviewed a copy of CBRE Limited's Real Estate Accounting Services – Service Organisation Control Report as at 31 December 2022, prepared in accordance with International Standard on Assurance Engagements 3402, in respect of property management accounting services provided to Picton Property Income Limited.

During the year the Board appointed BDO LLP to undertake internal audit and assurance services, replacing the previous arrangement of additional controls testing by the external auditor. The Committee agreed a programme of reviews for 2022/23, which covered cyber security, key financial controls and debt covenants. The Committee has considered the review reports and the recommendations arising, which had been discussed with management. The Committee also considered and agreed the review plan for 2023/24 which will cover property management, lease management and asset management.

Independence of auditor

It is the policy of the Group that non-audit work will not be awarded to the external auditor if there is a risk their independence may be compromised. The Committee monitors the level of fees incurred for non-audit services to ensure that this is not material, and obtains confirmation, where appropriate, that separate personnel are involved in any non-audit services provided to the Group. The Committee must approve in advance all non-audit assignments to be carried out by the external auditor.

The fees payable to the Group's auditor and its member firms are as follows:

	2023	2022
	£000	£000
Audit fees	179	174
Interim review fees	16	16
Non-audit fees	-	16
	195	206

Annual auditor assessment

On an annual basis, the Committee assesses the qualifications, expertise and independence of the Group's external auditor, as well as the effectiveness of the audit process. It does this through discussion and enquiry with senior management, review of a detailed assessment questionnaire and confirmation from the external auditor. The Committee also considers the external audit plan, setting out the auditor's assessment of the key audit risk areas and reporting received from the external auditor in respect of both the half-year and year-end reports and accounts.

As part of the review of auditor independence and effectiveness, KPMG Channel Islands Limited have confirmed that:

- They have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditor and to ensure the objectivity of their work and audit report;
- The total fees paid by the Group during the year do not represent a material part of their total fee income; and
- They consider that they have maintained their independence throughout the year.

In evaluating KPMG Channel Islands Limited, the Committee completed its assessment of the external auditor for the financial period under review. It has satisfied itself as to their qualifications and expertise and remains confident that their objectivity and independence are not in any way impaired by reason of any non-audit services which they provide to the Group.

KPMG Channel Islands Limited have been auditor to the Group since the year ended 31 December 2009. They were reappointed as the Group's auditor following a tender process in February 2020. The current audit engagement partner, Steve Stormonth, has now completed his first year as audit partner.

The Committee recommends that KPMG Channel Islands Limited are recommended for reappointment at the next Annual General Meeting.

Mark Batten

Chair of the Audit and Risk Committee
24 May 2023

Property Valuation Committee

The Property Valuation Committee is chaired by Richard Jones. The other members of the Committee are Mark Batten, Maria Bentley and Lena Wilson.





Over the course of the year there have been significant market movements in the valuation.

Richard Jones

Chair of the Property Valuation Committee

Terms of reference

The Committee shall review the quarterly valuation reports produced by the external valuers before their submission to the Board, looking in particular at:

- Significant adjustments from previous quarters;
- Individual property valuations;
- Commentary from management;
- Significant issues that should be raised with management;
- Material and unexplained movements in the Company's net asset value;
- Compliance with applicable standards and guidelines;
- Reviewing findings or recommendations of the valuers; and
- The appointment, remuneration and removal of the Company's valuers, making such recommendations to the Board as appropriate.



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Activity

The Committee met four times during the year ended 31 March 2023. Members of the Property Valuation Committee, together with management, met with the external valuer each quarter to review the valuations and considered the following matters:

- Property market conditions and trends;
- Movements compared to previous quarters;
- Yields on properties within the portfolio;
- Letting activity and vacant properties;
- Covenant strength and lease lengths;
- Estimated rental values; and
- Comparable market evidence.

Over the course of the year there have been significant market movements in the valuation which have been carefully considered and the Committee is confident that these were fully reflected by the external valuer. The Committee was satisfied with the valuation process throughout the year.

External valuer

CBRE Limited are appointed as the external valuer of the Group and they carry out a valuation of the Group's property assets each quarter, the results of which are incorporated into the Group's half-year and annual financial statements, and the quarterly net asset statements. The valuations are done in accordance with the Royal Institution of Chartered Surveyors Red Book valuation standards.

The Committee reviewed the performance of the valuer and recommended that the appointment be continued for a further 12 months.

The Committee awaits the outcome of the consultation process following the RICS Review of Real Estate Investment Valuations and the proposed recommendations.

Richard Jones

Chair of the Property Valuation Committee
24 May 2023

Remuneration Committee

The Remuneration Committee is chaired by Maria Bentley. The other members of the Committee are Mark Batten, Richard Jones and Lena Wilson.

Other attendees at Committee meetings during the year were Michael Morris and Andrew Dewhirst. Neither participated in discussions relating to their own remuneration.



Our remuneration packages are designed to attract and retain the right talent and to fairly reward delivery of strategic priorities and enhanced shareholder value.

Maria Bentley
Chair of the
Remuneration Committee





The remuneration arrangements provide alignment with shareholders through the use of financial metrics and corporate objectives.

Maria Bentley

Chair of the Remuneration Committee

Terms of reference

The principal functions of the Committee as set out in the terms of reference include the following matters:

- Review the ongoing appropriateness and relevance of the Directors' Remuneration Policy;
- Determine the remuneration of the Chair, Executive Directors and such members of the executive management as it is designated to consider;
- Review the design of all share incentive plans for approval by the Board; and
- Appoint and set the terms of reference for any remuneration consultants.



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Advisers

During the year, Deloitte LLP has provided independent advice in relation to market data, share valuations, share plan administration and content of the Remuneration Report. Total fees for the year were £18,780 (calculated on a time spent basis). Deloitte LLP is a founding member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. In addition, Deloitte also provided taxation services and advice to the Company during the year. The Committee has reviewed the nature of this additional advice and is satisfied that it does not compromise the independence of the advice that it has received.

Annual statement

Dear Shareholders

Introduction

On behalf of the Board, I am pleased to introduce the Remuneration Committee report for the year ended 31 March 2023.

This report comprises three sections:

- This annual statement;
- A Summary of the Directors' Remuneration Policy; and
- The Annual Report on Remuneration for the year ended 31 March 2023.

The Committee met five times during the year and set out below is a summary of its activity.

Implementation of the Remuneration Policy in 2023/24

Our objective is to provide straightforward remuneration packages for our Executive Directors, fair and reasonable for all stakeholders, which are designed so as to attract and retain the right talent and to fairly reward delivery of strategic priorities and enhanced shareholder value.

In 2021 we set out our new Remuneration Policy, including a three-year plan to transition the Executive Directors' remuneration packages to more fairly represent their responsibilities as Directors of a listed company. The new Policy was overwhelmingly approved by shareholders that year (97% in favour) and the first two years of the transition plan have been implemented. Ahead of the 2022 Annual General Meeting, we contacted major shareholders about the second stage of the transition plan and I am delighted that shareholders approved the resulting Remuneration Report for the year ended 31 March 2022 by a large majority (97% in favour).

The Committee has carefully considered whether the final stage of the transition plan should be implemented for 2023/24, taking into account the performance of the Company and of the Executive Directors over the past year.

The key performance highlights noted by the Committee included:

- The total property return was ahead of the MSCI UK Quarterly Property Index for the year, and our long-term record of outperformance has been maintained over one, three, five and ten years, and since inception;
- EPRA earnings rose by 0.5% compared to 2022/23, despite lower occupancy and higher costs;
- The portfolio ERV increased by 9% over the year;
- Net property income rose by 2.3% compared to the previous year;
- Good progress has been made against the net zero carbon pathway, including on-site renewable energy installation;
- Key climate-related risk management recommendations have been implemented;
- The proportion of the portfolio’s EPC ratings (A to C) has increased to 76% from 71% last year; and
- Scope 1 and 2 greenhouse gas emissions are 24% below the 2019 baseline.

In light of this performance assessment, the Committee is satisfied that it is appropriate for the final stage of the transition to proceed. Accordingly, the base salaries of the Chief Executive and Finance Director will be increased by 15% to £380,219 and £258,549 respectively from 1 April 2023 and their annual bonus opportunity for 2023/24 will be reduced to 145% of salary (2022/23: 155%).

Group performance and alignment

We have set out on pages 22 to 25, the Key Performance Indicators (KPIs) that we currently use to monitor the success of the business. In order to appropriately align executive remuneration with business performance we incorporate KPIs within our incentive schemes. For both 2022/23 and 2023/24, the KPIs that we are using to determine variable remuneration are set out in the table above.

The remaining 40% of the annual bonus is determined by corporate objectives.

Measure	Comparator	Annual bonus	Long-term Incentive Plan
Total return	Relative to comparator group	✓ (30% weighting)	
Total property return	Relative to MSCI UK Quarterly Property index	✓ (30% weighting)	✓ (33% weighting)
Total shareholder return	Relative to comparator group		✓ (33% weighting)
EPRA EPS	Absolute target range		✓ (33% weighting)

Annual bonus awards for 2022/23

The Executive Directors were set a number of challenging targets for this year, comprising a combination of financial measures and corporate and personal objectives.

The two financial measures were total return and total property return. The actual outcomes are set out in the Annual Remuneration Report, but the overall result was that the Directors earned an estimated 49% of the maximum award available under these financial measures.

The corporate objectives were set to ensure that specific key strategic targets were reached. These included targets relating to sustainability, including progress against the net zero carbon pathway, portfolio environmental measures and the implementation of climate-risk recommendations. The Committee considered the extent to which the Executive Directors had met the objectives, and concluded that good progress had been made against many, but the fall in occupancy and increased costs also had to be recognised. Overall the Committee considered that an outcome of 74% of the maximum award for each of the two Executive Directors were merited against the corporate objectives.

In aggregate, annual bonus awards for the two Executive Directors are 59% of the maximum award (2021/22: 64% of maximum).

The Committee considered the overall bonus awards against the reported financial results and determined that the proportion of the bonus deferred be increased to 60% from 50% for the Executive Directors, and therefore the cash element is reduced from 50% to 40%.

The Committee considered the formulaic bonus outcome in the context of the Group’s overall performance for the year. The key highlights of performance for the year are set out earlier in this Statement.

The Committee concluded that it was satisfied the formulaic bonus outcome was a fair reflection of overall Group performance during the past financial year.

Long-term Incentive Plan awards (performance period to 31 March 2023)

The LTIP provides the link between the long-term success of the Company and the remuneration of the whole team. The awards made under the Long-term Incentive Plan (LTIP) in June 2020 were based on three performance conditions measured over the three-year period ended on 31 March 2023. The Committee has assessed the extent to which these three performance conditions have been met.

The three equally weighted performance conditions were total shareholder return, total property return and growth in EPRA earnings per share. The actual outcomes for these conditions are set out in the Annual Remuneration Report and give rise to an overall award of 52.5% of the maximum granted. As explained above, the Committee concluded that it was satisfied the formulaic outcome was a fair reflection of overall Group performance over the performance period. As these awards were reduced by 30% at grant to avoid the potential for windfall gains on vesting, the Committee is satisfied that no further adjustments are required.

Employee remuneration and engagement

As in prior years, the Committee received an independent benchmarking report covering each of the roles, which detailed market trends. Having considered the report, the Committee determined that, for the team as a whole (excluding the Executive Directors), there would be an overall average rise of 9.4% in base salaries with effect from 1 April 2023. The average employee bonus (excluding the Executive Directors) fell by 5.9%, reflecting our continued outperformance but also the more difficult economic and property market conditions.

I have met informally with the team on a number of occasions this year, and we have also carried out our annual employee engagement survey. This is discussed in more detail elsewhere, but the results continue to demonstrate a high level of satisfaction among the team.

UK Corporate Governance Code

We have considered the provisions of the Code in respect of remuneration and believe that our approach remains compliant. In particular, we operate a consistent level of pension provision across our workforce; LTIP awards are only released to Executive Directors five years after award; and malus and clawback provisions apply to all incentive awards. We have provisions in the rules of our remuneration share plans that prevent, other than in exceptional circumstances, accelerated vesting of awards when an employee leaves Picton. We also have post-employment shareholding guidelines in place.

The remuneration arrangements provide alignment with shareholders through the use of financial metrics and corporate objectives. All members of the team participate in the annual bonus and LTIP, not just the Executive Directors. The Remuneration Policy and its components are clearly set out in this report and the rules of the variable remuneration schemes are available to the whole team. We use standard performance metrics, which are also key performance indicators for the business, to determine awards. There are clear target and maximum levels for each metric.

The Committee believes that the variable remuneration schemes in place are fair and proportionate and align the remuneration of the team with the Group's performance. We are also satisfied that the remuneration structure does not encourage inappropriate risk-taking. The Committee does retain discretion over formulaic outcomes if it considers that these are not a fair reflection of the Group's performance.

Implementation of Policy

Our remuneration structure will be in accordance with the Policy for the year to 31 March 2024.

The bonus deferral policy for Executive Directors will continue, with a minimum of 50% of any annual bonus award being deferred into Picton shares for a period of two years before vesting. The maximum annual bonus potential for 2023/24 will fall to 145% from 155% of base salary for the Executive Directors as outlined above. As in previous years the annual bonus will be determined 60% by financial metrics and 40% by corporate objectives. For 2023/24 we will continue to use two financial metrics, being total return, relative to a comparator group, and total property return, relative to the MSCI UK Quarterly Property Index.

The awards under the Long-term Incentive Plan have been reduced this year by 25% to reflect the lower share price and discount to net asset value, and to avoid any windfall gains arising on vesting. For the awards to be made in June 2023 for the three-year period to 31 March 2026 we will retain the three performance measures used previously, being:

- Total shareholder return, compared to a comparator group
- Total property return, compared to the MSCI UK Quarterly Property Index
- Growth in EPRA earnings per share

For the growth in EPRA earnings per share, we intend to use an absolute range of targets based on forecasts over the performance period.

The Committee is satisfied that the significant deferral element to the annual bonus combined with the Long-term Incentive Plan opportunity plus shareholding guidelines ensures that Executive Directors are aligned with and focused on delivering long-term growth.

Following a review of market trends, time commitment and role responsibilities, fee levels for the Chair and Non-Executive Directors have been increased by an average of 4.6% from 1 April 2023.

As a Committee, we are committed to ongoing dialogue with our shareholders and welcome any feedback regarding our remuneration practices either ahead of the Annual General Meeting or in the year ahead, as we undertake our regular triennial Remuneration Policy review. We look forward to receiving your continued support at the forthcoming Annual General Meeting.

Maria Bentley

Chair of the Remuneration Committee
24 May 2023

Remuneration at a glance

The components of remuneration for 2022/23 are:

Fixed pay



Base salary



Benefits



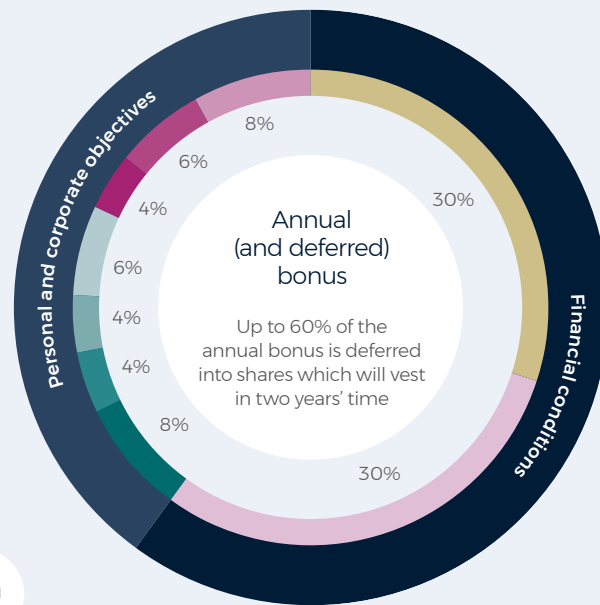
Pension contributions



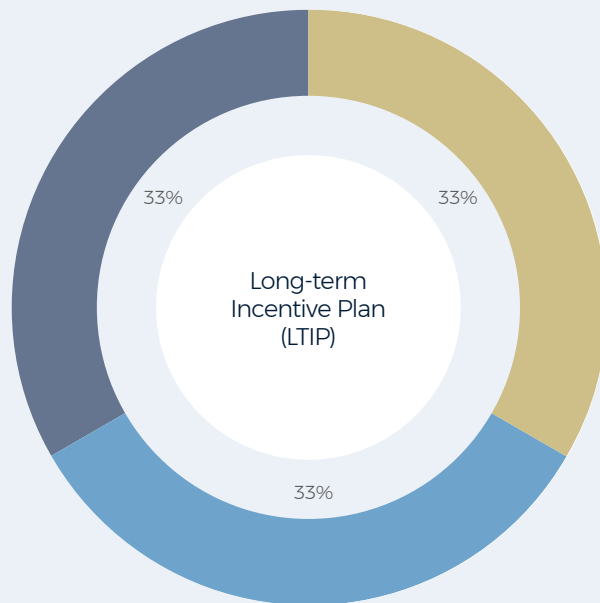
Read more on pages **115-121**

Variable pay

The annual bonus for 2022/23 is determined by:



The LTIP is based on three financial metrics, each measured over three years:



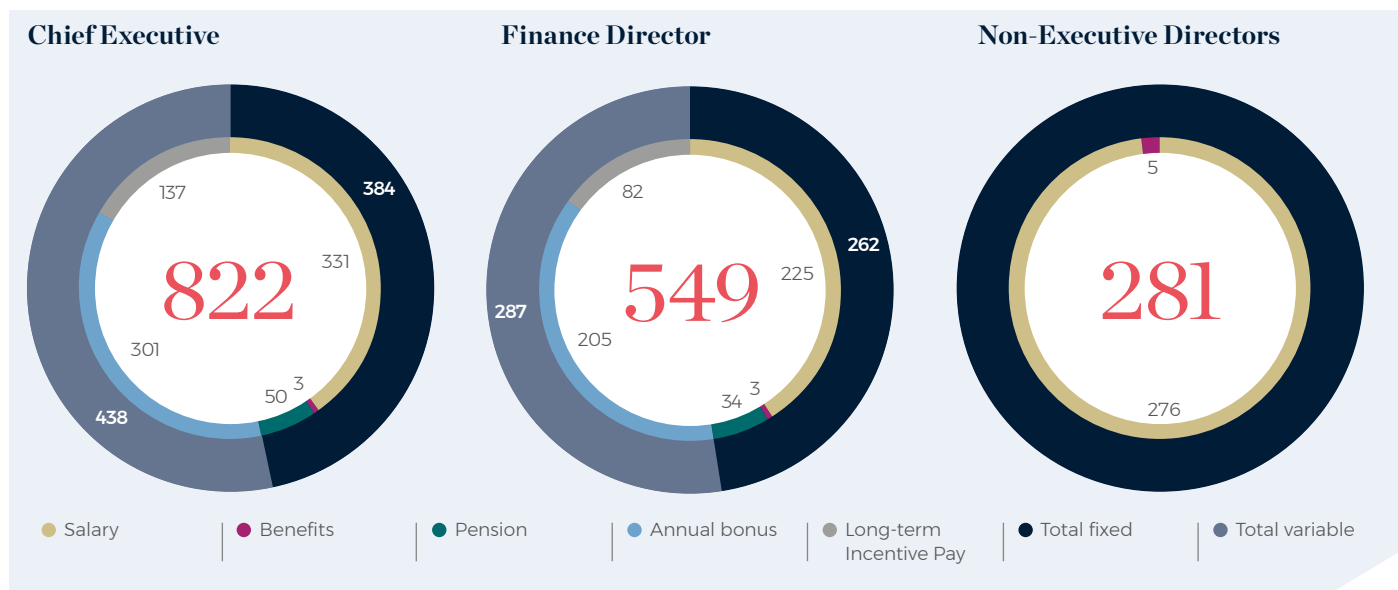
Personal and corporate objectives

- Improve income and occupancy
- Make progress against net zero carbon pathway
- Improve portfolio environmental factors
- Improve level of net property income and operational expenses
- Implementation of TCFD recommendations
- Positive stakeholder engagement
- Identify and evaluate growth opportunities

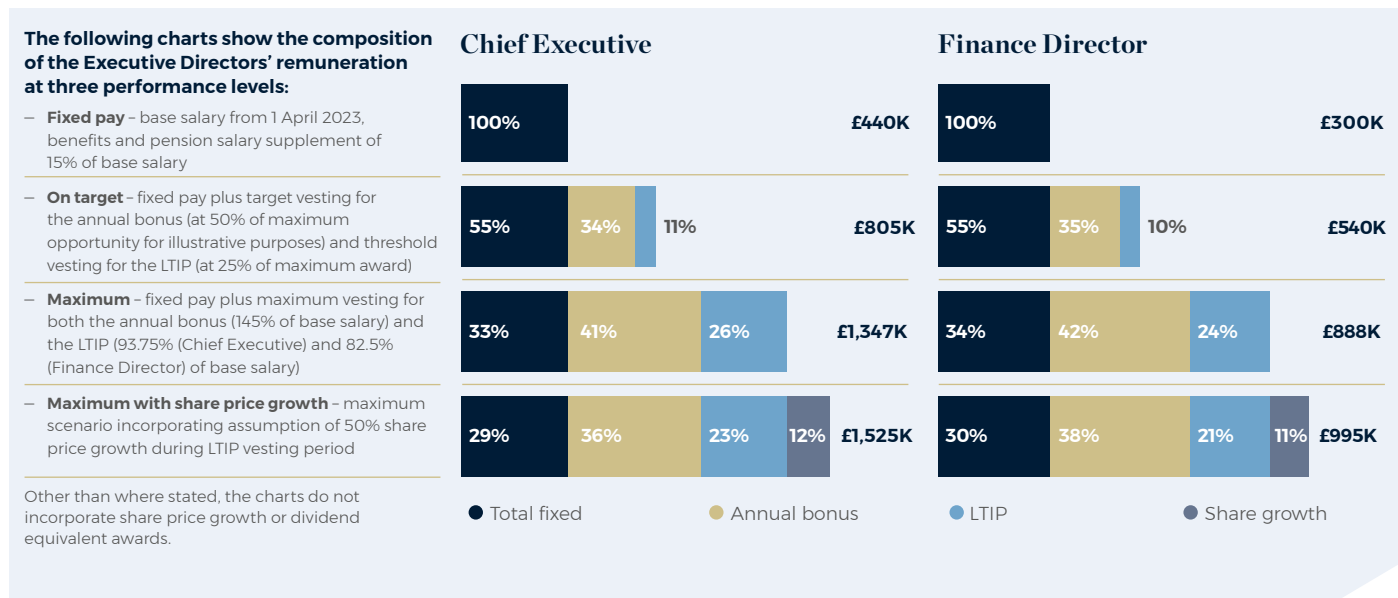
Financial conditions

- Total return
- Total property return
- Growth in EPRA earnings per share
- Total shareholder return

The single figure of remuneration for the Directors for the year 2022/23 (in £ thousands) is:



The potential remuneration of the Executive Directors for the year to 31 March 2024 is:



Summary of Directors' Remuneration Policy

Principles

The objective of the Group's Remuneration Policy is to have a simple and transparent remuneration structure aligned with the Group's strategy.

The Group aims to provide a remuneration package which will retain Directors who possess the skills and experience necessary to manage the Group and maximise shareholder value on a long-term basis. The Remuneration Policy aims to incentivise Directors by rewarding performance through enhanced shareholder value.

A summary of the Directors' Remuneration Policy approved by shareholders at the 2021 Annual General Meeting is set out below. The full Policy is contained in our 2021 Annual Report which is available on our website at www.picton.co.uk.

Executive Directors' Remuneration Policy Table

Base salary

Purpose	A base salary to attract and retain Executives of appropriate quality to deliver the Group's strategy.
Operation	Base salaries are normally reviewed annually with changes effective on 1 April. When setting base salaries the Committee will consider relevant market data, as well as the scope of the role and the individual's skills and experience.
Maximum	No absolute maximum has been set for Executive Director base salaries. Any annual increase in salaries is set at the discretion of the Remuneration Committee taking into account the factors stated in this table and the following principles: <ul style="list-style-type: none"> - Salaries would typically be increased at a rate consistent with the average employee salary increase. - Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group). - Larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary.
Performance measures	None
Clawback	None
Pension	
Purpose	Part of competitive remuneration package.
Operation	The Company has established defined contribution pension arrangements for all employees. For Executive Directors the Company pays a monthly salary supplement in lieu of Company pension contributions.
Maximum	A consistent rate of pension provision (15% of base salary) applies to all employees including Executive Directors.
Performance measures	None
Clawback	None

Benefits

Purpose	Part of a competitive remuneration package.
Operation	This principally comprises: <ul style="list-style-type: none"> - Private medical insurance - Life assurance - Permanent health insurance <p>The Committee may agree to provide other benefits as it considers appropriate.</p>
Maximum	Benefits are provided at market rates.
Performance measures	None
Clawback	None

Annual bonus

Purpose	A short-term incentive to reward Executive Directors on meeting the Company's annual financial and strategic targets and on their personal performance.
Operation	The Committee may determine that up to 50% of the annual bonus will be paid in the Company's shares and deferred for two years. Dividend equivalents will be paid at the end of the deferral period (in the form of shares or cash).
Maximum	The maximum bonus permitted under the Policy will be 175% of base salary. The level of bonus opportunity within this maximum will be determined by the Committee each year. In 2023/24, the maximum opportunity will be limited to 145% of base salary.
Performance measures	The annual bonus is based on a range of financial, strategic, ESG, operational and individual targets (measured over a period of up to one year) set by the Committee. The weightings will also be determined annually to ensure alignment with the Company's strategic priorities although at least 50% of the award will be assessed on corporate financial measures. For corporate financial measures, 50% of the maximum bonus opportunity will be payable for on-target performance and, if applicable, up to 25% for threshold performance.
Clawback	Malus and clawback provisions may be applied in the event (within two years of bonus determination/grant of the deferred bonus shares) of a material misstatement of the audited financial results, an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or is released, a material failure of risk management, material misconduct on the part of the award holder or a corporate failure.

Long-term Incentive Plan

Purpose	A long-term incentive plan to align Executive Directors' interests with those of shareholders and to promote the long-term success of the Company.
Operation	Awards are granted annually usually in the form of a conditional share award or nil cost option. Awards will normally vest at the end of a three-year period subject to meeting the performance conditions and continuing employment. The Remuneration Committee may award dividend equivalents (in the form of shares or cash) on awards that vest. The Committee will usually apply a holding period of a further two years to awards that vest.
Maximum	Annual awards with a maximum value of up to 150% of base salary may be made.
Performance measures	Vesting will be subject to performance conditions, aligned to the corporate strategy, as determined by the Committee on an annual basis. There will be three performance conditions, each measured over a three-year performance period. Each condition will be equally weighted, but the Committee has the flexibility to vary this for each award. For threshold levels of performance up to 25% of the award vests, rising usually on a straight-line basis to 100% for maximum performance.
Clawback	Malus and clawback provisions may be applied in the event (within five years of grant) of a material misstatement of the audited financial results, an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or is released, a material failure of risk management, material misconduct on the part of the award holder or a corporate failure.

Remuneration Report/Continued

Shareholding guidelines

Purpose	To align Executive Directors with the interests of shareholders.
Operation	Whilst in employment, Executive Directors are expected to build up and thereafter maintain a minimum shareholding equivalent to 200% of base salary. The Committee will review progress towards the guideline on an annual basis and has the discretion to adjust the guideline in what it feels are appropriate circumstances. Executive Directors will also be expected to remain compliant with the above guideline for a period of two years post-employment.
Maximum	Not applicable
Performance measures	Not applicable
Clawback	Not applicable

Non-Executive Directors' Policy Table

Fees

Purpose	To provide competitive Director fees.
Operation	Annual fee for the Chair, and annual base fees for other Non-Executive Directors. Additional fees for those Directors with additional responsibilities such as chairing a Board Committee. All fees will be payable monthly in arrears in cash. Fees will usually be reviewed independently every three years. The independent Non-Executive Directors are not eligible to receive share options or other performance-related elements or receive any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a Non-Executive Director may receive the grossed-up costs of travel as a benefit. Non-Executive Directors are entitled to reimbursement of reasonable expenses.
Maximum	The Company's Articles set an annual limit for the total of Non-Executive Directors' remuneration of £300,000.
Performance measures	None
Clawback	None

Notes to table:

1. The Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Committee may adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. The Committee also retains discretion to make downward or upward adjustments resulting from the application of the performance measures if it considers that an adjustment is appropriate (for example, if the outcomes are not deemed by the Committee to be a fair and accurate reflection of business performance). In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report.
2. Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Remuneration Committee based on a range of relevant reference points, including for Group financial targets, the Company's business plan and are designed to be appropriately stretching.
3. The Committee may amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans.
4. Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Targets are considered ahead of each grant of LTIP awards by the Remuneration Committee taking into account relevant external and internal reference points and are designed to be appropriately stretching.
5. The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or (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. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
6. The Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Policy for other employees

Remuneration for other employees broadly follows the same principles as for Executive Directors. A significant element of remuneration is linked to performance measures. All employees usually participate in the Long-term Incentive Plan and in the annual bonus. The weighting of individual and corporate measures is dependent on an individual's role.

The Committee does not formally consult with employees when determining Executive Director pay. However, the Committee is kept informed of general management decisions made in relation to employee pay and is conscious of the importance of ensuring that its pay decisions for Executive Directors are regarded as fair and reasonable within the business.

Annual Report on Remuneration

The table below sets out the total remuneration receivable by each of the Directors who held office during the year to 31 March 2023, with a comparison to the previous financial year:

		Salary/ fees £000	Benefits £000	Pension salary supplement £000	Total fixed £000	Annual bonus £000	Deferred bonus £000	Long-term Incentive Plan £000	Total variable £000	Total £000
Executive										
Michael Morris	2023	331	3	50	384	120	181	137	438	822
	2022	288	2	43	333	151	151	181	483	816
Andrew Dewhirst	2023	225	3	34	262	82	123	82	287	549
	2022	196	2	29	227	103	102	118	323	550
Non-Executive										
Lena Wilson	2023	117	5	-	122	-	-	-	-	122
	2022	117	3	-	120	-	-	-	-	120
Mark Batten	2023	53	-	-	53	-	-	-	-	53
	2022	53	-	-	53	-	-	-	-	53
Maria Bentley	2023	53	-	-	53	-	-	-	-	53
	2022	53	-	-	53	-	-	-	-	53
Richard Jones	2023	53	-	-	53	-	-	-	-	53
	2022	53	-	-	53	-	-	-	-	53
Total (audited)	2023	832	11	84	927	202	304	219	725	1,652
	2022	760	7	72	839	254	253	299	806	1,645

Benefits for the Executive Directors comprise private medical insurance and life assurance. Non-Executive Directors are reimbursed expenses incurred in connection with travel and attendance at Board meetings. These expenses are taxable where the meetings take place at the Company's main office. The Company settles the tax on behalf of the Non-Executive Directors.

Executive Directors receive a salary supplement of 15% of base salary in lieu of company pension contributions.

The above 2022 LTIP figures for the Executive Directors have been restated to reflect the actual share price at vesting (92.3 pence) rather than the average for the quarter ended 31 March 2022 (100.1 pence). This restatement represents a decrease in the value of the 2022 LTIP awards of £14,000 for Michael Morris and of £9,000 for Andrew Dewhirst.

The value of LTIP awards for 2023 is based on the number of shares to be awarded to the Executive Directors in respect of the June 2020 LTIP awards and the average share price over the quarter ended 31 March 2023 of 74.41 pence, and the estimated value of dividend equivalents.

Annual bonus for 2022/23

The annual bonus for the year ended 31 March 2023 for the Executive Directors was based on a combination of financial metrics (60%) and corporate objectives (40%).

The targets set for the year ended 31 March 2023 and the assessment of actual performance achieved are set out in the table below.

The financial metrics comprised two equally weighted components: total return relative to a comparator group of similar companies, set out later in this report; and total property return compared to the MSCI UK Quarterly Property Index.

At the date of this report not all of the companies in the total return comparator group had announced their results to 31 March 2023 and the Committee has estimated, based on the results to date, that this condition will not be met, resulting in an award of 0%. The Committee will determine the actual outcome of this condition once all companies have reported, and any adjustment required between the estimate and actual will be made in next year's Remuneration Report. There will be no payout of the bonus until a finalised result can be confirmed.

Performance condition	Basis of calculation	Range	Actual	Awarded (% of maximum)	Awarded (% of salary)
Total return versus comparator group Bonus weighting: 30%	Less than median – 0% Equal to median – 50% Equal to upper quartile – 100%	Not yet available	(13.9)%	0% (estimate)	0% (estimate)
Total property return versus MSCI Index Bonus weighting: 30%	Less than median – 0% Equal to median – 50% Equal to upper quartile – 100%	Median (12.9)% Upper quartile (8.5)%	(8.7)%	98.0%	45.6%

The corporate objectives for the Executive Directors for the year to 31 March 2023 were determined by the Remuneration Committee and accounted for 40% of the maximum award.

The corporate objectives applying to both Executives, and the assessment of performance against these, are as follows:

Performance condition	Assessment	Awarded (% of maximum)	Awarded (% of salary)
Improve occupancy and income profile Bonus weighting: 8%	The Committee considered that income metrics, including passing rent, estimated rental value and net property income under IFRS, had all improved over the year. However occupancy has decreased from 93% to 91% and therefore assessed this objective as 50% met.	50%	6.2%
Make progress against net zero carbon pathway Bonus weighting: 4%	The published net zero carbon pathway set out a number of short-term objectives. The Committee assessed the progress made against these objectives and this is set out in the Being Responsible section on page 64.	90%	5.6%
Improve portfolio environmental factors Bonus weighting: 4%	The Committee assessed performance against a series of key environmental metrics, including EPCs, GHG emissions and intensity, and green lease clauses, as well as other environmental initiatives that had been implemented during the year. The Committee noted that all key metrics had shown improvement over the year.	85%	5.3%
Improve level of net property income and operational expenses Bonus weighting: 6%	EPRA earnings have remained stable at 3.9 pence per share, and the reported cost ratio is still at 1.0%. However both EPRA cost ratios have increased this year.	40%	3.7%
Implementation of TCFD recommendations Bonus weighting: 4%	The progress made against TCFD recommendations is set out in detail in the TCFD Statement on pages 47 to 55.	85%	5.3%
Positive stakeholder engagement Bonus weighting: 6%	Occupier surveys were carried out in the year, with 80% of respondents satisfied with the level of service provided. Supportive shareholder feedback has been received via the Company's brokers. Employee satisfaction remains high at 82%.	90%	8.4%
Identify and evaluate growth opportunities Bonus weighting: 8%	A key objective for the Executive Directors was to identify growth opportunities. In addition to asset acquisitions a number of key corporate opportunities were considered and progressed during the year.	90%	11.2%

As discussed in the Committee Chair's statement on pages 106 to 109, the Committee considered the formulaic bonus outcome in the context of the Group's overall performance for the year and concluded that it was satisfied that the formulaic bonus outcome was a fair reflection of overall Group performance during the year. The Committee was also satisfied that the above performance was achieved within an acceptable risk profile.

Subject to the estimated total return component noted above, the overall annual bonus outcome for the Executive Directors is, therefore, as follows:

	Financial metrics (out of maximum 60%)	Corporate objectives (out of maximum 40%)	Overall bonus % of maximum	Bonus % of salary	Total bonus £
Michael Morris	29.4	29.4	58.8	91.1	301,300
Andrew Dewhurst	29.4	29.4	58.8	91.1	204,800

This year the Committee has determined that the proportion of the bonus deferred be increased to 60% of the annual bonuses awarded to the Executive Directors and payable in shares in two years' time. Dividend equivalents will accrue on the shares and these will be paid in cash when the awards vest.

Long-term Incentive Plan

The LTIP awards granted on 29 June 2020 were subject to performance conditions for the three years ended 31 March 2023. The performance conditions and the actual performance for these were as follows:

Performance condition	Basis of calculation	Range	Actual	Weighting (% of award)	Awarded (% of maximum)
Total shareholder return versus comparator group	Less than median - 0% Equal to median - 25% Equal to upper quartile - 100%	Median - 9.4% Upper quartile - 22.0%	4.6%	33.3%	0%
Total property return versus MSCI Index	Less than median - 0% Equal to median - 25% Equal to upper quartile - 100%	Median - 2.5% Upper quartile - 4.3%	6.8% (above upper quartile)	33.3%	100%
Growth in EPRA EPS	Less than 3.75 pence per share for the year ended 31 March 2023 - 0% Equal to 3.75 pence per share for the year ended 31 March 2023 - 25% Equal or greater than 4.1 pence per share for the year ended 31 March 2023 - 100%		3.90p	33.3%	57.7%

The Committee was satisfied that the above performance was achieved within an acceptable risk profile. As discussed in the Committee Chair's statement on pages 106 to 109, the Committee considered the formulaic LTIP outcome in the context of the Group's overall performance over the performance period and concluded that it was satisfied the formulaic outcome was a fair reflection of overall Group performance during the period. Based on the vesting percentage above, the shares awarded and their estimated values, using an average share price of 74.41 pence for the quarter ended 31 March 2023, are:

Director	Maximum number of shares at grant	Number of shares vesting	Number of lapsed shares	Estimated value ^{1,2} £
Michael Morris	309,275	162,524	146,751	136,980
Andrew Dewhurst	185,070	97,254	87,816	81,970

1. The estimated value includes dividend equivalent awards which will be made in relation to vested LTIP awards at the point of vesting. The value of the dividend equivalent awards is £16,050 (Michael Morris) and £9,600 (Andrew Dewhurst).

2. £5,980 (Michael Morris) and £3,580 (Andrew Dewhurst) of this value relates to share price growth since the date of grant.

The following awards in the Long-term Incentive Plan were granted to the Executive Directors on 17 June 2022:

	Number of shares	Basis (% of salary)	Face value per share (£)	Award face value (£)	Performance period	Threshold vesting
Michael Morris	437,473	125%	0.9447	413,281	1 April 2022 to 31 March 2025	25%
Andrew Dewhurst	261,784	110%	0.9447	247,308	1 April 2022 to 31 March 2025	25%

Remuneration Report/Continued

The face value is based on a weighted average price per share, being the average of the closing share prices over the three business days immediately preceding the award date. Awards will vest after three years subject to continued service and the achievement of three equally weighted performance conditions (relative total shareholder return, relative total property return and EPRA EPS). The vesting schedule for the relative measures will be as applied to the June 2020 LTIP set out above. The EPS element will vest at 25% for achievement of EPRA EPS of 4.15 pence in the year ended 31 March 2025 increasing on a straight line basis to 100% vesting for EPRA EPS of 4.50 pence.

Any LTIP vesting will also be subject to the Remuneration Committee confirming that, in its assessment, the vesting outturn was achieved within an acceptable risk profile.

The Executive Directors have the following outstanding share awards under the Long-term Incentive Plan and Deferred Bonus Plan:

	Date of grant	Performance period	Market value on date of grant	At 1 April 2022	Granted in year	Exercised in year	Lapsed in year	As at 31 March 2023
Michael Morris								
2019 LTIP	19 June 2019	1 April 2019 to 31 March 2022	95.23p	328,153	-	(177,760)	(150,393)	-
2020 LTIP	29 June 2020	1 April 2020 to 31 March 2023	70.73p	309,275	-	-	-	309,275
2021 LTIP	22 June 2021	1 April 2021 to 31 March 2024	89.10p	403,339	-	-	-	403,339
2022 LTIP	17 June 2022	1 April 2022 to 31 March 2025	94.47p	-	437,473	-	-	437,473
2020 DBP	29 June 2020	1 April 2019 to 31 March 2020	70.73p	215,333	-	(215,333)	-	-
2021 DBP	22 June 2021	1 April 2020 to 31 March 2021	89.10p	186,666	-	-	-	186,666
2022 DBP	17 June 2022	1 April 2021 to 31 March 2022	94.47p	-	159,555	-	-	159,555
				1,442,766	597,028	(393,093)	(150,393)	1,496,308
Andrew Dewhirst								
2019 LTIP	19 June 2019	1 April 2019 to 31 March 2022	95.23p	214,218	-	(116,041)	(98,177)	-
2020 LTIP	29 June 2020	1 April 2020 to 31 March 2023	70.73p	185,070	-	-	-	185,070
2021 LTIP	22 June 2021	1 April 2021 to 31 March 2024	89.10p	241,358	-	-	-	241,358
2022 LTIP	17 June 2022	1 April 2022 to 31 March 2025	94.47p	-	261,784	-	-	261,784
2020 DBP	29 June 2020	1 April 2019 to 31 March 2020	70.73p	154,312	-	(154,312)	-	-
2021 DBP	22 June 2021	1 April 2020 to 31 March 2021	89.10p	126,933	-	-	-	126,933
2022 DBP	17 June 2022	1 April 2021 to 31 March 2022	94.47p	-	108,498	-	-	108,498
				921,891	370,282	(270,353)	(98,177)	923,643

Awards under the Long-term Incentive Plan normally vest three years after the grant date and are subject to a further two-year holding period. Awards under the Deferred Bonus Plan normally vest two years after the grant date.

Comparator group

The Committee has agreed that the following companies will be used as a comparator group for the total shareholder return and total return metrics in determining variable remuneration for 2023/24 awards. A smaller group is used for the total return metric due to the different reporting periods of some companies.

Company	Total shareholder return	Total return
abrdn Property Income Trust Limited	✓	✓
AEW UK REIT plc	✓	✓
Balanced Commercial Property Trust Limited	✓	✓
CT Property Trust Limited	✓	✓
Custodian REIT plc	✓	✓
Ediston Property Investment Company PLC	✓	✓
NewRiver REIT PLC	✓	✓
Regional REIT Limited	✓	✓
Schroder Real Estate Investment Trust Limited	✓	✓
Supermarket Income REIT PLC	✓	✓
UK Commercial Property REIT Limited	✓	✓
Urban Logistics REIT plc	✓	✓
Warehouse REIT plc	✓	✓
Workspace Group PLC	✓	✓

The above group was also used for previous awards with the following amendments:

- Supermarket Income REIT and Warehouse REIT were added to the group for awards made from 2019 onwards;
- McKay Securities PLC was included in the group for awards made up to and including 2021;
- Hansteen Holdings plc and Mucklow (A.&J.) PLC were additionally included in the group for awards made up to and including 2019; and
- LondonMetric Property PLC and RDI REIT plc were additionally included in the group for awards made up to and including 2020.

Statement of Directors' shareholdings

Directors and employees are encouraged to maintain a shareholding in the Company's shares to provide alignment with investors.

The numbers of shares beneficially held by each Director (including connected persons) as at 31 March 2023, were as follows:

	Beneficial holding 2023	Beneficial holding 2022	Holding as a % of salary	Outstanding LTIP awards	Outstanding DBP awards
Michael Morris	740,717	537,673	155	1,150,087	346,221
Andrew Dewhirst	471,758	332,113	145	688,212	235,431
Lena Wilson	30,000	30,000			
Mark Batten	-	-			
Maria Bentley	74,436	74,436			
Richard Jones	53,845	53,845			

The percentage holding for the Executive Directors is based on base salaries as at 31 March 2023 and a share price of £0.693. The beneficial holdings of shares include any held by connected persons.

Executive Directors are required to maintain a shareholding of 200% of base salary and both Directors are currently in the process of building up to that level. The Executive Directors intend to retain at least 50% of any share awards (post-tax) until the guidelines are met.

There have been no changes in these shareholdings between the year-end and the date of this report.

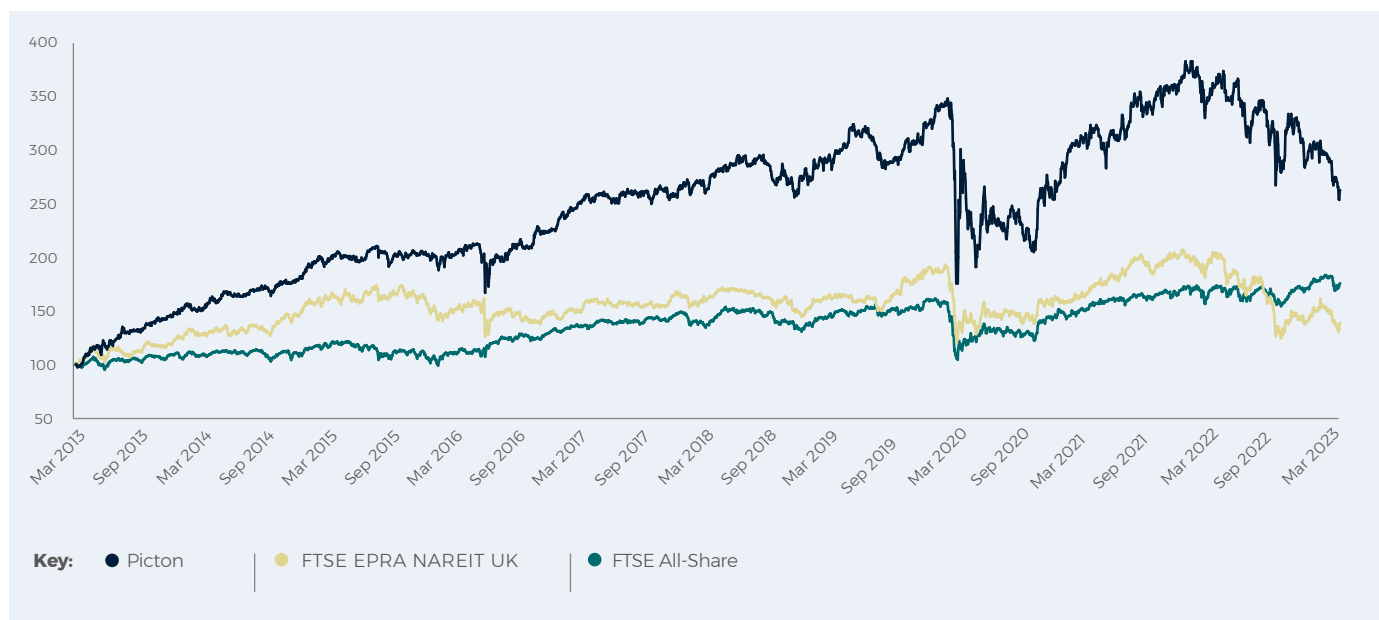
Payments to past Directors or payments for loss of office

There were no payments to past Directors or payments for loss of office to Directors during the year ended 31 March 2023.

Historical total shareholder return performance

The graph below shows the Company's total shareholder return (TSR) since 31 March 2013 as represented by share price growth with dividends reinvested, against the FTSE All-Share Index and the FTSE EPRA NAREIT UK Index. These indices have been chosen as they provide comparison against relevant sectoral and pan-sectoral benchmarks.

TSR chart



The table below shows the remuneration of the Chief Executive for the past five years, together with the annual bonus percentage and LTIP vesting level. The Company has only had a Chief Executive since 1 October 2018 and therefore the table below shows his remuneration for the past five years.

	Total remuneration (£000)	Annual bonus (% of maximum)	LTIP vesting (% of maximum award)
2023	822	59%	52%
2022	816	64%	54%
2021	836	76%	67%
2020	769	70%	67%
2019	920	79%	83%

Relative importance of spend on pay

The table below shows the expenditure and percentage change in staff costs compared to other key financial indicators.

	31 March 2023 £000	31 March 2022 £000	% change
Employee costs	3,487	3,415	2.1%
Dividends	19,091	18,425	3.6%
EPRA earnings	21,285	21,188	0.5%

Implementation of Remuneration Policy in 2023/24

Change from prior year

Executive Directors

Base salaries	Michael Morris (Chief Executive) – £380,219 Andrew Dewhirst (Finance Director) – £258,549	As outlined in the 2021 Remuneration Report base salaries for the Executive Directors are being transitioned over a three-year period – 2023/24 will be the final year of that transition. The average increase for the rest of the workforce is 9.4%.
Pension and benefits	15% salary supplement in lieu of pension plus standard other benefits	No change. All employees receive company pension contributions at the rate of 15% of base salary or 15% salary supplement in lieu of company contributions.
Annual bonus*	Maximum bonus of 145% of salary with 50% of any bonus deferred in shares for two years 60% of bonus to be determined by corporate financial metrics of relative total return and relative total property return (using the same performance target ranges as in 2022/23) with the remaining 40% determined by corporate and personal measures	As outlined in the 2021 Remuneration Report the maximum bonus potential for Executive Directors will decrease from 155% of salary to 145% of salary this year.
LTIP*	Award of shares worth: – Michael Morris (Chief Executive) 93.75% of salary – Andrew Dewhirst (Finance Director) 82.5% of salary Shares released after three-year performance and two-year holding period. Vesting of shares based equally on relative total shareholder return, relative total property return and growth in EPRA earnings per share measures. Target ranges for the relative measures are as set out on page 117. Targets for the EPS measure for the year ended 31 March 2026 are: Less than 4.20 pence per share – 0% Equal to 4.20 pence per share – 25% Greater than 4.55 pence per share – 100% A result between 4.20 pence and 4.55 pence will be calculated on a straight-line basis between 25% and 100%	Awards to the Executive Directors have been reduced by 25% this year to avoid the potential for windfall gains on vesting.

Non-Executive Directors

Fees	Chair – £122,000 Director – £47,000 Supplementary fee for Committee Chairs – £8,000	The fees payable from 1 April 2023 have increased by an average of 4.6%.
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* The Remuneration Committee has discretion to override the formulaic outcomes in both the annual bonus and LTIP.

The Committee also confirms that performance has been achieved within an acceptable risk profile before payouts are made. Incentive payouts are subject to malus and clawback provisions.

Remuneration Report/Continued

Percentage change in remuneration

The table below shows the percentage change in total remuneration for each of the Directors compared to the average remuneration of the employees of the Group.

	Change from 31/3/22 to 31/3/23			Change from 31/3/21 to 31/3/22			Change from 31/3/20 to 31/3/21		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Michael Morris	15.0%	16.0%	(0.1)%	15.0%	15.8%	(9.4)%	0.0%	0.6%	14.4%
Andrew Dewhirst	15.0%	16.4%	(0.1)%	15.0%	16.1%	(9.4)%	0.0%	0.8%	8.6%
Lena Wilson	0.0%	-	-	11.2%	-	-	n/a	n/a	n/a
Mark Batten	0.0%	-	-	10.5%	-	-	0.0%	-	-
Maria Bentley	0.0%	-	-	16.7%	-	-	0.0%	-	-
Richard Jones	0.0%	-	-	16.7%	-	-	n/a	n/a	n/a
Average of all other employees	8.8%	21.1%	(5.9)%	6.4%	15.0%	13.2%	4.6%	8.1%	15.4%

Statement of voting at the last Annual General Meeting

The following table sets out the voting for the Remuneration Report, which was approved by shareholders at the Annual General Meeting held on 1 September 2022, representing 62% of the issued share capital of the Company, and also for the Remuneration Policy, which was approved by shareholders at the Annual General Meeting held on 17 November 2021, representing 63% of the issued share capital of the Company.

	Remuneration Report		Remuneration Policy	
	Votes cast	%	Votes cast	%
For	336,412,718	97.0	333,280,593	96.5
Against	10,453,842	3.0	12,044,009	3.5
Votes cast	346,866,560	100.0	345,324,602	100.0
Withheld	3,089,785		304,835	

Maria Bentley

Chair of the Remuneration Committee
24 May 2023

Directors' Report

Directors' Report

The Directors of Picton Property Income Limited present the Annual Report and audited financial statements for the year ended 31 March 2023.

The Company is registered under the provisions of the Companies (Guernsey) Law, 2008.

Principal activity

The principal activity of the Group is commercial property investment in the United Kingdom.

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income.

The Company is a UK Real Estate Investment Trust (REIT) and must distribute to its shareholders at least 90% of the profits on its property rental business for each accounting period as a Property Income Distribution (PID).

As set out in Note 10 to the consolidated financial statements, the Company has paid four interim dividends in the year at 0.875 pence per share, making a total dividend for the year ended 31 March 2023 of 3.5 pence per share (2022: 3.375 pence). All four interim dividends were paid as PIDs.

Directors

The Directors of the Company who served throughout the year are:

- Lena Wilson
- Maria Bentley
- Mark Batten
- Andrew Dewhurst
- Richard Jones
- Michael Morris

The Directors' interests in the shares of the Company as at 31 March 2023 are set out in the Remuneration Report.

All of the Directors will offer themselves for re-election at the forthcoming Annual General Meeting.

2018 UK Corporate Governance Code Compliance Statement

The Board confirms that for the year ended 31 March 2023 the principles of good corporate governance contained in the 2018 UK Corporate Governance Code have been consistently applied.

The Company is fully compliant with the Code.

Listing

The Company is listed on the main market of the London Stock Exchange.

Share capital

The issued share capital of the Company as at 31 March 2023 was 547,605,596 (2022: 547,605,596) ordinary shares of no par value, including 2,388,694 ordinary shares which are held by the Trustee of the Company's Employee Benefit Trust (2022: 1,974,253 ordinary shares).

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue, subject to the renewal of this authority from shareholders at each Annual General Meeting. Any buy-back of ordinary shares is, and will be, made subject to Guernsey law, and the making and timing of any buy-backs are at the absolute discretion of the Board. No ordinary shares were purchased under this authority during the year.

At the 2022 Annual General Meeting shareholders gave the Directors authority to issue up to 54,760,558 shares (being 10% of the Company's issued share capital as at 4 August 2022) without having to first offer those shares to existing shareholders. No ordinary shares have been issued under this authority, which expires at this year's Annual General Meeting and resolutions will be proposed for its renewal.

Shares held in the Employee Benefit Trust

The Trustee of the Picton Property Income Limited Long-term Incentive Plan holds 2,388,694 ordinary shares in the Company in a trust to satisfy awards made under the Long-term Incentive Plan and the Deferred Bonus Plan. During the year the Trustee acquired 1,250,000 ordinary shares at an average price of 89.9 pence per share. The Trustee has waived its right to receive dividends on the shares it holds.

Statement of going concern

The Directors have focused on assessing whether the going concern basis remains appropriate for the preparation of the financial statements for the year ended 31 March 2023. In making their assessment the Directors have considered the principal and emerging risks relating to the Group, its loan covenants, access to funding and liquidity position. They have also considered a number of scenarios, in particular regarding the impact of different levels of rent collection across the portfolio and over varying timescales, and the potential consequences on financial performance, asset values, capital projects and loan covenants. Leasing and investment transactions have been assumed to be curtailed throughout the assessment period. Future lease events over the assessment period have been considered on a case-by-case basis to determine the range of most likely outcomes. More details regarding the Group's business activities, together with the factors affecting performance, investment activities and future development are set out in the Strategic Report.

Further information on the financial position of the Group, including its liquidity position, borrowing facilities and debt maturity profile, is set out in the Financial Review and in the consolidated financial statements.

Under all of these scenarios the Group has sufficient cash resources to continue its operations, and remain within its loan covenants, for a period of at least 12 months from the date of these financial statements.

Based on their assessment and knowledge of the portfolio and market, the Directors have therefore continued to adopt the going concern basis in preparing the financial statements.

Viability assessment and statement

The UK Corporate Governance Code requires the Board to make a 'viability statement' which considers the Company's current position and principal and emerging risks and uncertainties combined with an assessment of the future prospects for the Company, in order that the Board can state that the Company will be able to continue its operations over the period of their assessment.

The Board conducted this review over a five-year timescale, considered to be the most appropriate for long-term investment in commercial property. The assessment has been undertaken taking into account the principal and emerging risks and uncertainties faced by the Group which could impact its investment strategy, future performance, loan covenants and liquidity.

The major risks identified were those relating to high inflation, rising interest rates, other recessionary pressures and the lead up to a general election over the period of the assessment. In the ordinary course of business, the Board reviews a detailed financial model on a quarterly basis, including forecast market returns. This model allows for different assumptions regarding lease expiries, breaks and incentives. For the purposes of the viability assessment of the Group, the model covers a five-year period and is stress tested under various scenarios.

The Board considered a number of scenarios and their impact on the Group's property portfolio and financial position. These scenarios included different levels of rent collection, occupier defaults, void periods and incentives within the portfolio, and the consequential impact on property costs and loan covenants. All lease events and assumptions were reviewed over the period under the different scenarios, including their impact on revenue and cash flow. Forecast movements in capital values were included in these scenarios, including their potential impact on the Group's loan covenants. The Group's long-term loan facilities are contracted to be in place throughout the assessment period, while the Board has assumed that the Group will continue to have access to its short-term facilities which expire in 2025. The Board considered the impact of these scenarios on its ability to continue to pay dividends at different rates over the assessment period.

These matters were assessed over the period to 31 March 2028 and will continue to be assessed over rolling five-year periods.

The Directors consider that the stress testing performed was sufficiently robust and that even under extreme conditions the Company remains viable.

Based on their assessment, and in the context of the Group's business model and strategy, the Directors expect that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 March 2028.

Substantial shareholdings

Based on notifications received and on information provided by the Company's brokers, the Company understands the following shareholders held a beneficial interest of 3% or more of the Company's issued share capital as at 5 May 2023.

	% of issued share capital
Investec Wealth & Investment Limited	16.2
Thames River Capital LLP	10.8
BlackRock Inc.	5.6
The Vanguard Group Inc.	4.6
Evelyn Partners	3.9
RBC Brewin Dolphin Limited	3.3
Alder Investment Management Limited UK	3.0

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG Channel Islands Limited (the 'Auditor') has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its reappointment will be submitted at the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards, as issued by the IASB, and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal controls as they determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement in respect of the Annual Report and financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By Order of the Board

Andrew Dewhirst

24 May 2023