

# **Custodian REIT Plc (the “Company”)**

**Terms of Reference: Remuneration Committee**

**April 2018**

## **Introduction**

The Remuneration Committee (the “**Committee**”) is constituted as a committee of the Board of directors of the Company. The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.

The main purpose of the Committee is to function as a supporting body of the Board of directors of the Company regarding remuneration related matters of the Company.

## **1. Definitions**

In these terms of reference, the following words and expressions have the following meanings:

- 1.1 “**AIC Code**” means the Association of Investment Companies Corporate Governance Code;
- 1.2 “**Board**” means the Board of directors of the Company;
- 1.3 “**Code**” means the UK Corporate Governance Code published by the Financial Reporting Council;
- 1.4 “**Company**” mean Custodian REIT Plc;
- 1.5 “**Committee**” means the Remuneration Committee of the Company;
- 1.6 “**Director**” means a director of the Company;
- 1.7 “**Investment Manager**” means Custodian Capital Limited; and
- 1.8 “**Non-Executive Director**” means a non-executive director of the Company.

## **2. Membership**

- 2.1 The initial members of the Committee shall be Barry Gilbertson (Chair), Matthew Thorne and David Hunter.
- 2.2 The Committee shall comprise of at least two Directors. The majority of the members shall be independent Non-Executive Directors.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, others may be invited to attend meetings of the Committee on a regular basis (e.g. other directors, external advisers) and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4 Appointments to the Committee are made by the Board and shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 2.5 The Board shall appoint the Committee chair who should be an independent non-executive director. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be the Chairman of the Committee.

## **3. Secretary**

The company secretary of the Company or his nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## **4. Quorum**

The quorum necessary for the transaction of business shall be two members.

## **5. Frequency of meetings**

The Committee shall meet at least once a year and otherwise as required.

## **6. Notice of meetings**

6.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Committee chair.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **7. Minutes of meetings**

7.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

7.2 The secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Minutes of Committee meetings shall be circulated promptly, within ten working days, firstly to the Committee chair and then to all members of the Committee, other Non-Executive Directors, the Investment Manager and, once agreed, to all members of the Board at the next Board meeting.

## **8. Annual General Meeting**

The Committee chair should attend the annual general meeting of the Company to answer shareholder questions on the Committee's activities.

## **9. Duties**

The Committee shall:

9.1 have responsibility for setting the remuneration policy for all the directors, including any compensation payments. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the Non-Executive Directors within the limits set in the Articles of Association. No director shall be involved in any decisions as to their own remuneration;

9.2 in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and/or the AIC Code and any other associated guidance. The objective of such policy shall be to attract, retain and motivate directors of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long strategic term goals;

9.3 review the on-going appropriateness and relevance of the remuneration policy;

9.4 within the terms of the agreed policy, determine the total individual remuneration package of the directors;

9.5 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;

9.6 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

- 9.7 agree the policy for authorising claims for expenses from the directors; and
- 9.8 work and liaise as necessary with all other Board committees.

## **10. Reporting responsibilities**

- 10.1 The Committee chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce a report to be included in the Company's annual report about its activities.
- 10.4 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure that it is put to shareholders for approval at the annual general meeting every three years. If the Committee has appointed remuneration consultants, the annual report on the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 10.5 Through the Chairman of the Board, ensure that Company maintains contact, as required, with its principal shareholders about remuneration.

## **11. Other matters**

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
- 11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 11.3 give due consideration to laws and regulations, the provisions of the Code, the AIC Code, including recommendations regarding the remuneration of directors of listed companies, and the requirements of the Financial Conduct Authority, Prospectus and Disclosure, Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 11.4 oversee any investigation of activities which are within its terms of reference;
- 11.5 work and liaise as necessary with all other Board committees and in particular the Management Engagement Committee; and
- 11.6 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

## **12. Authority**

The Committee is authorised to:

- 12.1 seek any information it requires from the Investment Manager in order to perform its duties;
- 12.2 obtain, at the Company's expense, independent legal and professional advice on any matter it believes it necessary to do so within its terms of reference;
- 12.3 call on the Investment Manager to be questioned at a meeting of the Committee as and when required; and

12.4 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

**Date of adoption of terms by the Board**

**[ ] February 2018**

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**Chair**