



# Invista Real Estate Investment Management Holdings PLC

## SHAREHOLDER CIRCULAR ON EXECUTIVE REMUNERATION & SHARE PLANS

**This document is important and requires your immediate attention.**

If you are in any doubt as to the action you should take you should immediately seek advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Invista Real Estate Investment Management Holdings PLC, please forward this letter and the form of proxy enclosed as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

## LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

20 March 2008

To the holders of Ordinary Shares of £0.0001 each in the Company

Dear Shareholder,

### **Resolution 10 to adopt the Rules of the Invista Real Estate Investment Management Holdings PLC 2008 Annual Incentive Plan (the “AIP”)**

### **Resolution 11 to adopt the Rules of the Invista Real Estate Investment Management Holdings PLC 2008 Long-Term Incentive Plan (the “LTIP”)**

I am writing to explain the Company's proposed change to its executive remuneration policy including the introduction of two new incentive plans the AIP and LTIP. The Remuneration Committee, in conjunction with its retained independent remuneration advisers, Halliwell Consulting, have designed the arrangements described in this Circular. Details of the new policy, the AIP and LTIP are set out in Appendices 1, 2, and 3 to this letter.

The Remuneration Committee of the Company is fully supportive of best practice in the area of executive compensation. Whilst as an AIM Company there is no requirement to seek formal shareholder approval for the proposed AIP and LTIP, best practice is to seek shareholder approval on a change in policy and on the introduction of new arrangements in respect of the executive remuneration programme of the Company and this is the approach adopted by the Company.

The Remuneration Committee is proposing a new remuneration policy for the Company because:

- the Committee feels that it is appropriate and in the interests of shareholders to directly cap the total cost of the Company's Executive Directors and members of the Business Management Board (together the Executives) as a percentage of PBT (profit before tax). This approach ensures that there is no ratchetting up of overall compensation levels irrespective of performance and returns to shareholders;
- this alignment between the interests of shareholders and Executives is achieved by:
  - directly linking the value of the total compensation provided to Executives to levels of PBT generated by the Company for each financial year at 30% of PBT;
  - the new policy ensuring significant payments in shares for both annual performance and long-term performance deferred over time to ensure that Executive have a long-term interests in maximising total shareholder return;
  - ensuring that awards under the LTIP are only provided for generating competitive levels of consistent return on capital employed (ROCE) over the medium to long-term; and

- this approach to the remuneration of the Company's Executives by the Committee provides a balance between the interests of Executives and shareholders by:
  - introducing a mechanism which removes the risk of Executives being over remunerated at the expense of shareholder's interests which is a material risk where there is no overall cap on the cost of a company's executive team; and
  - ensuring that there is no acceleration of levels of remuneration where no additional value has been created for shareholders.

We would, therefore, request you to approve the AIP and LTIP at the Annual General Meeting of the Company (AGM) to be held on 23 April 2008. Copies of the rules of the AIP and LTIP will be available at the registered office of the Company, Exchequer Court, 33 St Mary Axe, London EC3A 8AA during usual office hours (Saturdays, Sundays and Bank Holidays excepted) from the date of despatch of this letter until the date of the AGM, and at the place of the AGM for at least fifteen minutes prior to and during the AGM.

Your Non-Executive Directors comprising the Remuneration Committee and the other Directors believe that the resolutions being proposed are in the best interests of the Company and its shareholders and therefore recommend that you vote in favour of the resolutions.

Yours faithfully,

[Robin Broadhurst](#)

Chairman of the Remuneration Committee

## APPENDIX 1

### EXECUTIVE COMPENSATION

The changes proposed by the Remuneration Committee are:-

#### Short-Term Compensation

Element of the Compensation Package	Current Policy	Proposed Policy
Total Cost of Executive Package	No cap on overall cost.	Cost of all elements of the package: <ul style="list-style-type: none"> <li>• salary;</li> <li>• pension;</li> <li>• benefits;</li> <li>• annual bonus; and</li> <li>• share incentives;</li> </ul> fixed at 30% of PBT for the relevant financial year.
Salary	Median to Upper Quartile	No change
Bonus	Upper Quartile	No change
Plan	Company Annual Bonus Plan	Invista Real Estate Investment Management Holdings PLC 2008 Annual Incentive Plan
Maximum (Percentage of Salary) p.a.	Chief Executive 250% Deputy Chief Executive 250% Finance Director 200% Members of Business Management Board ("BMB") 150%	No cap as a percentage of salary. Capped as part of the total compensation cost of 30% of PBT.
Method of Payment	Cash	Bonus will be provided as follows: <ul style="list-style-type: none"> <li>• 50% will be paid as a Cash Bonus; and</li> <li>• 50% will be paid in the form of Deferred Shares which cannot be exercised for three years.</li> </ul>
Performance Targets	Factors include:- <ul style="list-style-type: none"> <li>• investment performance;</li> <li>• achievement of profit targets; and</li> <li>• broader contribution to the success of the business.</li> </ul>	Annual bonus will be based on PBT.
Cessation of Employment	Bonus generally only payable if employed at the end of the bonus year.	<ol style="list-style-type: none"> <li>1. Bonus generally only payable if employed at the end of the bonus year.</li> <li>2. Deferred Shares will be forfeited if the participant is a bad leaver. In circumstances where the participant is a good leaver (i.e. death, injury, disability, redundancy and retirement) all Deferred Shares will be released.</li> </ol>
Change of Control	Not applicable.	<ol style="list-style-type: none"> <li>1. Not applicable to bonus in respect of the year in which the change of control occurs.</li> <li>2. Deferred Shares will be released on a change of control (these Deferred Shares have already been earned by the relevant Executive).</li> </ol>
Dilution	Not applicable.	10% of the issued share capital in a ten year rolling period under all share arrangements.

## Long-Term Compensation

Element of the Compensation Package	Current Policy	Proposed Policy																																																												
Share Incentives	Upper Quartile	No Change																																																												
Plan	Performance Share Plan ("Old PSP") Executive Directors Long-Term Incentive Plan ("Old LTIP") BMB Members	Invista Real Estate Investment Management Holdings PLC 2008 Long-Term Incentive Plan																																																												
Maximum Annual Grant	Chief Executive 250% Deputy Chief Executive 250% Finance Director 200% Members of BMB 150% (limit may be exceeded in exceptional circumstances)	Global Limit under all Elements of the LTIP is 400% of salary. Maximum Base Award is 200% of salary. Base Awards can only be made to Executive Directors of the Company. Maximum Enhanced Award is 200% of salary. Enhanced Awards can only be made to Executive Directors of the Company. Maximum Standard Award is 150% of salary. Participants who receive Base Awards and Enhanced Awards cannot receive a Standard Award which is designed for employees below the Executive Directors.																																																												
Performance Conditions	<p><b>Old PSP</b> – this Plan has earnings per share performance conditions with 20% of the award released for average EPS growth of RPI+7.5% and full release for EPS growth of RPI+ 17.5%.</p> <p><b>Old LTIP</b> – this Plan has no ongoing performance conditions with release based on continued employment until the third anniversary of the date of grant.</p>	<p><b>LTIP</b> Awards made under the LTIP will only be released if the following ROCE targets are achieved at the end of the three year holding period from the date of grant:</p> <table border="1"> <thead> <tr> <th colspan="2"></th> <th colspan="3">% of Salary subject to LTIP Award</th> </tr> <tr> <th colspan="2"></th> <th>400%</th> <th>300%</th> <th>200%</th> </tr> <tr> <th>Average ROCE p.a. over three year holding period</th> <th>% of Award released</th> <th>% of Salary released</th> <th>% of Salary released</th> <th>% of Salary released</th> </tr> </thead> <tbody> <tr> <td>7.5%</td> <td>20%</td> <td>80%</td> <td>60%</td> <td>40%</td> </tr> <tr> <td>8%</td> <td>30%</td> <td>120%</td> <td>90%</td> <td>60%</td> </tr> <tr> <td>9%</td> <td>40%</td> <td>160%</td> <td>120%</td> <td>80%</td> </tr> <tr> <td>10%</td> <td>50%</td> <td>200%</td> <td>150%</td> <td>100%</td> </tr> <tr> <td>11%</td> <td>60%</td> <td>240%</td> <td>180%</td> <td>120%</td> </tr> <tr> <td>12%</td> <td>70%</td> <td>280%</td> <td>210%</td> <td>140%</td> </tr> <tr> <td>13%</td> <td>80%</td> <td>320%</td> <td>240%</td> <td>160%</td> </tr> <tr> <td>14%</td> <td>90%</td> <td>360%</td> <td>270%</td> <td>180%</td> </tr> <tr> <td>15%</td> <td>100%</td> <td>400%</td> <td>300%</td> <td>200%</td> </tr> </tbody> </table> <p>*Straight line release between points.</p>			% of Salary subject to LTIP Award					400%	300%	200%	Average ROCE p.a. over three year holding period	% of Award released	% of Salary released	% of Salary released	% of Salary released	7.5%	20%	80%	60%	40%	8%	30%	120%	90%	60%	9%	40%	160%	120%	80%	10%	50%	200%	150%	100%	11%	60%	240%	180%	120%	12%	70%	280%	210%	140%	13%	80%	320%	240%	160%	14%	90%	360%	270%	180%	15%	100%	400%	300%	200%
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Dilution Limits	<b>Old PSP &amp; Old LTIP</b> 10% of the issued share capital in a ten year rolling period under all share arrangements.	No Change.																																																												
Cessation of Employment	<p><b>Old PSP</b> – Awards will lapse if the participant is a bad leaver. If the participant is a good leaver (cessation due to death, disability, retirement, redundancy, TUPE transfer) his award will be pro-rated to time (with the Remuneration Committee retaining a discretion whether to pro-rate) and vest subject to the satisfaction of the performance conditions.</p> <p><b>Old LTIP</b> – Awards will lapse if the participant is a bad leaver. Awards will be released if the participant is a good leaver (same definitions as apply for the Old PSP).</p>	<p>The award will lapse if the participant is a bad leaver. If the participant is a good leaver the number of shares released will be calculated as follows:</p> <ul style="list-style-type: none"> <li>the maximum number of shares capable of release will be calculated by pro-rating the number of shares subject to the award by the amount of the holding period completed on the date of cessation; and</li> <li>of this maximum number capable of release the actual number released will be based on the proportionate level of satisfaction of the performance conditions at this point or at the discretion of the Remuneration Committee measured at the end of the original holding period attached to the award.</li> </ul>																																																												

Element of the Compensation Package	Current Policy	Proposed Policy
Change of Control	<p><b>Old PSP</b> – In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all awards will vest in full, unless, the Remuneration Committee decides that the performance conditions should apply, in which case awards will be released to the extent that the performance conditions have (in the opinion of the Remuneration Committee) been satisfied at the relevant time or would have been satisfied had the performance period run its full course.</p> <p><b>Old LTIP</b> – In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all awards will vest in full.</p>	In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all awards will be released in full, unless, in exceptional circumstances, the Remuneration Committee decides that the performance conditions should apply, in which case awards will be released to the extent that the performance conditions have (in the opinion of the Remuneration Committee) been satisfied at the relevant time or would have been satisfied had the holding period run its full course.
Pension	Upper Quartile	No Change
Defined Contribution Plan	Chief Executive 20% of salary p.a. Deputy Chief Executive 16% p.a. Finance Director 16% p.a.	No Change

## WHY THE REMUNERATION COMMITTEE FEELS THE CHANGES ARE APPROPRIATE

The Remuneration Committee feels that the above changes to the remuneration policy of the Company are appropriate because:-

- the historic policy of a maximum bonus fixed on a percentage of salary with a similar limitation on awards under the Old PSP and Old LTIP restricted the Committee's ability to appropriately reward exceptional levels of performance with the associated issues for ongoing incentivisation and retention of key Executives;
- the old remuneration structure provided an imperfect alignment of the interests of shareholders and Executives as the structure:
  - did not incentivise the Executives to continue to maximise performance above the maximum caps on remuneration; or
  - cap the overall cost to shareholders of the Executives for a given level of profitability;
- the new policy encourages the Executives to focus on maximising profitability but not at the expense of the sustainability of attractive levels of ROCE over the medium to long-term;
- the significant deferred equity elements under the new policy ensure:
  - a strong retentive effect on the Executives;
  - value to the Executives of building up a substantial shareholding in the Company (providing for example greater participation in the LTIP); and
  - a long-term interest for the Executives in maximising total shareholder return.

## OVERVIEW OF THE PROPOSED REMUNERATION STRUCTURE

The following schematic and paragraphs summarise the main features of the proposed remuneration structure:



### FIXED ELEMENTS

The fixed elements of the Executive compensation package:

- salary;
- benefits in kind; and
- pension;

will continue to be fixed by the Remuneration Committee at the beginning of the financial year.

### ANNUAL INCENTIVE PLAN (“AIP”)

#### Size of the Bonus Pot

The size of the bonus pot will directly be linked to the Company’s PBT; the bonus pot will be based on 30% of PBT after the deduction of the following costs:

- cost of the fixed elements set out above; and
- the fair market value of the share awards under the LTIP.

### Allocation of the Bonus Pot

The Remuneration Committee has set the following entitlements to the bonus pot for the first three years of the operation of the AIP:

Name	Position	Percentage of Annual Bonus Pot under AIP
Duncan Owen	Chief Executive	25%
Philip Gadsden	Deputy Chief Executive	20%
Guy Eastaugh	Finance Director	10%
Members of the Business Management Board may be allocated up to an aggregate maximum of:		45%

The Remuneration Committee will review the allocation to the Executive Directors during the three year period if there is a change in the composition of the Board and/or material change in the nature of the roles of members of the Board. In addition, the Committee shall review the percentages for the Executive Directors if requested to do so by the Chief Executive at the beginning of the third year.

The Committee will review the allocation to members of the Business Management Board on an annual basis to ensure that as their value to the Company and experience increases, this is appropriately reflected in their allocation under the AIP.

The Remuneration Committee determined to fix the allocation under the AIP to the Executive Directors for three years because:

- it gave the Executive Directors certainty over the level of benefit they would receive for a given level of PBT performance ensuring that they were completely focused on delivering PBT and the associated long-term total shareholder returns;
- it ensures that bonuses provided to Executive Directors will directly correlate to the level of PBT generated; and
- there is clarity between the value provided to Executive Directors and benefit provided to shareholders.

## Payment of Bonus

Bonus earned in respect of a financial year will be paid as follows:

- 50% in cash; and
- 50% in deferred shares which will be released three years from the date of grant.

Part of the bonus is provided in deferred shares to:

- provide a powerful retention element for Executive Directors and members of the Business Management Board; and
- ensure that the Executives have a vested interest in ensuring that levels of profitability are sustainable and flow through to the Company's share price over the medium to long-term.

## SUMMARY OF THE PRINCIPAL TERMS OF THE NEW LTIP

### Executive Summary

The LTIP has three levels of participation:

- Base Award;
- Enhanced Award;
- Standard Award.

### Base Award

The Base Award has the following features:

(a) Participation is restricted to Executive Directors of the Company.

(b) The maximum annual grant is 200% of salary. The Remuneration Committee has determined to make the following levels of Base Award to the Executive Directors for the first three years of the LTIP's operation (excluding any grants made in respect of 2007 performance):

Name	Position	Annual Base Award as percentage of salary
Duncan Owen	Chief Executive	200%
Philip Gadsden	Deputy Chief Executive	200%
Guy Eastaugh	Finance Director	150%

The Remuneration Committee determined to fix this level of Base Award to ensure a minimum level of exposure for all Executive Directors to the long-term ROCE performance of the Company. In addition the Base Awards set out in the table above coupled with the deferred share element of the AIP provide the Company's Executive Directors with a significant interest in maximising shareholder returns through share price appreciation and dividend payments over the medium to long-term thereby aligning their interests with those of the Company's shareholders.

(c) Shares subject to Base Awards will be released to the participant on the third anniversary of their date of grant provided the following conditions are satisfied:

- continued employment of the participant over this period; and
- the satisfaction of the ROCE performance condition at the appropriate level:

		Percentage of salary subject to Base Award	
		200%	150%
Average ROCE p.a. over three year holding period	Percentage Award released	Percentage of salary released	Percentage of salary released
7.5%	20%	40%	30%
8%	30%	60%	45%
9%	40%	80%	60%
10%	50%	100%	75%
11%	60%	120%	90%
12%	70%	140%	105%
13%	80%	160%	120%
14%	90%	180%	135%
15%	100%	200%	150%

### Enhanced Award

The Enhanced Award has the following features:

(a) Participation is restricted to Executive Directors of the Company.

(b) The Remuneration Committee has determined for the first three years of the operation of the LTIP to offer the maximum Enhanced Award to the Executive Directors. The value of this Enhanced Award is known as the Flex Allowance which is equivalent to the percentages of salary set out in the following table:

Name	Position	Flex Allowance as percentage of salary
Duncan Owen	Chief Executive	200%
Philip Gadsden	Deputy Chief Executive	200%
Guy Eastaugh	Finance Director	150%

(c) The Executive Director can choose to use his Flex Allowance in one or more of the following ways:

- transfer some or all of his Flex Allowance to his individual bonus pot under the AIP. The maximum percentage of the Flex Allowance which can be transferred is subject to the level of PBT of the Company. The higher the level of PBT the lower the percentage of Flex Allowance which can be transferred to the AIP. This is because the purpose of the Flex Allowance is to ensure a minimum level of cash bonus and as PBT increases the level of transfer required from the LTIP to the AIP to generate this level of minimum cash bonus decreases (see below for a fuller explanation of why this feature is required):

PBT	Flex Allowance percentage allowable transfer to AIP	PBT	Flex Allowance percentage allowable transfer to AIP
£22m	100%	£28m	35%
£23m	85%	£29m	25%
£24m	75%	£30m	20%
£25m	65%	£31m	10%
£26m	55%	£32m	0%
£27m	45%		

Straight line between points.

- to exchange some or all of his Flex Allowance for an Enhanced Award over shares of the Company. If the Executive Director wishes to exchange some or all of his Flex allowance he is required to purchase or pledge shares from his own resources (known as executive shares). The following table sets out the level of purchase or pledge the Executive Director will be required to make to maximise the value of his Enhanced Award:

Face value of maximum Enhanced Award	Executive Shares (% of Salary)	
	Pledged shares (including deferred shares under the AIP)	Purchased shares
200%	100%	60%
150%	75%	45%
100%	50%	30%

(d) Shares subject to Enhanced Awards will be released to the participant on the third anniversary of their date of grant provided the following conditions are satisfied:

- continued employment of the participant over this period;
- retention of the associated executive shares over this period; and
- the satisfaction of the ROCE performance condition at the appropriate level:

		Percentage of salary subject to Enhanced Award	
		200%	150%
Average ROCE p.a. over three year holding period	Percentage Award released	Percentage of salary released	Percentage of salary released
7.5%	20%	40%	30%
8%	30%	60%	45%
9%	40%	80%	60%
10%	50%	100%	75%
11%	60%	120%	90%
12%	70%	140%	105%
13%	80%	160%	120%
14%	90%	180%	135%
15%	100%	200%	150%

(e) It should be noted that the participant can dispose of his executive shares at any point (unless subject to a restriction under another plan which would be the case for the shares pledged under the AIP); however, if the disposal occurs prior to the third anniversary of the date of grant of the associated Enhanced Award, the shares subject to this Enhanced Award will be forfeited at the relevant proportionate rate for every executive share disposed of by the participant.

### Standard Award

The Standard Award has the following features:

(a) Participation is restricted to the members of the Business Management Board of the Company and other senior executives, excluding the Executive Directors.

(b) The Remuneration Committee will determine the level of Standard Award made to members of the Business Management Board of the Company. The maximum Standard Award that can be made in any year is 150% of salary. The value of this Standard Award is known as the Flex Allowance.

(c) The Remuneration Committee may determine to transfer some or all of a participant's Flex Allowance to his individual bonus pot under the AIP. The maximum percentage of the Flex Allowance which can be transferred is subject to the level of PBT of the Company. The higher the level of PBT the lower the percentage of Flex Allowance which can be transferred to the AIP. This is because the purpose of the Flex Allowance is to ensure a minimum level of cash bonus and as PBT increases the level of transfer required from the LTIP to the AIP to generate this level of minimum cash bonus decreases (see below for a fuller explanation of why this feature is required):

PBT	Flex Allowance percentage allowable transfer to AIP	PBT	Flex Allowance percentage allowable transfer to AIP
£22m	100%	£28m	45%
£23m	100%	£29m	35%
£24m	90%	£30m	25%
£25m	80%	£31m	10%
£26m	65%	£32m	0%
£27m	55%		

Straight line between points.

(d) The Flex Allowance for members of the Business Management Board ranges between 75%-150% of salary.

(e) Shares subject to Standard Awards will be released to the participant on the third anniversary of their date of grant provided the following conditions are satisfied:

- continued employment of the participant over this period; and
- the satisfaction of the ROCE performance condition at the appropriate level:

		Percentage of salary subject to Enhanced Award	
		150%	100%
Average ROCE p.a. over three year holding period	Percentage Award released	Percentage of salary released	Percentage of salary released
7.5%	20%	30%	20%
8%	30%	45%	30%
9%	40%	60%	40%
10%	50%	75%	50%
11%	60%	90%	60%
12%	70%	105%	70%
13%	80%	120%	80%
14%	90%	135%	90%
15%	100%	150%	100%

## Flex Allowance

The Remuneration Committee introduced into the design of the new remuneration structure the concept of the Flex Allowance. The Flex Allowance is designed to give participants in the new remuneration structure a minimum level of cash bonus for a given level of PBT performance. The Committee believes that it is important that the new incentive structure provides:

- a level of cash bonus which is competitive compared to the Company's peers in order to retain key Executives;
- that the balance between the cash remuneration elements and the equity elements is kept in balance, particularly as salaries will provide only a small part of the overall remuneration package for an Executive; and
- that the balance between immediate cash value to an Executive and deferred value (provided through the equity components of the new remuneration structure) is maintained.

The Flex Allowance mechanism provides the Remuneration Committee with the required flexibility.

## WHY THE REMUNERATION COMMITTEE SELECTED THE PROPOSED PERFORMANCE CONDITIONS

### PBT

The performance condition for the AIP is Profit before Tax ("PBT"). The Remuneration Committee selected this performance condition because:

- PBT is a key financial performance indicator for the Company;
- maximising levels of sustainable PBT maximises dividends to shareholders and share price appreciation over time;
- Executives have direct influence over the satisfaction of a PBT performance condition and a line of sight throughout the Executive Directors and members of the Business Management Board; and
- the use of PBT as the driver of the value of the total Executive remuneration package ensures that all elements are self-financing.

### ROCE

The performance condition for awards under the LTIP is return on capital employed ("ROCE"). The Remuneration Committee selected this performance condition because:

- ROCE ensures that Executives are encouraged to focus on the long-term sustainability of earnings rather than solely on annual PBT rewarded through the AIP;
- ROCE helps to ensure that the growth in earnings is not at the expense of the quality of those earnings and thereby provides an underpin to the share price. ROCE measures the efficiency with which capital is employed by the Executives and therefore is much less vulnerable to peaks and troughs in revenue;
- ROCE reflects the cost of earnings generation. ROCE helps to ensure that any investments by

the Company are effectively incorporated and deliver the required level of return on the capital used to make them. This will provide reassurance that the Company's investment strategy will be value driven rather than earnings driven;

- ROCE encourages Executives to influence both earnings growth and the cost of generating those earnings. ROCE helps to ensure the most effective allocation of capital investment within the business;
- ROCE encourages the Executives to invest surplus cash in the business to generate returns or return it to shareholders;
- ROCE helps to ensure that awards are released for consistent performance rather than the point in the business cycle when the awards were granted (i.e. the achievement of an EPS growth condition in a cyclical business can be heavily influenced by when the condition is set in the cycle);
- ROCE allows shareholders to see that Executives are being incentivised to achieve a targeted minimum level of return on shareholder funds invested;
- the use of ROCE at the Group corporate level is consistent with the profile of a fund management business which is trying to maximise management and performance fees earned in respect of funds under management; and
- Executives have direct influence over the satisfaction of a ROCE performance condition and a line of sight throughout the Executive Directors and members of the Business Management Board.

**Method of ROCE Calculation** – the following formula is the basis for the Company's calculation of ROCE for each year for the purposes of the LTIP:

Net Profit (after Tax)

Net Assets (including both cash and debt) – calculated by averaging the opening, half year and closing balance.

The ROCE calculation will include all unrealised gains and losses including those that go through the Statement of Recognised Income and Expense.

Each annual ROCE is added together and divided by three to provide the average ROCE set out in the performance schedule above.

## Shareholding Guideline

The Remuneration Committee is keen to encourage Executives to build significant shareholdings in the Company in relation to their remuneration. The introduction of a shareholding guideline will encourage Executives to build up a minimum shareholding in the Company. The following table shows the minimum guideline shareholding as a percentage of salary which Executives will be encouraged to build up over a five year period:

Name	Position	Value of Shareholding over Five Years as a Percentage of Salary
Duncan Owen	Chief Executive	200%
Philip Gadsden	Deputy Chief Executive	200%
Guy Eastaugh	Finance Director	150%
Members of the Business Management Board		50%

Participants will be required to retain a proportion of the share awards released each year to build up the shareholding requirement over a five year period. For example, awards granted in 2008, 2009 and 2010 will be released in 2011, 2012 and 2013. A proportion of each released award shall be retained as shares so that by the end of 2013 participants should have met the minimum shareholding requirement. When considering whether the participant has met the shareholding guideline the Remuneration Committee will take into account all shares held by the Executive. Participants will only be required to meet the minimum shareholding guideline from shares provided through the Company share arrangements; if these do not provide sufficient shares the Executive will not be expected to purchase shares in the market.

## 2007

The Remuneration Committee felt that 2007 was an exceptional year for the Company and was a direct result of the commitment and hard work put in by the Executives of the Company. The inability of the Committee to reflect this performance in the remuneration provided to the Executive Directors was one of the driving factors behind the introduction of the new remuneration policy and associated plans the AIP and LTIP.

However, the Remuneration Committee was keen to balance the need to reward the Executive Directors for 2007 with shareholders interests. The Committee, therefore, determined that the following amendments to existing programmes and awards should be made to bridge the remuneration gap:

Plan	Conditions	Duncan Owen Grant Percentage of Salary	Philip Gadsden Grant Percentage of Salary	Guy Eastaugh Grant Percentage of Salary
Old PSP	No performance conditions on the 2008 grant under the PSP. Awards will be released on the third anniversary of the date of grant subject to continued employment over the period.	250%	250%	200%
Grant on Adoption of New 2008 LTIP	The Committee has determined to make an additional grant in 2008 under the new LTIP. In the normal course of events the first grant under the LTIP would be in 2009. For the avoidance of doubt this LTIP award cannot be "flexed" for the purposes of the split between the AIP and new LTIP.	300%	300%	n/a

These grants are additional to those which will be made in respect of 2008 as part of the new remuneration structure and are intended by the Remuneration Committee to provide additional remuneration value in respect of the exceptional performance delivered in 2007.

## GLOSSARY OF TERMS

Term	Meaning
“Close Period”	Any time when employees of the Company are prohibited from dealing in Shares by the Model Code (contained in the Listing Rules), a Company code or any other regulation which prohibits dealing in Shares
“Committee”	The Remuneration Committee of the Company
“Control”	The meaning of control set out in Section 840 of the Income and Corporation Taxes Act 1988
“LTIP Awards”	Base Awards Enhanced Awards Standard Awards
“Participant”	An Eligible Employee approved by the Committee and granted an award under the AIP or an LTIP Award
“Rules”	The rules of the AIP or LTIP setting out the terms and conditions relating to participation
“Shares”	Ordinary shares of the Company

## APPENDIX 2

### INVISTA REAL ESTATE INVESTMENT MANAGEMENT HOLDINGS PLC 2008 ANNUAL INCENTIVE PLAN (THE "AIP")

#### Operation

The Committee, the members of which are Non-Executive Directors, supervise the operation of the AIP in respect of the Executive Directors, members of the Business Management Board and senior employees of the Company.

#### Eligible Employees

Any employee of the Company selected by the Committee, typically the Executive Directors, Members of the Business Management Board and senior executives within the business.

Non-Executive Directors are not eligible to participate in the Plan.

#### Grant of Awards

Awards will normally be granted to each Participant within a 42 day period following the date of publication of the interim or annual results of the Company. No Share based Awards will be granted during a Close Period. Awards will either be:

- immediate payments in cash; and/or
- Deferred Share Awards in the form of conditional grants of Shares or nil cost options. Awards may also be granted by the trustees of an employee benefit trust.

#### Conditions Attaching to Awards

Awards in the form of cash will be paid as soon as reasonably practicable following their declaration by the Committee.

Deferred Share Awards are subject to a holding period of no less than three years from the date of grant. For Deferred Share Awards to be granted in respect of Financial Year 2008 the holding period has been set at three years.

#### Limits

The Company may issue up to 10% of its Shares within a ten year period to satisfy Awards to Participants in the AIP and any other share plan operated by the Company under which Shares are issued. The Committee will be monitoring the issue of Shares during the ten year period. It should be noted that where the Company uses Treasury Shares to satisfy its obligations under Share arrangements they shall be added to the number of Shares issued for the purposes of these limits.

#### Release of Deferred Share Awards

Deferred Share Awards will normally be released at the end of the applicable holding period, subject to the satisfaction of any other conditions, determined at the date of grant of the relevant Deferred Share Award.

The release of Awards is conditional upon the Participant paying any taxes due as a result of such a release. It is the current intention that the Company will pay employers' National Insurance contributions.

### Allotment and Transfer of Shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the Shares are acquired but will otherwise rank *pari passu* with existing Shares. Application will be made for the admission of the new Shares to be issued to the Official List of, and to trading on, the London Stock Exchange PLC's markets for listed securities following the release of a Deferred Share Award.

### Cessation of Employment

If a Participant leaves employment prior to the expiry of the holding period then the Deferred Share Award will normally lapse. If a Participant's cessation of employment is the result of specified events, for example injury, disability, ill health, retirement redundancy or death, the Deferred Share Award will be released.

### Change of Control

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all Deferred Share Awards will be released in full.

In certain circumstances, Deferred Share Awards may be exchanged for awards over shares in the acquiring company.

It should be noted that Deferred Share Awards will only be released on a reconstruction or amalgamation of the Company in circumstances where the reconstruction or amalgamation amounts to a proper change in Control of the Company i.e. new ownership of the Company. In the event of a merger or demerger of the Company, the Committee may determine that all Deferred Share Awards may be released provided that the merger or demerger must amount to a proper change in Control of the Company. Alternatively, the number of Shares comprised in an Deferred Share Award may be adjusted, as the Committee in its discretion shall determine and the advisers of the Company confirm to be fair and reasonable.

### Adjustment of Awards

On a variation of the capital of the Company, the number of Shares subject to a Deferred Share Award may be adjusted in such manner as the Committee determines and the advisers of the Company confirm to be fair and reasonable.

### Duration

The Committee may not grant awards under the AIP more than five years after its approval.

### Amendments

Amendments to the Rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of Shares that may be issued

cannot be altered to the advantage of Participants without prior shareholder approval, except for minor amendments to benefit the administration of the AIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the Group.

The Committee may add to, vary or amend the Rules of the AIP by way of a separate schedule in order that the AIP may operate to take account of local legislative and regulatory treatment for Participants or the relevant Group Company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the AIP as summarised above.

### General

Shares acquired, Awards and any other rights granted pursuant to the AIP are non-pensionable.

### Non-Transferability of Awards

Awards are not transferable except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant.

## APPENDIX 3

### INVISTA REAL ESTATE INVESTMENT MANAGEMENT HOLDINGS PLC 2008 LONG-TERM INCENTIVE PLAN (THE "LTIP")

#### Operation

The Committee, the members of which are Non-Executive Directors, supervise the operation of the LTIP in respect of the Executive Directors, members of the Business Management Board and senior employees of the Company.

#### Eligible Employees

Any employee of the Company selected by the Committee, typically the Executive Directors, Members of the Business Management Board and senior executives within the business. Non-Executive Directors are not eligible to participate in the Plan.

#### Grant of Awards

LTIP Awards will normally be granted to each Participant within a 42 day period following the date of publication of the interim or annual results of the Company. No Awards will be granted during a Close Period. LTIP Awards will either be conditional grants of Shares or nil cost options. LTIP Awards may also be granted by the trustees of an employee benefit trust (see below).

#### Types of LTIP Awards

There are three types of LTIP Awards under the Plan:

- **Base Award** – Base Awards can only be granted to Eligible Employees who are Executive Directors of the Company.
- **Enhanced Award** – Enhanced Awards can only be granted to Eligible Employees who are Executive Directors of the Company and can only be operated in conjunction with a Base Award. In order to receive an Enhanced Award the Executive Director has to pledge or purchase Shares (known as "Executive Shares"). See Appendix 1 for detailed summary of operation; and
- **Standard Award** – Standard Awards can be granted to any Eligible Employee excluding the Executive Directors

#### Conditions Attaching to LTIP Awards

LTIP Awards are subject to a holding period of no less than three years from the date of grant. For LTIP Awards to be granted in respect of Financial Year 2008 the holding period has been set at three years. The release of LTIP Awards will be subject to the satisfaction of performance conditions. In addition, for Enhanced Awards to be released the Participant must retain the associated Executive Shares throughout the holding period. The current performance conditions are set out in full in Appendix 1.

## Limits

The maximum market value of Shares subject to an LTIP Award at the relevant date of grant shall not exceed in aggregate 400% of the Participant's salary in any calendar year. This limit is subject to the following sub-limits:

- **Base Award** – the maximum market value of Shares subject to a Base Award is 200% of the Participant's salary in any calendar year;
- **Enhanced Award** – the maximum market value of Shares subject to an Enhanced Award is 200% of the Participant's salary in any calendar year; and
- **Standard Award** – the maximum market value of Shares subject to a Standard Award is 150% of the Participant's salary in any calendar year.

The Company may issue up to 10% of its Shares within a ten year period to satisfy awards to Participants in the LTIP and any other share plan operated by the Company under which Shares are issued. The Committee will be monitoring the issue of Shares during the ten year period. It should be noted that where the Company uses Treasury Shares to satisfy its obligations under Share arrangements they shall be added to the number of Shares issued for the purposes of these limits.

## Release of LTIP Awards

LTIP Awards will normally be released at the end of the applicable holding period, subject to the satisfaction of the performance conditions, and any other conditions, determined at the date of grant of the relevant LTIP Award. In the case of Enhanced Awards the Participant shall be required to retain his Executive Shares throughout the holding period if his associated Enhanced Award is to be capable of release.

The release of LTIP Awards is conditional upon the Participant paying any taxes due as a result of such a release. It is the current intention that the Company will pay employers' National Insurance contributions.

If the performance conditions are not satisfied or partially satisfied at the end of the holding period, the LTIP Award or the balance of the LTIP Award (as appropriate) not released shall lapse. There will be no re-testing of the performance conditions.

## Allotment and Transfer of Shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the Shares are acquired but will otherwise rank *pari passu* with existing Shares. Application will be made for the admission of the new Shares to be issued to the Official List of, and to trading on, the London Stock Exchange PLC's markets for listed securities following the release of an LTIP Award.

## Cessation of Employment

If a Participant leaves employment prior to the expiry of the holding period then the LTIP Award will normally lapse. If a Participant's cessation of employment is the result of specified events, for example injury, disability, ill health, retirement redundancy or death, the Committee may determine that part or all of that Participant's LTIP Awards may be released to the Participant.

In applying this discretion the Committee shall pro-rate the number of Shares subject to the LTIP Award which shall be released dependent upon the proportion of the relevant holding period completed on the date of cessation. Further, LTIP Awards shall only be released if the attached performance conditions are proportionately satisfied on the date of cessation or at the discretion of the Committee measured over the original holding period attached to the LTIP Award.

### Change of Control

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all LTIP Awards will be released in full, unless, in exceptional circumstances, the Committee decides that the performance conditions should apply, in which case LTIP Awards will be released to the extent that the performance conditions have (in the opinion of the Remuneration Committee) been satisfied at the relevant time or would have been satisfied had the holding period run its full course.

In certain circumstances, LTIP Awards may be exchanged for awards over shares in the acquiring company.

It should be noted that LTIP Awards will only be released on a reconstruction or amalgamation of the Company in circumstances where the reconstruction or amalgamation amounts to a proper change in Control of the Company i.e. new ownership of the Company. In the event of a merger or demerger of the Company, the Committee may determine that all LTIP Awards may be released provided that the above change of control provisions are applied. Further, for these provisions to apply, the merger or demerger must amount to a proper change in Control of the Company. Alternatively, the number of Shares comprised in an LTIP Award may be adjusted, as the Committee in its discretion shall determine and the advisers of the Company confirm to be fair and reasonable.

### Adjustment of Awards

On a variation of the capital of the Company, the number of Shares subject to an LTIP Award may be adjusted in such manner as the Committee determines and the advisers of the Company confirm to be fair and reasonable.

### Duration

The Committee may not grant Awards under the LTIP more than five years after its approval.

### Amendments

Amendments to the Rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of Shares that may be issued cannot be altered to the advantage of Participants without prior shareholder approval, except for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the Group.

The Committee may add to, vary or amend the Rules of the LTIP by way of a separate schedule in order that the LTIP may operate to take account of local legislative and regulatory treatment for Participants or the relevant Group Company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the LTIP as summarised above.

## General

Shares acquired, awards and any other rights granted pursuant to the LTIP are non-pensionable.

## Non-Transferability of LTIP Awards

LTIP Awards are not transferable except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant.

## Employee Benefit Trust

The Company intends to establish a discretionary employee benefit trust to be used in conjunction with the AIP and LTIP (the "Employee Trust"). The Employee Trust will be established as an employees' share scheme within the meaning of s.743 of the Companies Act 1985 and will have full discretion with regard to the application of the trust fund (subject to recommendations from a committee of the Board). The Company will be able to fund the Employee Trust to acquire Shares in the market and/or to subscribe for Shares at nominal value in order to satisfy Awards granted under the AIP or LTIP from time to time. Any Shares issued to the Employee Trust in order to satisfy AIP or LTIP awards will be treated as counting towards the dilution limits that apply to the AIP and LTIP (see above). For the avoidance of doubt, any Shares acquired by the Employee Trust in the market will not count towards these limits. In addition, unless prior shareholders' approval is obtained, the Employee Trust will not hold more than 5% of the issued Share capital of the Company at any one time (other than for the purposes of satisfying AIP and LTIP awards that it has granted).

The Employee Trust may also be used as a nominee to facilitate the holding of Executive Shares purchased or pledged pursuant to an Enhanced Award under the LTIP. Any Executive Shares held by the Employee Trust in its capacity as nominee will not count towards the dilution limits that apply to the LTIP (see above).

### Note:

Appendices 2 and 3 summarise the main features of the AIP and LTIP respectively but do not form part of these Plans and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules of the AIP and LTIP. Copies of the Rules of the AIP and LTIP will be available for inspection at the registered office of the Company, Exchequer Court 33 St Mary Axe, London EC3A 8AA during usual office hours (Saturdays, Sundays and bank holidays excepted) from the date of despatch of the Chairman's Letter up to and including the date of the AGM and at the meeting itself. The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the Rules as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summaries set out in Appendix 2 and Appendix 3.





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