



**RAVEN RUSSIA LIMITED**

**Remuneration Policy – Approved by shareholders at the  
Company's Annual General Meeting held on 20 May 2014**

# DIRECTORS' REMUNERATION REPORT

## Remuneration Policy and Strategy

The Group's remuneration policy supports the corporate strategy of building an investment portfolio which allows cash covered progressive distributions to be made to our shareholders. As with any remuneration policy we must be able to attract, retain and incentivise high calibre executives and senior staff whilst aligning their interests with those of shareholders and other stakeholders in the business. We strive to keep the remuneration structure as simple and transparent as possible in meeting these objectives.

The policy:

- is weighted towards long term share ownership;
- does not include any cash bonus element for Executive Directors or senior management;
- is based on clear performance targets which underpin progressive distributions over three years; and
- ensures that the distributions become an important element of the Executives' and senior management annual income as shareholders in the business.

The following table summarises the elements of the remuneration package of the Executive Directors for 2015:

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	Purpose and link to strategy	Operation	Opportunity		Performance metrics	Discretion applied	Changes in year
<b>Base Salary</b>	To retain, attract and motivate the right people for our business.	Salaries are reviewed annually and fixed for the calendar year reflecting: the experience and responsibilities of each individual; market comparators for listed companies; and percentage increases in base salary for the Group as a whole.	Except for an increase in base salary for Colin Smith in 2012, Executive Directors' base salary increases have been held to a maximum of UK RPI since 2009.		None	None	None
<b>Benefits</b>	To promote the well-being of Executives	Benefits are limited to life insurance, health insurance, private healthcare and reimbursing of all professional and business subscriptions and membership fees including gym membership fees.	None		None	None	None
<b>Pension</b>	To reward continuing service	A contribution is made to personal pension arrangements or direct to personal pension plans. Benefits and pension contributions are held at the lower end of listed company comparators.	Contributions of 10% of base salary are made each year.		None	None	None
<b>Combined Bonus and Long Term Incentive Scheme for 2015-2017 ("New CBLTIS")</b>	A simple and transparent scheme with targets linked directly to the Company's strategy of progressive distributions.  Encourages long term share ownership for key individuals.	No cash bonuses will be paid with reference to performance in the three years to 31 December 2017.  One award, in ordinary shares, is granted at the commencement of the scheme. Up to 75% then vest annually over the three years (25% each year) subject to the achievement of an operating cash inflow target and 25% vest at the end of the three year period subject to the achievement of a share price target.  Awards under the scheme must be held for at least three years following each vesting date, other than the sale of shares to meet related personal tax obligations or participation in tender offer buy backs.  However the Committee expects that Executives will hold the majority of shares awarded for the long term.  Financial misstatement which resulted in the overstatement of vesting plans in prior years will result in the claw back of awards.	The equivalent of 35million ordinary shares is held for the maximum awards over the three years of the scheme for up to 30 employees. Including these shares, 8.2% of the Company's capital instruments will have been used in incentive schemes and 4.3% will have been allocated to Executive Directors on a 10 year rolling average.  The maximum allocation vesting annually in any year for Executives in the equivalent of ordinary shares is:  A Bilton 1,125,000 G Hirsch 1,125,000 M Sinclair 1,000,000 C Smith 1,000,000  At the ordinary share price on the day of grant this represents a maximum of percentage of basic salary of:  A Bilton 153% G Hirsch 153% M Sinclair 219% C Smith 246%  The maximum allocation on the amount deferred until the end of the three year period for Executives in the equivalent of ordinary shares is:  A Bilton 1,125,000 G Hirsch 1,125,000 M Sinclair 1,000,000 C Smith 1,000,000  At the ordinary share price at the date of grant this also represents a maximum of percentage of basic salary of:  A Bilton 153% G Hirsch 153% M Sinclair 219% C Smith 246%  Assuming that the deferred element is spread over the three year performance period this means the maximum awards represent between 204% and 328% of current basic salary for Executives.  The grant price is the market value of shares on the date the CBLTIS was approved at the AGM.		Annual awards are based on progressive numerical targets for operating cash inflow after interest and working capital movements.  This equates to the Group's ability to pay a progressive, cash covered distribution.  Operating cash inflow after interest is defined as "Net cash generated from operating activities plus interest received less borrowing costs paid less dividends on preference shares", all as defined in the audited cash flow statement of the Group. This calculation is adjusted for cash working capital movements relating to rents received in advance and tenant deposits so that it better approximates to operating cash generated from that year's operations. These amounts are taken from the notes to the audited accounts.  Borrowing costs are adjusted for any element capitalised as part of construction programmes.  The operating cash inflow after interest targets and percentage vesting for each year are the following:  For 2015: 25% \$60m 100% \$85m  For 2016: 25% \$60m 100% \$95m  For 2017: 25% \$60m 100% \$110m  No awards vest below the 25% level and awards vest on a straight line basis between the upper and lower targets.  The 25% deferred element will vest on 31 December 2017 if the share price trades at £1 or above for any consecutive 30 day period over the three years to 31 December 2017.	The Remuneration Committee has no discretion over awards granted.  Should the achievement of performance targets during the performance period not reflect shareholder experience, the Committee has discretion to reduce or extinguish the quantum of awards vesting.  If a participant has contributed to serious reputational damage to the Company or any act has resulted in serious misconduct, fraud or financial misstatement, the Committee again has discretion to reduce or extinguish the quantum of awards vesting.	None since 2014 AGM

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## **Clawback**

Financial misstatement which resulted in overstatement of vesting of plans in previous years would result in clawback.

## **Performance Measures**

The CBLTIS performance measure of operating cash inflow was chosen as the best approximation of cash available for distribution to shareholders.

The target which, if achieved, would entail the lowest level of vesting was set at \$60 million of operating cash flow after interest which equates to the same US Dollar value of distributions made to ordinary shareholders in 2013. Thus the minimum target maintains the 2013 cash generation against a backdrop of low oil prices, weak Rouble, international sanctions and falling market rents.

The target which, if achieved, would pay out the maximum amount, has been set on the assumption that the political situation is resolved peaceably and the market environment allows for organic growth and earnings accretive acquisitions. It also assumes lease maturities are renewed at appropriate market rental levels.

## **General Remuneration Policy**

The main difference between the remuneration policy for Directors and the remuneration policy for employees is the payment of cash bonuses. Directors do not receive cash bonuses while general employees do. Depending on their role, some senior management receive share based incentives only and some have a mix of share and cash bonus incentives. Other employees receive basic salary and cash bonuses. Basic salary increases for all employees including Directors, are linked to inflation. The Remuneration Committee does not consult with employees when setting Directors' Remuneration.



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