

# REMUNERATION REPORT

## REPORT ON EMPLOYMENT AND REMUNERATION MATTERS SPECIFICALLY RELATING TO EXECUTIVE DIRECTORS AND SENIOR STAFF

Consistent with the delegation of management responsibility to regional management teams, each Operating Company has its own remuneration committee with appropriate responsibility for remuneration matters within its Operating Company.

**THE GROUP'S EMPLOYMENT POLICIES** recognise the value of staff to its long term success. The promotion of loyalty is important for Grosvenor and good relationships between employer and employee are nurtured. Grosvenor is an equal opportunities employer and staff are kept informed on matters affecting them and on the financial and economic factors affecting the Group's performance. We are committed to improving performance through regular review and continuous learning. Programmes are in place to train and develop suitable individuals for future senior or Directors' roles.

**THE REMUNERATION COMMITTEE** comprises three Non-Executive Directors. It meets at least twice a year. The Group Chief Executive and Group Human Resources Director are in attendance unless their own remuneration is being discussed. The committee is responsible for overseeing remuneration and employment policies across the whole Group and also for administering directly the remuneration and contracts of Directors and staff in the Holding Company, Australia Asia Pacific and Grosvenor Fund Management. They consult with independent professional advisers as necessary.

**THE GROUP'S REMUNERATION POLICIES** recognise the importance of attracting, retaining and motivating executives of the appropriate calibre and experience to enhance the performance and reputation of the Group. The size, complexity and international perspective, as well as the long term nature of the business, are all important factors. The policy is to provide competitive potential levels of compensation, benefits and incentive opportunities within appropriate local markets. Compensation includes variable elements to reward superior Company, team and individual performance, in line with market practice.

**THE REMUNERATION** of Executive Directors and senior staff includes a blend of short and long term rewards and has been designed to address the interests of both employees and shareholders. The elements are:

- **BASIC SALARY AND BENEFITS** are competitive within the property industry in the locations in which the Group operates. Salaries are reviewed annually, or on promotion. Taxable benefits are provided at levels similar to those for comparable positions and include, as appropriate, health insurance and car allowance.
- **BONUS AND INCENTIVE SCHEMES** operate for Executive Directors and senior staff and are designed to link rewards to both individual and Company performance. Awards relating to Company performance are determined by the achievement of total return compared with the relevant weighted average cost of capital and, in the case of Grosvenor Fund Management, performance against other business improvement targets. The incentive arrangements are designed to reward outstanding performance and are linked to the achievement of performance targets at both team and individual levels. A proportion of incentive awards each year are long term and vest over periods of up to five years. The Remuneration Committee has discretion to award individual bonuses in recognition of special performance.
- **PENSIONS AND LIFE ASSURANCE** for Executive Directors and senior staff in the UK are provided through membership of the Grosvenor Pension Plan (GPP) and, if applicable, supplementary pension arrangements. GPP is non-contributory and provides, for those who were members before 2004, a maximum pension of up to two-thirds of pensionable salary on retirement. The cost of the Group's contribution to GPP in respect of each Director is based on the senior executive member current average contribution rate of 29.1% of pensionable salary per year. The GPP also provides for dependants' pensions of two-thirds of the member's pension and an insured lump sum payment of four times basic salary in the event of death in service. For all staff who joined the Group after 1 January 2004 GPP provides a defined benefit pension up to an upper earnings limit, and above this limit the Group will contribute between 25% and 30% of salary into employees' accounts with the Grosvenor Estate Money Purchase Scheme.

Outside the UK pensions are provided from a number of schemes, including separate defined benefit schemes in Australia, Canada and the USA. Further details of the Group's pension schemes are given in note 10 of the Accounts.

# REMUNERATION REPORT

**A SCHEDULE OF DIRECTORS' REMUNERATION**, including all amounts required to be disclosed by the Directors' Remuneration Report Regulations 2002, is approved by the shareholders and details of Directors' remuneration in accordance with the Companies Act 1985 are set out in note 11 to the financial statements.

**THE NOTICE PERIOD** for the termination of the employment of an Executive Director is six months.

**NON-EXECUTIVE DIRECTORS** representing the shareholders receive no fee from the Company. The fees for other Non-Executive Directors are reviewed every two years by the Chairman. Non-Executive Directors do not have service contracts and do not participate in bonus arrangements.

**TRANSACTIONS BETWEEN THE GROUP AND GROSVENOR TRUSTS** are disclosed in note 40 to the financial statements. Certain Company Directors are Trustees of Grosvenor Trusts and are also Directors of other companies with which the Group may from time to time enter into transactions on normal commercial terms. In the opinion of the Board, none of these relationships are such as to impair the independence of the Non-Executive Directors.

## **Robin Broadhurst**

Chairman of the Remuneration Committee

15 March 2007