# Governance

"We have maintained our commitment to the highest standards of governance, with a focus during the year on refreshing composition of the Board and its Committees in line with our succession plans"

## Dear shareholder

I am pleased to introduce intu's corporate governance report for 2015.

A revised version of the UK Corporate Governance Code ('the Code') was issued in September 2014 and is applicable to the Company for the first time for the year ended 31 December 2015.

The Board has reviewed its revised obligations under the 2014 version of the Code and determined that it remains fully compliant with all Code provisions. This reflects the Board's robust approach to good governance, with a continuing emphasis on matching or exceeding the best practice expectations of a major quoted company.

### Key strategic matters discussed in 2015

**Optimise asset performance**
- review and approval of the Group's strategic plan
- review and approval of centre-focused refinancings
- Board visit to intu Merry Hill

**UK development momentum**
- management and oversight of the Group's capital investment programme
- Board visit to intu Bromley
- regular Capital Projects Committee meetings

**Make the brand count**
- supporting development of the Group's digital strategy and operations
- focus on Group net promoter score performance

**Seize the growth opportunity in Spain**
- the Group's Spanish strategy
- the strengthening of the Group's partnership with CPPIB, announced in June, to include our Puerto Venecia shopping resort in Spain
- extended Board visit to review our Spanish operations during the year

### Other key matters discussed
- appointment and induction of two new Non-Executive Directors in accordance with the Board's succession planning
- formal commencement of succession planning for the Chairman's scheduled 2017 retirement
- Committee governance, as a result of new appointments and the extension of the Senior Independent Director's term
- continuing focus on risk modelling and analysis, including cybersecurity risk
- the new viability statement

### Areas of focus in 2016
- continuation of progressive refreshing of the Board, in line with agreed succession planning
- progression of Nomination and Review Committee processes for the new Chairman appointment
- monitoring and progression of corporate objectives for 2016
- rigorous maintenance of a strong controls environment around UK and Spanish development pipeline
- continuing oversight of strategic and operational delivery

## 2015 governance highlights

### Composition and succession planning

During the year I led our annual review of the Board's composition and succession plans. The review took into account the fact that experienced and valued Board members were approaching the maximum tenure permitted for independent non-executive directors under the Code.

As a direct consequence, the Board decided to strengthen its composition and in September welcomed two new Non-Executive Directors, Rakhi (Parekh) Goss-Custard and John Strachan, with expertise in digital and global real estate matters respectively.

The processes which led to Rakhi and John's selection and appointment were co-ordinated by the Nomination and Review Committee, in line with relevant Board policies, and with appropriate input from an independent executive search adviser Korn Ferry. Further information can be found in the Nomination and Review Committee report on page 76.

In the light of Neil Sachdev not seeking re-election at the 2016 annual general meeting, we have made changes in the composition of our Committees. During the year the Board also extended the term of the Senior Independent Director, Andrew Huntley, for one year.

The Board has previously outlined its support for the recommendations of The Davies Review, and I am therefore particularly pleased to confirm that, as a result of the recent appointments to the Board, intu met the target for 25 per cent female representation before the end of 2015. We outline our approach to diversity further in the main report on pages 67 and 76.

### Board communication

Having identified enthusiasm for additional informal update meetings by conference call, as an important area for improvement last year, we improved and streamlined the quality and focus of Board materials both formally and informally, further integrated electronic papers and have encouraged more informal interaction between Board members. We took advantage of this during centre visits, at the away day in October, on Board update calls and at the Chairman's twice-yearly working dinners.

The Board visited intu Bromley in April and the annual strategy away day was held at intu Merry Hill, our super-regional centre in the West Midlands.

In June the Board travelled as a group to intu Asturias and Puerto Venecia in Spain to carry out an assessment of the newly acquired centres, receive presentations from local advisers regarding local market dynamics and prospects and gain closer familiarity with the Spanish market.

### Risk

The effective assessment and management of risk is key to the delivery of the Group's strategy. The setting of the Group's risk appetite by the Board provides the framework within which the Group's risk management process operates.

Risk management is embedded throughout the business with all employees aware of the role they play in this. The Board has overall responsibility for risk management and the Audit Committee monitors and reviews the effectiveness of the risk management process. The Group's risk management process is set out in more detail on pages 70 and 71, and the Group's principal risks are discussed on pages 37 to 39.

Given the high profile of cybersecurity risks, Trevor Pereira, Group Digital and Commercial Director, attends all Board meetings to advise on digital and cyber matters.

The Group has presented a viability statement for the first time this year in line with the provisions of the Code. While the requirement to include the statement is new, the key inputs to this assessment are those which the Group produces as a matter of course and would consider to be best practice. These include the Group's strategic plan, analysis of sensitivity to risks, operating metrics such as the weighted average life of debt and features of the industry in which we operate.

The Audit Committee assessed the Group's viability position alongside its review of going concern and reported its recommendations to the Board. The viability statement is presented on page 71.

**Patrick Burgess**
**Chairman**
26 February 2016

"The Group has presented a viability statement for the first time this year in line with the provisions of the Code. While the requirement to include this statement is new, the key inputs to this assessment are those which the Group produces as a matter of course"

# Board of Directors

## Chairman, Deputy Chairman and Executive Directors

### Patrick Burgess OBE, DL
**Chairman**
Age 71

**Appointed to the Board:** Appointed as a Non-Executive Director of the Group in 2001 and Chairman on 1 August 2008

**Career:** Patrick Burgess qualified as a solicitor in 1972 and became a partner in Gouldens in 1974, serving as head of the Corporate Department for 14 years and as senior partner for six, culminating with the merger of Gouldens with Jones Day in 2003, from which he retired in 2007. He stepped down as a Non-Executive Director of ICBC Standard Bank in October 2015. He has also been active in a number of charitable and community organisations.

**Skills and experience:** At Jones Day, Patrick specialised in mergers and acquisitions and corporate restructuring. He has considerable experience in compliance, regulatory and stock exchange matters.

**Other appointments:** None.

*Chairman of the Capital Projects Committee, Chairman of the Nomination and Review Committee, Chairman of the Corporate Responsibility Committee*

### John Whittaker
**Deputy Chairman**
Age 73

**Appointed to the Board:** Appointed as Deputy Chairman and a Non-Executive Director on 28 January 2011

**Career:** John Whittaker is the Chairman of the Peel Group which he founded in 1971 and developed into a leading UK infrastructure, transport and real estate enterprise.

**Skills and experience:** John is a highly regarded real estate investor, and has overseen the growth of the Peel Group across many sectors such as land, real estate, ports, airports, renewable energy and media. John is an experienced property developer and business leader illustrated by projects such as The Trafford Centre and MediacityUK. His appointment to the Board followed the acquisition by intu of The Trafford Centre from the Peel Group.

**Other appointments:** Chairman of the Peel Group.

### David Fischel
**Chief Executive**
Age 57

**Appointed to the Board:** Appointed Finance Director in 1988, Managing Director in 1992 and Chief Executive in March 2001

**Career:** David Fischel qualified as a chartered accountant in 1983 at Touche Ross & Co before joining the Group in 1985.

**Skills and experience:** At Touche Ross, David worked in the corporate finance department with experience in acquisitions, flotations and capital raisings. During his 30-year career with intu, David has gained significant executive experience in numerous aspects of the shopping centre industry including shopping centre acquisitions and developments. He has also been closely involved with the Group's corporate development including equity and debt financings and a wide range of other corporate transactions, including the 2010 demerger of Capital & Counties from intu.

**Other appointments:** Non-Executive Director of Prozone Intu Properties Limited, resigned as a Non-Executive Director of Equity One, Inc (NYSE: EQY) with effect 19 January 2016.

*Chairman of the Executive Committee*

### Matthew Roberts
**Chief Financial Officer**
Age 52

**Appointed to the Board:** Appointed as Finance Director on 3 June 2010

**Career:** Matthew Roberts was previously the Finance Director of Debenhams plc from 1996 to 2003, and Chief Financial Officer of Gala, subsequently Gala Coral Group Ltd, from 2004 to 2008.

**Skills and experience:** Matthew Roberts (FCA) joined intu as Finance Director in May 2010 and was part of the team which acquired The Trafford Centre, Manchester, in the UK's largest ever single property transaction. In spring 2013 he led the establishment of intu's secured Group structure with initial issue of £1.15 billion of bond and bank debt. Since then he has led a series of further transactions which have raised over £2 billion of leverage. In January 2016 Matthew also assumed responsibility for intu's centre-based operations, while retaining his existing responsibilities.

## Non-Executive Directors

### Adèle Anderson
Age 50

**Appointed to the Board:** Appointed as a Non-Executive Director on 22 February 2013

**Career:** Adèle Anderson commenced her career at KPMG where she became a partner and held a number of senior roles, including Chief Financial Officer. She is currently Chairman of the Audit Committee of easyJet plc and a trustee of Save the Children UK.

**Skills and experience:** Adèle graduated from Kent University with BSc Hons in mathematics and computer science. She is a qualified ACA and has gained extensive financial experience throughout her career and has significant Audit Committee experience.

**Other appointments:** Non-Executive Director of easyJet plc; a member of the board of trustees of Save the Children UK.

*Chairman of the Audit Committee*

### Louise Patten
Age 62

**Appointed to the Board:** Appointed as a Non-Executive Director on 22 September 2011

**Career:** Louise Patten began her career at Citibank, working mainly in retail financial services until she joined global strategy advisers Bain & Company Inc in 1993 where since 1997 she has been a senior adviser.

**Skills and experience:** Louise has extensive Board level experience at a number of retail and property companies including as Chairman of Brixton plc and interim Chairman of Somerfield plc, and Non-Executive roles at Marks and Spencer plc, where she chaired the Remuneration Committee, GUS plc, Hilton Group plc, Harveys Furnishings plc and Control Risks Group.

**Other appointments:** Non-Executive Director at Abcam plc.

*Chairman of the Remuneration Committee*

## Key to Committees

- Audit Committee
- Remuneration Committee
- Nomination and Review Committee
- Executive Committee
- Corporate Responsibility Committee
- Capital Projects Committee

### Richard Gordon
Age 57

**Appointed to the Board:** Appointed as a Non-Executive Director in May 2010

**Career:** Richard Gordon previously served as a Non-Executive Director of Capital Shopping Centres plc between 1996 and 2006 and was appointed as an alternate Director in respect of Graeme Gordon's Directorship of the Group in 2001.

**Skills and experience:** Richard has also served on the boards of a number of companies within the Liberty Life Group and various companies within the commercial and residential real estate sector, mainly in South Africa.

### Andrew Huntley
Age 77

**Appointed to the Board:** Appointed as a Non-Executive Director on 8 July 2009 and Senior Independent Director with effect from 1 August 2013

**Career:** Andrew Huntley's career commenced some 41 years ago with Richard Ellis where he served as Chairman from 1993 until 2002. He was a Non-Executive Director of Pillar Property plc from 2000 to 2005 and a Non-Executive Director of LondonMetric Property plc from 2010 until 2013.

**Skills and experience:** Andrew is a chartered surveyor and an experienced property adviser.

**Other appointments:** Non-Executive Director of Capital & Counties Properties plc.

### Rakhi (Parekh) Goss-Custard
Age 41

**Appointed to the Board:** Appointed as a Non-Executive Director on 7 October 2015.

**Career:** Rakhi's early career included roles at TomTom, content management provider Article27 and 11 years at Amazon until 2014, where she held a number of key roles including responsibility for the Amazon UK Media category.

**Skills and experience:** Rakhi has an up-to-date perspective on retail and consumer trends, as well as deep insight and knowledge of the digital environment. Rakhi has a BA in marketing and communications from the University of Pennsylvania.

**Other appointments:** Non-Executive Director of Rightmove plc. Non-Executive Director at Be Heard Group plc. With effect 1 February 2016, a Non-Executive Director of Kingfisher plc.

### Neil Sachdev
Age 57

**Appointed to the Board:** Appointed as a Non-Executive Director in November 2006. Neil will step down from the Board at the 2016 annual general meeting in May.

**Career:** Neil Sachdev joined Tesco plc in 1978, rising to the position of Property Director before joining J Sainsbury plc as Commercial Director in March 2007. He was subsequently appointed Property Director in June 2010 and he held this position until leaving J Sainsbury plc in March 2014. He was Chairman of the Institute of Grocery Distribution until April 2014.

**Skills and experience:** Neil has an MBA from Stirling University and has gained significant experience in retail and property matters throughout his career.

**Other appointments:** Deputy Chairman of HSS Hire Group plc. Chairman of Martins Property Limited and Market Tech Holdings Limited. Director of Barleygold Limited, Clevertec Limited, and Sixth Sense Partnership Limited. Non-Executive Director of NHS Property Services Limited. Council Member of the University of Warwick.

### John Strachan
Age 65

**Appointed to the Board:** Appointed as a Non-Executive Director on 7 October 2015

**Career:** John was Global Head of Retail Services at Cushman and Wakefield until December 2015. John's career commenced at Healey and Baker in 1972 where he rose to become head of UK and European retail from 1996 to 2000. Healey and Baker was acquired by Cushman and Wakefield in 2000.

**Skills and experience:** John brings a wealth of experience from the retail property sector, an international perspective including extensive knowledge of the Spanish retail property market. He is known for his creative and entrepreneurial approach to developing new business opportunities. He is a fellow of the Royal Institution of Chartered Surveyors.

**Other appointments:** Advisory Board member of Truecap Private Equity; a member of the European Executive Committee and Advisory Board of the International Council of Shopping Centres.

### Andrew Strang
Age 63

**Appointed to the Board:** Appointed as a Non-Executive Director on 8 July 2009.

**Career:** Andrew Strang started his career with Richard Ellis 40 years ago. He served as Managing Director of Threadneedle Property Investments Limited for 17 years until January 2008. He was Chairman of Hermes Real Estate Investment Management from 2009 to 2011. He was a Director of the British Property Federation from 1994 to 2013. He is a current member of the Norges Bank Investment Management real estate advisory board, a member of the investment and governance committees at AEW UK and he was appointed as Director of The Pollen Estate Trustee Company Limited between August 2014 and January 2016.

**Skills and experience:** Andrew is a chartered surveyor and has substantially focused on property investment throughout his career.

**Other appointments:** Non-Executive Director of Capital & Counties Properties plc.

# Executive Committee

**Kate Bowyer** Director of Finance
Joined the Group in 2000 as Group Financial Controller and managed the Group's investor relations from 2008 until 2014. She was appointed Director of Finance in August 2014. Kate qualified as a chartered accountant with Coopers & Lybrand (now PricewaterhouseCoopers) in 1995, working in their Canadian and corporate finance practices.

**Martin Breeden** Development Director
Joined the Group in 2002 and was appointed Group Development Director and a member of the Executive Committee in January 2016. Martin has direct responsibility for intu's development programme across the UK and intu's Spanish business. Martin has worked on almost all of intu's assets and has over 25 years' experience in the retail property industry. He is a fellow of the RICS and a member of the advisory panel of the British Council of Shopping Centres.

**Hugh Ford** General Counsel & Group Treasurer
Joined the Group as General Counsel in 2003. Appointed General Counsel & Group Treasurer in April 2015. Previously he was General Manager Legal at Virgin Atlantic Airways, and before that a commercial lawyer with British Airways plc. He qualified as a solicitor in 1992 with Freshfields.

**Susan Marsden** Group Company Secretary
Joined the Group as Company Secretary in 2000. A fellow of the Institute of Chartered Secretaries and Administrators, Susan began her career at the London Stock Exchange, and has been company secretary of two FTSE real estate sector companies before joining intu.

**Trevor Pereira** Digital and Commercial Director
Joined the Group in 2007 as Commercial Director, Capital Shopping Centres plc. He was subsequently appointed Group Digital and Commercial Director, responsible for digital activities, commercialisation, marketing and customer experience. Previously worked for airport Group BAA plc for 21 years, latterly as Retail and Commercial Director for Heathrow Airport.

**Dushyant Sangar** Corporate Development Director
Joined the Group in 2010 and appointed Corporate Development Director and a member of the Executive Committee in 2014. He has been closely involved in all of the Group's major acquisitions and new joint ventures in the UK and Spain. He previously worked for MGPA, a real estate private equity investment advisory business and for UBS. He is a Non-Executive Director of Prozone Intu Properties Limited.

**Julian Wilkinson** Asset Management Director
Appointed Group Asset Management Director and a member of the Executive Committee in January 2016, Julian has responsibility for optimising the performance of intu's shopping centres. He has held similar positions at director level over the last 25 years on behalf of both retailers and landlords.

## Executive management team

Biographies of the executive management team are available on our website at: **intugroup.co.uk/who-we-are/our-people/executive-management/**

# The Board

## The role of the Board and its Committees

Led by the Chairman, the Board takes primary responsibility for defining the Group's strategic objectives, risk appetite and controls environment; for monitoring delivery of strategy by the Executive Directors; and for shaping the resourcing, culture and values by which the wider business delivers targeted performance.

### The Board

### Audit Committee

**Chairman**
Adèle Anderson
**Members**
Neil Sachdev, Andrew Strang, Rakhi (Parekh) Goss-Custard
**Key responsibilities**
Monitors the integrity of financial statements, internal controls and risk management process and reviews the effectiveness of the internal and external auditors.

See page 72 for more information

### Remuneration Committee

**Chairman**
Louise Patten
**Members**
Adèle Anderson, Neil Sachdev, Andrew Huntley
**Key responsibilities**
Sets remuneration policy for all Executive Directors and the Chairman and recommends and monitors the level and structure of remuneration for senior management.

See page 78 for more information

### Nomination and Review Committee

**Chairman**
Patrick Burgess
**Members**
Andrew Huntley, Neil Sachdev, Louise Patten
**Key responsibilities**
Ensures that the Board is comprised of individuals with an appropriate balance of skills, knowledge and experience.

See page 76 for more information

### Capital Projects Committee

**Chairman**
Patrick Burgess
**Members**
John Whittaker, David Fischel, Matthew Roberts, Andrew Huntley, Neil Sachdev
**Key responsibilities**
Reviews new projects and project expenditure in detail and, as appropriate, comments on certain projects for the Board. Has no power to approve proposals or authorise expenditure.
**The Capital Projects Committee is not a formal Committee of the Board.**

### Corporate Responsibility Committee

**Chairman**
Patrick Burgess
**Members**
David Fischel, Neil Sachdev, Alexander Nicoll (CR Director), Jennifer Sandars/Helen Drury (CR Manager)
**Key responsibilities**
Oversees the management of the Group's CR activities.

See page 52 for more information

### Executive Committee

**Chairman**
David Fischel
**Members**
Matthew Roberts, Kate Bowyer, Martin Breeden, Hugh Ford, Susan Marsden, Trevor Pereira, Dushyant Sangar, Julian Wilkinson
**Key responsibilities**
Considers investment proposals, reviews progress on projects and project expenditure in detail and receives updates on other business matters. Has delegated authority, within limits, to authorise initiatives and expenditure.
**The Executive Committee is not a formal Committee of the Board.**

See left for more information

# The Board continued

## The Board

The business model described on pages 28 and 29 illustrates the key value creation and operational drivers for intu's strategy and the means by which the Board ultimately delivers long-term growth and sustainable returns for its shareholders and debt investors.

Appropriate and effective corporate governance is taken seriously at intu and is intrinsic to all aspects of the Board's activities.

The Board has therefore established a governance framework which underpins the culture and workings of the Group. This framework consists of:

- committees with specific delegated responsibilities (as shown in the diagram on page 63)
- delegated authority limits, which apply at all levels of the business and are incorporated into the standard procedures for the execution of all leases, licences, contracts and other relevant documentation by the Group
- internal policies, procedures and controls (including delegated authority limits and a related parties protocol) which are regularly reported on, reviewed and updated by the Board and relevant committees
- internal processes which are communicated to all staff and are available at all times on the Group's intranet site

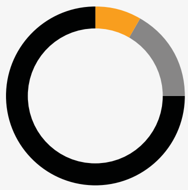
### Our approach to CR

The Group's approach to corporate responsibility is a key element of its governance framework. We have consistently demonstrated a strong commitment to high standards of corporate responsibility, particularly focused on the local communities where our shopping centres are embedded.

Further details of our related activities can be found in the CR report on pages 52 to 55

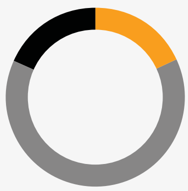
## Structure of the Board and independence

### Board structure



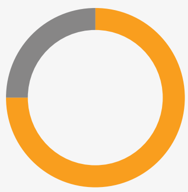
| | |
|---|---|
| Chairman | 1 |
| Executives | 2 |
| Non-Executives | 9 |

### Board independence (excluding Chairman)



| | |
|---|---|
| Executives | 2 |
| Non-Executives | 7 |
| Non Independents | 2 |

### Gender split



| | |
|---|---|
| Men | 9 |
| Women | 3 |

### Length of tenure of Directors

| | |
|---|---|
| 0 – 3 years | 2 |
| 3 – 6 years | 5 |
| 6 – 9 years | 2 |
| 9+ years | 3 |

## Board culture

The intu Board and its workings are characterised by the strong relationships between individual Directors and the senior executives. Those relationships have been formed over several years of collaborative working, with very few changes to the Board's composition or key positions necessary prior to the new appointments announced in October.

The Chairman is directly accountable for the culture of the Board, which is defined by a conservative, measured approach to business, allied to a willingness to take considered risks through investment to achieve strategic goals, as demonstrated by intu's strategic growth in Spain since 2013.

The Board's culture permeates through the Group's operations, with a comprehensive suite of policies to reinforce the open dialogue between management and staff and tone set by Board members.

Board processes have been refined over many years of consistent application, and are consequently now well understood with very high levels of adherence. The Board's culture and thinking nevertheless remain reflective of the Group's values, which encourage all staff to be creative, bold and genuine at all times.

> The Board's culture permeates through the Group's operations, to reinforce the open dialogue between management and staff

**Patrick Burgess**
**Chairman**

## Roles and responsibilities

### Overview

| Role | | Responsibility |
|---|---|---|
| **Chairman** | Patrick Burgess | Leading the Board, setting its agenda, achieving clarity of decision-making, ensuring its effectiveness in all aspects of its remit and heading up the culture of accountability |
| **Chief Executive** | David Fischel | Delivery of the Group strategy, primary accountability for day-to-day operational management, implementation of the policies and strategies developed by the Board, and developing the abilities and skills of the Group's personnel to their maximum potential |
| **Chief Financial Officer** | Matthew Roberts | Responsibility for the Group's funding strategy, financing, reporting and investor programme, encompassing leadership of the finance function. From January 2016 also responsible for intu's centre-based operations |
| **Non-Executive Directors** | Louise Patten, Adèle Anderson, Neil Sachdev, Andrew Strang, John Whittaker, Andrew Huntley Rakhi (Parekh) Goss-Custard, John Strachan, Richard Gordon | Bring an external and independent view to the Board's discussions, providing constructive challenge to executive management when appropriate |
| **Senior Independent Director** | Andrew Huntley | Provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other Directors if necessary |
| **Alternate Directors** | Steven Underwood, Raymond Fine | Ensure that key strategic and operational decision-making is best aligned with the interests of the Group's major shareholders |

### Non-Independent Directors

intu has two representatives of different significant shareholders appointed to non-executive board positions, including the Deputy Chairman John Whittaker. Those representatives are also permitted to appoint alternate directors in accordance with the Company's Articles of Association.

Direct shareholder Board representation ensures that key strategic, operational and governance decision making is shaped with input from those individuals, and is more closely aligned with the interests of both the direct shareholder groups they represent and other institutional and retail investors generally. In this respect the Group surpasses the expectations of the stewardship code.

However, the representative directors also contribute strongly to the Board's culture and personality, adding insight and influence from their varied commercial backgrounds, their experience and expertise. We discuss the rigorous Board policies and enhanced processes the Board operates to manage potential conflicts of interest arising from these relationships in a specific case study on page 66 of this report.

### Roles of the Chairman and Chief Executive

The roles of the Chairman Patrick Burgess, and of the Chief Executive David Fischel, are separate and have been defined in writing by the Board. In summary, the Chairman's responsibilities include leading the Board, setting its agenda, achieving clarity of decision making and ensuring its effectiveness on all aspects of its remit. He also ensures that the Board maintains effective two-way communication with shareholders and senior management and holds the management to account.

The Chief Executive's key responsibilities include delivery of the Group strategy, primary accountability for day-to-day operational management, implementation of the policies and strategies developed by the Board, and developing the abilities and skills of the Group's personnel to their maximum potential.

### Non-Executive Directors

The Non-Executive Directors bring an external and independent view to the Board's discussions, providing constructive challenge to executive management when appropriate. Biographical details of each Director are set out on pages 60 and 61.

### The Senior Independent Director

Andrew Huntley was appointed as Senior Independent Director in August 2013. In his role, Andrew provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other directors if necessary. Andrew also leads the appraisal of the Chairman's performance annually in discussion with the other Non-Executive Directors, and is available as an additional point of contact for shareholders should they feel that communication through the normal channels of the Chairman, Chief Executive, Secretariat or Investor Relations teams has failed or is otherwise inappropriate.

During the year the Nomination and Review Committee decided to extend Andrew's term of appointment as Senior Independent Director for a further 12 months, through to the 2017 annual general meeting. Andrew, in his capacity as Senior Independent Director, is expected to play a leading role in planning and managing the Chairman's succession.

### Alternate Directors

John Whittaker and Richard Gordon, both significant shareholders, have appointed Steven Underwood and Raymond Fine respectively as their alternates under the terms of the Company's Articles of Association. The Board has generally invited the Alternate Directors to attend Board meetings.

The presence of John and Richard in person on the Board ensures that key strategic and operational decision making is best aligned with the interests of all the Group's significant shareholders.

# The Board continued

## Matters reserved for the Board

Responsibility for day-to-day operational management of the Group is delegated by the Board to the Executive Directors, the Executive Committee, and senior management. Aspects of these delegated powers are supported by delegated authority limits which are documented and kept under review by the Board. Certain matters have been reserved solely for decision by the whole Board and a schedule setting out a list of these is reviewed regularly.

These include, but are not limited to:

- all matters relating to strategy
- the application of the Board protocol for dealing with related party matters
- dividend payments and policy
- major acquisitions and disposals, other capital expenditure and controls
- risk management
- regulatory matters, including material shareholder communications

The Board also receives regular reports on the proceedings of its Committees and considers their recommendations. It has been the Board's custom over many years to ensure that major decisions are taken after a reiterative process which involves examination and review at several levels. In part, this examination and review process is dealt with by the Board and other Committees as mentioned on page 63.

## Communication between Board meetings

Directors are kept fully informed of progress on key matters, including operational and financial performance, between formal meetings. This is in particular achieved by way of either scheduled conference calls or less formal update meetings each month when there is not a formal Board meeting. Ad hoc meetings and working visits to centres are also regularly arranged to support the Chairman's policy of open communication. As the Chairman

### Board: Related party protocol

The Group completed two transactions with subsidiaries of the Peel Group in 2015. The first involved the exercise in May of an option granted by Peel to intu in 2012, under which a site for a prime retail and leisure resort in Málaga, Spain, was acquired for development. The second, in November, involved a lease for commercial use from intu to Peel for a 30.96 acre site, known as KGV West, which neighbours the Group's intu Braehead centre.

Given the presence of representative directors on the Board, intu has a specific Board protocol for related party matters. Those procedures require all Directors to report all contingent, potential or actual conflicts of interest and to recuse themselves from Board discussions when appropriate.

The governance procedures also require independent verification and, for property transactions, the Group's real estate advisers are asked to provide written independent third-party validation for the proposed valuation.

John Whittaker followed all aspects of the Board protocol for both transactions with the Peel Group in 2015.

In accordance with the requirements of the Companies Act 2006, the Group also sought shareholder approval prior to completion of both the Málaga option and the KGV West lease, and shareholders overwhelmingly supported the proposed transactions at specifically convened general meetings during the year.

**intu's proposed Málaga development**

An impression of the plans for the acquired land

**Lease secured for KGV site, Braehead**

An aerial image of the KGV West site for which the lease was agreed in 2015

explains on page 59, this has been an area of focus in 2015. The Chairmen of the Audit Committee and Remuneration Committee communicate regularly with relevant staff and external advisers, including but not limited to the Head of Risk and Internal Audit, the Company Secretary and the Remuneration Committee's consultants, Deloitte.

## Effectiveness

### Balance, composition and culture

The Nomination and Review Committee regularly reviews the balance (including skills and experience) and composition of the Board to ensure that it operates efficiently. The Board determined that new candidates for the role of non-executive director should have sector relevant qualifications and experience, notably in property, retail, finance and digital to ensure that these areas of importance to intu are well represented.

Those criteria were applied to the appointment of Rakhi (Parekh) Goss-Custard and John Strachan during the year, who bring experience of digital strategy and global real estate markets to the Board.

In November the Board approved the following committee changes, in anticipation of Neil Sachdev stepping down from all positions with the Group at the 2016 AGM: Louise Patten and Andrew Huntley were appointed as Chairman and as an additional member of the Remuneration Committee respectively, and Rakhi (Parekh) Goss-Custard was appointed as a member of the Audit Committee.

The appropriate balance of skills, independence, experience and knowledge does not in itself ensure the efficient operation of a Board. To this end, the Chairman's style and leadership of the Board are essential to creating an environment where the Non-Executive Directors are able to draw on their own experience to constructively challenge the views of the executive management.

The Chairman and Company Secretary ensure that all Directors are provided with fully accurate and timely information to facilitate informed discussion at Board meetings. The Chairman is particularly mindful that the views of all Directors should be taken into consideration and that the range of experience of our Non-Executive Directors must be drawn upon to provide insight and alternative perspectives to aid the Board's decisions on key strategic matters.

The Board reviews the independence of its Non-Executive Directors on an annual basis. With the exception of John Whittaker and Richard Gordon, both representatives of significant shareholders, the Board has concluded that all other Non-Executive Directors continue to demonstrate their independence and commitment to their roles. The balance of the Board is illustrated on page 64.

### Board meetings

The attendance of Directors at all Board meetings held in 2015 is set out in the table below:

#### Board attendance table 2015

| | Board [1] | Audit | Nomination & Review | Remuneration |
|---|---|---|---|---|
| Patrick Burgess | 4/4[2] | 4/4[4] | 3/3[2] | 5/6[4] |
| John Whittaker | 4/4 | – | – | – |
| David Fischel | 4/4 | 4/4[4] | 3/3[4] | 6/6[4] |
| Matthew Roberts | 4/4 | 4/4[4] | – | – |
| Andrew Huntley | 3/4 | – | 3/3 | 1/1 |
| Adèle Anderson | 4/4 | 4/4[2] | 3/3[4] | 6/6 |
| Richard Gordon | 4/4 | – | – | – |
| Rakhi (Parekh) Goss-Custard | 0/1[5] | 0/0 | – | – |
| Louise Patten | 3/4 | – | 3/3 | 6/6[3] |
| Neil Sachdev | 4/4 | 4/4 | 3/3 | 5/6[3] |
| John Strachan | 1/1 | – | – | – |
| Andrew Strang | 4/4 | 4/4 | – | – |

1 Scheduled Board meetings only, excludes Board away day, Spanish centres visit and calendar of Board update conference calls.
2 Board or Committee chair.
3 Louise Patten assumed the Committee chair with effect from 9 November 2015 from Neil Sachdev.
4 Attends meetings in a non-voting capacity.
5 Unavailable for Board meeting immediately following appointment, due to prior commitment.

The Board meets regularly during the course of the year and met a total of four times in 2015. There were four scheduled meetings as well as a Board away day focused on strategy and planning for 2016. No unscheduled meetings were held during the year as there were no matters arising between the scheduled meetings which needed to be dealt with at short notice. At each scheduled meeting, the Executive Directors, the Chief Operating Officer and the Digital and Commercial Director, Trevor Pereira, each give reports on their key areas of responsibility. In addition, the chairmen of the Audit, Remuneration and Nomination and Review Committees give updates on the workings of and progress made by those Committees, highlighting any areas requiring escalation to, or consideration by, the full Board. Other matters for discussion are added to the agenda for scheduled Board meetings, or discussed at additionally convened Board meetings, as required.

#### Key matters discussed/approved by the Board in 2015

A summary of the key matters discussed and approved by the Board in 2015 can be found with the Chairman's introduction on page 58.

Read more on page 64

# The Board continued

**Time commitment, external activities and conflicts of interest**
Non-Executive Directors are generally appointed for a three-year term and their continuing service thereafter is subject to review by the Board. Their annual time commitment varies according to their membership of Board Committees and the specific corporate activities of the business in any given year. The terms of appointment of the Non-Executive Directors set out minimum expectations with regard to preparation for and attendance at all Board meetings, Board Committee meetings wherever appropriate, ad hoc meetings and the annual Board away day. Non-Executive Directors are required to confirm on accepting their appointment, and annually, that they are able to allocate sufficient time to meet the expectations of their role.

The terms of appointment for each of the Non-Executive Directors are available for inspection at the Company's registered office, or on written request from the Company Secretary.

Directors have a statutory duty under the Companies Act 2006 to avoid situations in which they have or may be deemed to have interests that conflict with those of intu, including when a Director takes up a position with another company. The obligations are relaxed wherever the conflict is first authorised by the Board.

> The appointment of Rakhi (Parekh) Goss-Custard and John Strachan bring additional experience of digital strategy and global real estate markets to the Board

The Board has adopted a formal procedure for the identification of conflicts under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate. In certain circumstances, the conflicted Director may be required to recuse himself from the Board's discussions on a matter in which he or she is conflicted. Directors must also notify the Chairman when they take on any additional responsibilities or external appointments, and it is their responsibility to ensure that such appointments will not prevent them from meeting the time commitments discussed above.

In addition, the Board has implemented a related party protocol for situations where a proposed transaction could be captured by the related party provisions of the Listing Rules or by the Companies Act 2006, and maintains accurate records of all actual and potential related party transactions involving Directors and their connected persons or associates. Further detail on the protocol can be found on page 66.


**Strategic focus**
**CPPIB joint venture**
In June 2015, the Group announced it had agreed to introduce CPPIB as a 50 per cent joint venture partner of Puerto Venecia, Zaragoza. This followed intu's acquisition of the centre for €451 million in January 2015.

The transaction required that intu develop new governance arrangements for the operation of the centre with CPPIB.

To facilitate completion of the transaction in September 2015, the Board agreed to complete a listing of the asset management holding company, Zaragoza Properties SOCIMI S.A., as a Spanish real estate investment trust on the Mercado Alternativo Bursatil ('MAB') exchange. The complex listing application, and associated Spanish structuring transactions related to CPPIB's investment, were both led by our Company Secretary, Susan Marsden, working in conjunction with the Group's Spanish legal advisers, Linklaters, and the listing sponsor, Renta4. As a result intu now complies with obligations across three separate jurisdictional listings in London, Johannesburg and Madrid. Susan is pictured opening trading at the MAB exchange in Madrid in September.

# Relations with shareholders

380+
investor meetings in 2015

190
investment institutions engaged with in 2015

## Overall approach

intu places considerable emphasis on maintaining an open and frank dialogue with investors. Our programme of investor relations activities is based around the financial reporting calendar and seeks to:

- develop existing and potential investors' understanding of intu's business strategy, operations, performance and investment case
- provide to the Board and executive team an insight into the differing views of intu's institutional and other significant investors together with a cross-section of retail shareholders

With these objectives in mind, the executive team (including, on occasion, the Chairman) together with the Head of Investor Relations attended over 380 meetings with representatives of 190 investment institutions during 2015 to keep them informed of our performance and plans, to answer their specific questions and to understand their views. In addition the investor section of our Group website provides all shareholders with a great deal of immediate as well as general information and a feedback facility. Regular visits to our centres enable investors to learn more about the culture and values of the Group and gain insight into operational delivery.

### Key components of the investor relations programme

**One-on-one meetings with principal shareholders:** The Chairman is available to meet with key investors to answer their questions and to better understand their views, particularly with regard to governance matters.

**Results-related meetings:** Institutional shareholders are invited to a presentation with a question and answer session by the executive team on the day of announcement of final and interim results. The Chairman and a number of the Non-Executives also attend these presentations.

**Road shows:** Following results announcements, executive management conducts one-to-one and Group meetings with institutional shareholders in the UK, South Africa, Europe and the US, giving the opportunity to meet other fund managers as well as the sector specialist of each institution. Unattributable feedback from these meetings is provided to the Board.

**Investor and analyst property visits:** Institutional shareholders are invited to attend at least one property visit each year with presentations on intu's business. This gives an opportunity for formal and informal interaction with the executive team and the next tier of management. In 2015, investors visited Puerto Venecia and intu Lakeside to see recent changes and to hear about our strategic objectives.

**Investor conferences:** Several investment banks hold conferences for investors and companies in the real-estate sector. They are a good opportunity for the executive team to meet a large number of current and potential investors in a mixture of group and one-to-one meetings, and informally. intu attended five such conferences in 2015 in the UK, Europe and the US.

5
investor conferences

**General meetings:** The annual general meeting (AGM), usually held in May, gives the opportunity for all shareholders (private and institutional) to ask questions of the Board, including the Chairmen of both the Audit and Remuneration Committees. The entire Board is also available to talk to shareholders before and after the meeting.

**Interaction with 'sell side' analysts:** Many investors develop their understanding of the Company partly through discussions with independent analysts. intu engages with analysts from 20 institutions in order to improve the accuracy and insight of their research. The Board is kept informed of analyst commentary and recommendations.

20
sell-side institutions cover intu

**Debt investors:** Representatives of intu's key relationship banks are invited to the results presentations and meet periodically with the Chief Financial Officer. Institutional investors in certain of the Group's listed debt are invited to periodic updates on the Group's business and performance. We welcome the moves by some credit-side institutional investors towards more openness regarding holdings of debt instruments and 'road show' style one-to-one meetings.

Read more at intugroup.co.uk/investors

# Focus on risk

## The effective assessment and management of risk is key to the delivery of the Group's strategy

The effective assessment and management of risk is key to the delivery of the Group's strategy. The setting of the Group's risk appetite by the Board provides the framework within which the Group's risk management process operates. Risk management is embedded throughout the business with all employees aware of the role they play.

An independent review of the maturity of the intu risk processes was performed during 2015. intu's risk management was benchmarked as equivalent to or better than that of peers in property and retail. Risk processes were found to be sound and the business was found to be engaged in managing risk.

### Risk appetite

Our risk appetite remains broadly unchanged in 2015. Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives and is set by the Board. The Board looks at the Group's appetite to risk across a number of areas including the property market, financing, operations, strategy and execution, developments, cybersecurity and technology and brand.

The Group's risk appetite is set in the context of our focus on one sector – prime shopping centres. As experts in this sector we are able to mitigate the risk involved in growing the business by acquisition, development and our active asset management strategy. This focus on our core strengths is balanced by a more cautious approach to risk in other areas. In financing we set a target Group debt-to-asset ratio of 40-50 per cent and require interest cover of more than 160 per cent, giving us significant headroom against our loan covenants to ensure that we are in a strong position in the event of any substantial falls in property values. We continue to look to minimise interest rate risk with a policy of hedging at least 75 per cent of the exposure and seek to refinance debt early to reduce risk. This does not however prevent us looking at innovative debt structures that provide the Group with diverse funding options.

### Risk management framework

Monitoring and reporting responsibility

Implementation and compliance responsibility

| | |
|---|---|
| **Board** | — ensure that risk is managed across the business<br>— define the Group's appetite for risk<br>— with the Executive Committee, assess the Group's principal risks |
| **Audit Committee** | — monitor and review the effectiveness of the Group's risk management system<br>— monitor and review the Group's overall approach to monitoring areas of risk |
| **Risk and internal audit** | — lead the development of risk management<br>— collate outputs of risk management exercises including risk registers for presentation to Audit Committee, Executive Committee and Board<br>— identify emerging risks across the business |
| **Executive Committee** | — input into Board's process for setting risk appetite<br>— implement strategy in line with the Group's risk appetite<br>— lead operational management's approach to risk<br>— with the Board, assess the Group's principal risks |
| **Operational management** | — create an environment where risk management is embraced and the responsibility of risk management is accepted by all employees<br>— implement and maintain risk management processes<br>— produce and maintain risk registers including identification of risks, mitigating controls and actions required |
| **Employees** | — active in the day-to-day management of risk |

## Risk management process

intu's Board has overall responsibility for risk management. The effectiveness of the risk management system is monitored and reviewed by the Audit Committee and through periodic external review. Risk management is embedded in intu's culture, from cleaners making sure that the centres are free of hazards to the construction team ensuring the right contractors are selected for developments.

All businesses need to take risk in order to generate returns. Risk management assists in understanding the risks that we are taking; it does not try to prevent us from taking risks. Risks are identified and assessed to ascertain if they are within the acceptable risk appetite of the business. If not, action is taken to reduce the risk to an acceptable level.

Our assessment of risk is underpinned by a formal risk review process conducted for each area and every level of the business including for each centre, each department and the executive team. These reviews identify risks and assess them for controllability and stability.

Risks are measured for impact and likelihood, and an assessment is made of how quickly the risks would impact the business and how long those risks would impact the business for. Impact and likelihood change as businesses and external factors evolve. intu's ongoing risk management ensures that changes in impact and likelihood are identified and managed appropriately.

The risk registers created through this process are subject to at least an annual review, facilitated by the risk and internal audit team. Operational management are responsible for managing the risks and for updating the risk registers. The Audit Committee oversees the risk management process, receiving risk updates at least four times a year.

The principal risks identified by this process are discussed in more detail on pages 37 to 39.

### Viability statement

In accordance with provision C.2.2 of The UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than that required in adopting the going concern basis of accounting. Based on the result of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years. This period is considered appropriate because of the combination of the following factors:

— the Group's strategic plan covers 10 years, with a greater degree of detail and rigour applied to the first five years

— the Group's weighted average unexpired lease term, which at 31 December 2015 was 7.9 years

— the Group's weighted average debt maturity, which at 31 December 2015 was 7.8 years

— the term of the Group's Revolving Credit Facility, which currently extends to 2020

The strategic plan incorporates the Group's strategic objectives and considers the impact of the principal risks. The plan considers net rental income, cash flows, development expenditure, potential corporate transactions and refinancing plans over the 10 year period. It highlights the impact of the relevant principal risks on key metrics such as debt to assets ratios, earnings per share and financial headroom and models the impact of potential corporate transactions and their impact. We also consider the impact on the Group's financial position of changes in key input assumptions including asset values, income and refinancing. Key assumptions and sensitivities addressed include:

— refinancing of debt; £1.6 billion (around 35 per cent) of the Group's debt is due for repayment in the next five years

— falls in the value of investment property of up to 25 per cent

— falls in income of up to 10 per cent

### Insurance renewal

As part of the renewal processes for 2015, insurers were invited to visit intu centres to see the business in action. As a result significant interest was generated and a reduction in intu's insurance renewal rates of more than £1 million on a like-for-like basis was achieved and passed on to tenants.

The site visits were accompanied by a detailed presentation highlighting how intu's proactive approach reduces risk for both the insurers and the business, for example:

— National Counter Terrorism Security Office links for all centres

— documented crisis management plan and procedures

— documented emergency plans, for example threat level response, business impact assessments

— annual desktop testing of emergency plans for all centres

— investing in ongoing training and development for employees to help them carry out responsibilities to a high standard

— retailer duct work inspection process to mitigate risk of fire

— independent fire surveys carried out at all managed centres

— direct relationships with loss mitigation company to minimise the impact of incidents

— 24-hour CCTV in use at all centres

— police presence at centres including a number of police offices within the centres

# Audit Committee

Key Matters of 2015
— cybersecurity
— international operations
— partners and joint ventures
— viability statement

Members in 2015

**Chairman**

Adèle Anderson
(Independent Non-Executive Director)

**Members**

Rakhi (Parekh) Goss-Custard
(Independent Non-Executive Director)

Neil Sachdev
(Independent Non-Executive Director)

Andrew Strang
(Independent Non-Executive Director)

Areas of focus in 2016
— developments
— international operations
— partners and joint ventures

## Dear shareholder

As the Chairman of the Audit Committee it is my role to present to you the Audit Committee report for 2015.

The Committee has this year continued to focus on risk management, particularly in relation to the evolving digital environment, our partners and joint ventures and our expanding operations in Spain. The Committee has carried out a comprehensive risk review with the results also presented to and discussed with the full Board. The Group's approach to risk management is described in detail on pages 70 and 71 and the principal risks are detailed on pages 37 to 39.

Following our annual review of auditor quality and independence (see page 74 for more detail), we have recommended that PricewaterhouseCoopers (PwC) be reappointed for the 2016 audit.

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU) become applicable from 17 June 2016 and must be implemented in the UK by the same date. These limit the length of tenure an audit firm can serve and put in place requirements for the audit tender process. PwC has been intu's audit firm for more than 20 years and a tender process will be carried out to coincide with the end of the current audit partner's five-year tenure such that a new audit firm will be in place for the year ending 31 December 2018.

Adèle Anderson
**Chairman of the Audit Committee**
26 February 2016

### Responsibilities

The Audit Committee's key responsibilities are to monitor and review:

— the integrity of the financial statements, including a review of the significant financial reporting judgements and accounting policies
— the effectiveness of the Group's internal control and risk management
— the effectiveness of the internal audit function, including the work programme undertaken by the function
— the Group's policy on whistleblowing
— the Group's overall approach to monitoring areas of risk
— the Company's relationship with the external auditor, including its independence

### Main activities during the year

The Audit Committee considered the following key matters in 2015:

— the Group's investment property valuation process
— the Group's cybersecurity plans
— accounting treatment of the most significant transactions in the year including the acquisition of Puerto Venecia and subsequent creation of a joint venture with CPPIB
— financial control of Spanish businesses
— the 2015 internal audit plan and audit charter
— the new viability statement
— discussion on the appropriateness of those items classified as 'exceptional' in the year and therefore excluded from underlying earnings
— the results of a review of the carrying value of the Group's investment in Prozone
— the Group's counter-terrorism approach

## Key financial reporting and significant judgements

During the year the Committee discussed the planning, progress and final conclusions of the external audit process. The audit plan was reviewed and approved at the July 2015 Committee meeting. The significant risk areas identified were: investment property valuations; revenue recognition; and management override of controls. International Standards on Auditing (UK and Ireland) identify these latter two risks as significant for all companies.

These issues were discussed by the Committee following finalisation of the audit.

The Committee takes into account the views of the external auditor in understanding and assessing whether suitable accounting policies have been adopted, whether management has made appropriate estimates and judgements and whether disclosures are balanced and fair. The main issues discussed by the Committee in the year are detailed in the table below.

| Issue | Action taken |
|---|---|
| **Valuation of investment and development property** | For the interim results at 30 June the Audit Committee carried out a review of the investment property valuations. The full Board carried out a review of the 31 December valuations included in this report.<br><br>Due to the overall importance of the valuations to the Group's results, the relevant Audit Committee and Board meetings included a presentation from Cushman & Wakefield as part of the discussions considering the valuation process.<br><br>The Audit Committee review included discussion with management and the auditor of the key assumptions and results of the valuation process undertaken by the independent third party valuers.<br><br>This review also included understanding which general factors had influenced the valuers in concluding on appropriate yields to use in the valuations. This involved factors affecting both the investment and occupier markets and recent comparable market transactions.<br><br>Particular emphasis was given to understanding the factors that had resulted in individual property valuations being either significantly above or below the average movement in the Group's valuations. |
| **Presentation of information** | Operating through joint ventures is a core part of intu's strategy. Management both review and monitor the business, including the Group's share of joint ventures, on an individual line basis not on a post-tax profit or net investment basis. The figures and commentary presented in the strategic report have therefore been presented consistently with this management approach. Reconciliations between the management and statutory bases are provided in the other information section on pages 164 to 166.<br><br>The Committee has reviewed the prominence given to both statutory information and information on a management basis, and concluded that the approach adopted provides the most useful analysis of the results for the year. |
| **Going concern** | The Company's 'going concern' review which is based on an 18-month cash flow projection with particular focus on the next 12 months, was discussed with management. The projections cover the major trading cash flows, being rental income and interest expense, and capital expenditure plans in the context of the latest debt maturity profile.<br><br>Stress tests of the projections were considered, covering reductions in net rental income levels and the value of the Group's properties and what impact such changes may have on both the Group's liquidity and its ability to meet the financial covenants on its debt facilities. The discussion also considered what actions were available to the Group to mitigate the impact of such reductions on the cash flow projections.<br><br>Following discussions with management, the Committee agreed with the conclusions reached and the treatments relating to the above issues adopted in these financial statements. |
| **Viability statement** | In accordance with provision C.2.2 of The UK Corporate Governance Code, the Board has assessed the prospects of the Company over a longer period than that required in adopting the going concern basis of accounting. The viability statement is included on page 71 and sets out the conclusion of that assessment. The Audit Committee assessed the viability position and reported its recommendations to the Board. |

### Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2015 annual report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess intu's performance, business model, position and strategy. As part of its considerations the Committee took into account the preparation process detailed below which, together with opinions of key executives and the external auditor, has been designed to assist the Audit Committee in reaching its view:

— at an early stage, a matrix is produced identifying key themes and the sections in which those themes should be reflected
— individual sections of the annual report are drafted by appropriate senior management with regular review meetings to ensure consistency across the whole document
— a verification process is undertaken to ensure that information contained is appropriately supported and factually accurate
— detailed reviews of drafts of the annual report are undertaken by members of the Executive Committee and other senior management
— drafts are discussed with the Group's legal advisors and brokers
— a final draft is reviewed by the Audit Committee and discussed with senior management prior to consideration by the Board

As a result of its considerations the Committee is satisfied that, taken as a whole, the annual report is fair, balanced and understandable and has recommended as such to the Board.

# Audit Committee continued

## External auditor

The Audit Committee has assessed the effectiveness of the external auditor, PwC, in line with the approach set out in the Financial Reporting Council's Audit Quality Practice Aid. In carrying out their evaluation the Audit Committee has held discussions without the auditor, asked the auditor to explain the risks to audit quality that they have identified and their firm-wide controls relied upon, enquired about the findings from internal and external inspections of their audit, probed and challenged the auditor's strategy and plan and discussed the outputs of the audit with the auditor. This included direct meetings, review of reporting issued by the external auditor and review of independent reports:

- senior finance staff reviewed the detailed execution of the 2014 audit plan with the engagement team and identified specific improvements for the 2015 plan
- the report of the Financial Reporting Council (FRC)'s May 2015 Audit Quality Inspection review of PwC was reviewed and found to be supportive of the firm's overall systems of quality control
- the Chairman of the Audit Committee and the Chief Financial Officer each met privately with a senior partner of PwC unrelated to the engagement shortly after the publication of the Group's annual report to review the performance of the firm
- the Audit Committee reviewed the audit plan provided by PwC, including the risks identified and its approach to these

The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and in doing so has applied the transitional provisions related to the audit tender process. PwC has been intu's audit firm for more than 20 years without a formal tender process having been completed in recent years. A tender process will be carried out to coincide with the end of the current audit partner's five-year tenure such that a new audit firm will be in place for the year ending 31 December 2018.

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU) become applicable from 17 June 2016 and must be implemented in the UK by the same date. The above plans are in line with the requirements of these.

A resolution to reappoint PwC for the 2016 audit will be proposed at the 2016 annual general meeting.

The Committee will continue to review the effectiveness and independence of PwC each year.

## Non-audit services

The Group has a policy to ensure that the provision of any non-audit services by the incumbent external auditor does not impair the external auditor's independence or objectivity.

The Audit Committee has considered the option of putting material non-audit work out to tender. While recognising that the circumstances of a particular transaction may make it most sensible to use the incumbent external auditor for such work (for example where the nature of the transaction would not allow a new firm sufficient time to assimilate the requisite knowledge of the Group's operations in order to carry out the non-audit work), the Audit Committee has recommended that non-audit work should be undertaken by someone other than the external auditor wherever practical.

The Audit Committee has delegated to the Executive Directors the authority to contract for non-audit services with the external auditor subject to observing certain guidelines including:

- Executive Directors have the authority to commission the external auditor to undertake non-audit work up to a specified value
- the Executive Directors must consider whether the proposed arrangements will maintain audit independence
- the external auditor must satisfy the Company that it is acting independently

Details of the amounts paid to the external auditor for audit and non-audit services are included in note 9 to the financial statements. The Company engaged PwC to carry out certain non-audit work in 2015 including assurance services in respect of the Group's 2015 interim report and work associated with the listing of Puerto Venecia, Zaragoza as a SOCIMI in Spain.

The above safeguards were adhered to when awarding this non-audit work and PwC were chosen for the work on Puerto Venecia as this primarily related to producing interim review reports for the entities in the structure. Fees paid to PwC in respect of non-audit work represented 15 per cent of the total fees paid. During 2015 the Group used accounting firms other than PwC for a number of assignments.

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU), which come into force on 17 June 2016, impose restrictions on certain non-audit services. A number of non-audit services will be prohibited and others will require approval by the Audit Committee. There will be an overall fee limit of 70 per cent of the average of audit fees charged in the past three years, though this and other rules are expected to be subject to transitional arrangements and it is anticipated that non-audit services required under EU or national regulation will be excluded from this test. Further to recent consultations the UK regulator is expected to release the final text on the implementation of these directives in the UK in the second quarter of 2016. intu's current policy on non-audit services set out above continues in force for the time being. As soon as there is more clarity on the new regulations, and in particular which services are impacted, intu will review its policy and make any necessary amendments to comply with the new rules.

The table below summarises the fees paid to auditors over the last three years. The three-year average ratio of non-audit fees to audit fees is 109 per cent. The higher levels of non-audit fees in 2013 and 2014 principally related to reporting accountant

| | **2015 £000** | 2014 £000 | 2013 £000 |
|---|---|---|---|
| Audit fees | **628** | 566 | 370 |
| Non-audit fees | **96** | 1,034 | 573 |
| Total fees paid to auditors | **724** | 1,640 | 943 |
| Ratio of non-audit fees to audit fees | **15%** | 190% | 155% |

work in respect of raising debt and the 2014 rights issue. This analysis does not remove certain non-audit fees which may be excluded from the calculation of the ratio when it comes into force in 2016.

### Risk management and internal control

The Board has overall responsibility to oversee the Group's system of internal control and to keep its effectiveness under review, as well as to determine the nature and extent of the risks it is willing to take in achieving its strategic objectives based on the balance of potential risks and reward. The Group's approach to risk management is described in detail on pages 70 to 71 and the principal risks are detailed on pages 37 to 39.

The Board conducts an annual review of the effectiveness of the risk management and internal control systems. During this review the Board has not identified nor been made aware of any failing or weakness which it has determined to be significant.

The key elements taken into account in this review include:

— the Group's internal audit function's work during the year (see below)
— the Group's risk management process (see pages 70 to 71)
— the Group's controls over its financial reporting process including: the comprehensive system for reporting results to the Board; the process for producing the consolidated financial statements; and the experience and quality of the team involved in the financial reporting processes

### Internal audit

The Group has a risk and internal audit function which reports to the Audit Committee. The risk and internal audit function reviews internal controls and reports to the Audit Committee on whether such controls are in place and are being operated effectively. The function covers intu properties plc and its subsidiaries and joint ventures.

The risk and internal audit function has a rolling programme of reviews ensuring that all centres, functions and areas of the business are reviewed regularly. The most significant areas covered in 2015 included shopping centre healthchecks (or follow-up reviews) at six centres, a post-acquisition review of Puerto Venecia, Zaragoza, information and communication technology change management, valuations, construction and development, treasury and anti-terrorism processes. Additionally, annual assurance activities were performed, including a review of gifts and hospitality and executive expenses.

The Audit Committee regularly reviews the effectiveness of the risk and internal audit function and in particular ensures that the function remains sufficiently independent of the wider business to ensure it can carry out its work effectively. An independent review of the risk and internal audit function is carried out every five years and was last performed at the end of 2013. An external review of the Group's risk management process was carried out during 2015 as discussed in the focus on risk section on page 70.

### Whistleblowing policy

The Audit Committee is responsible for overseeing the Group's whistleblowing policy and procedures, under which employees can raise concerns about possible improprieties (whether financial or otherwise) within the Group on a confidential basis. The arrangements are monitored by the committee throughout the year. All whistleblowing incidents are reported to the Committee and fully investigated with procedures reviewed and improved where appropriate.

During 2015, the Committee:
— continued to review the scope, resourcing and application of the existing whistleblowing policy to make sure this remained appropriate to intu's operations and employees
— extended the policy to cover the Group's operations in Spain, in particular Puerto Venecia, Zaragoza acquired in January 2015
— initiated a process to extend the Group's policy to include key suppliers

There were two whistleblowing incidents relating to the intu Group during 2015. The first related to alleged misuse of CCTV and was found to be unsubstantiated. The outcome was not challenged by the original complainant. The second, an allegation against a staff member, was not corroborated by evidence on investigation, but has been noted by the Audit Committee for follow-up action.

### Audit Committee effectiveness

As part of the Board evaluation process, the Audit Committee reviewed its own effectiveness and this confirmed that the Committee remained effective at meeting its objectives.

Adèle Anderson
**Chairman of the Audit Committee**
26 February 2016

# Nomination and Review Committee

### Highlights of 2015

- Appointment of Rakhi (Parekh) Goss-Custard and John Strachan in October
- Changes to Board Committee governance in line with new appointments
- Advanced medium-term succession planning and governance risk assessment

### Members in 2015

**Chairman**

**Patrick Burgess**
(Chairman of the Board)

**Members**

**Andrew Huntley**
(Independent Non-Executive Director)
**Louise Patten**
(Independent Non-Executive Director)
**Neil Sachdev**
(Independent Non-Executive Director)

### Areas of focus 2016

- Continued refreshing of Board composition in line with succession plans
- Commencement of process for new Chairman to be appointed in 2017

## Dear shareholder

2015 has been an important and busy year for the Committee.

As Chairman of the Committee it is my responsibility to ensure that we follow a robust process and best governance practice whenever key decisions are taken by this Committee, in particular relating to new appointments.

The Committee was pleased to recommend the appointments of Rakhi (Parekh) Goss-Custard and John Strachan to the Board with effect from 7 October 2015. The Board is already benefiting from their respective expertise in digital and global real estate areas.

As a result of the changes in Directors, intu now has 25 per cent female representation on the Board. The Board is supportive of Lord Davies's aspirational target of 33 per cent female Board representation by 2020. Further information regarding our diversity policy is set out below.

### Responsibilities and how they were discharged in 2015

The principal role of the Nomination and Review Committee is to evaluate the skills available on the Board and to determine when appointments and retirements are appropriate.

In addition to its key responsibilities set out above, the Committee is also responsible for carrying out the annual performance evaluation of the Board, its Committees and individual Directors, as well as making recommendations to the Board on appointments to the Board, including the induction programme for newly appointed Directors, and on succession planning.

The Committee met three times in 2015 with its main focus on the composition of the Board and succession planning.

### Statement on diversity policy

The Nomination and Review Committee, and the Board, recognise the importance of boardroom diversity and the Committee's policy is to seek to ensure that a range of suitable candidates is taken into account when drawing up shortlists. The priority of the Committee is to ensure that the Group continues to have the most effective Board possible and all appointments to the Board are made on merit against objective criteria.

> "The Committee's main focus in 2015 was the composition of the Board and succession planning"

### Board composition

The Committee's discussions regarding the composition of the Board continued to be framed by the Company's previously stated goal of reducing the overall size of the Board. The Committee is satisfied that the balance of skills, knowledge and experience on the Board and its Committees is appropriate following the appointment of the new Non-Executive Directors in October. The Committee has begun the process of planning for the retirements at the AGM in 2017 of the Chairman and Senior Independent Director.

### Appointment of John Strachan

The Committee considers that John Strachan is fully independent. The Committee has taken account of the fact that John was, until December 2015, a partner of Cushman & Wakefield which is one of several real estate advisory firms which carries out valuation work for intu. He continues on a limited consultancy basis with Cushman & Wakefield, serving as a member of the International Council of Shopping Centres.

John has in the past provided strategic advice to intu, notably in relation to the Group's entry into Spain, but he has not had any direct involvement in valuation work carried out by Cushman & Wakefield for intu during the three years prior to his appointment.

## Talent development

Talent development is a key focus of the Committee and a comprehensive talent and leadership development programme, including succession planning, has been implemented for senior management across the entire Group. The Committee receives regular update reports regarding progress and remains confident in the future potential of the Group's most promising executives and staff.

## Renewal of Non-Executive appointments

All Directors, other than Neil Sachdev who is stepping down, will submit themselves for election or re-election at the forthcoming annual general meeting in May 2016.

## Training and development

The Chairman, with the assistance of the Nomination and Review Committee, regularly considers the need for Directors to update and expand their skills and knowledge. Training is provided for Non-Executive Directors in the form of presentations at Board meetings, as well as attendance at relevant seminars and courses.

The Board also recognises the need for Directors to keep up to date with relevant legislative and regulatory developments as well as changes to corporate governance best practice and investor expectations. The Company Secretary reports to each Board meeting on these matters, drawing attention to any issues of particular relevance. In addition, the Company Secretary maintains an up-to-date comprehensive schedule summarising legislative and regulatory developments relevant to the Company and rated according to risk/impact on the Group, which is available to the Board and senior management.

**Patrick Burgess**
**Chairman**
26 February 2016

### Induction for new Directors

There is a comprehensive induction programme for new directors which is tailored by the Chairman, in consultation with the Chief Executive and Company Secretary, depending on the type of appointment. The programme ordinarily includes meetings with Board members, senior management and external advisers, as well as a high-level review of all current projects, Board strategy and an in-depth review of the Group's assets. Additional elements are added to the programme on discussion between the Chairman and the individual Director.

Where required, the Company Secretary provides guidance or facilitates the provision of training on Directors' duties under the Companies Act 2006 and on legal, regulatory and governance matters with which the Company, Board and individual Directors must comply.

### Performance evaluation

Every year, the Board conducts an evaluation of the performance of the Board and its Committees. In addition, the Chairman reviews the performance of each Director and the Senior Independent Director oversees the review of the Chairman's performance. The evaluation exercise conducted during 2014 identified three areas requiring attention during 2015. Progress against those areas is shown in the table below:

| Areas identified for attention in 2015 | Action taken |
|---|---|
| **Board succession planning** | Rakhi (Parekh) Goss-Custard and John Strachan were appointed in the year in anticipation of forthcoming retirements from the Board |
| **Enhancing Board communication** | Board members have taken every opportunity to meet, formally or informally, on numerous occasions throughout the year in order to enhance communication and forge stronger relationships. This has included additional centre visits, including to the Group's Spanish centres as further described on page 59 |
| **Risk as a standard agenda item** | The Audit Committee discusses risk as a standard agenda item at each meeting |

### 2015 performance evaluation

The 2015 performance evaluation was conducted by way of an internal questionnaire, with the expectation that the 2016 evaluation will be conducted by an external facilitator. The key points identified in 2015 formed the basis for recommendations which the Board used to establish a specific action plan for 2016. The main areas covered by the action plan are:

- **succession and development planning** – planning for the forthcoming retirement of the Chairman and the Senior Independent Director
- **Nomination and Review Committee** – increase in number of meetings and Board succession as a standard agenda item
- **Board Committees** – review of Board Committees' terms of reference, and in particular a review of the interaction between the Capital Projects Committee and the Board

# Directors' remuneration report

### Members and meetings in 2015

| | Remuneration Committee[1] (6 meetings) A | B |
|---|---|---|
| Louise Patten (Chairman – appointed 9 November 2015) (Independent Non-Executive Director) | 6 | 6 |
| Neil Sachdev (Stepped down as Chairman 9 November 2015) (Independent Non-Executive Director) | 6 | 5 |
| Adèle Anderson (Independent Non-Executive Director) | 6 | 6 |
| Andrew Huntley (with effect from 9 November 2015) (Independent Non-Executive Director) | 1 | 1 |

A = Maximum number of meetings eligible to attend.
B = Number of meetings actually attended.
1 The Committee normally invites the Chairman and the Chief Executive to attend the scheduled meetings. The Chairman attended five of the scheduled meetings in 2015. The Chief Executive attended all of the six scheduled meetings. No individual is present when his or her remuneration is being determined.

### Remuneration governance aligned features

| | |
|---|---|
| Malus provisions for both the annual bonus and the PSP | ✓ |
| Clawback provision for both the annual bonus and the PSP | ✓ |
| Time horizon extending to five years for a portion of the PSP | ✓ |
| Full retrospective disclosure of annual bonus financial targets including minimum and maximum target range | ✓ |

## Dear shareholder

I am pleased to present intu's 2015 Directors' remuneration report to you, which has been prepared by the Remuneration Committee and approved by the Board.

This is my first year as Chairman of the Remuneration Committee and I would like to thank Neil Sachdev for his work as Committee Chairman prior to my appointment. The substantive review of our remuneration arrangements, which Neil oversaw during 2012, was well received by shareholders and we have been pleased to have received a consistently positive response from shareholders to our remuneration approach. This is in large part due to Neil's guidance and hard work during his tenure.

### Results and context of remuneration

intu continues to focus on delivering long-term strategic objectives. In 2015 we have seen benefits from this focus, with the return to positive like-for-like net rental income growth and strong operating metrics that have outperformed national benchmarks. We have also delivered a total shareholder return of 10 per cent and have received excellent customer feedback and improved customer metrics at our newly opened developments. We continue to develop our in-house digital operations and are at the forefront of our sector in terms of digital and customer experience. While achieving these results we have maintained financial headroom throughout the year. Our forward-looking financial strategy is well progressed and we have made significant progress in the Spanish market.

### Remuneration policy

We are not proposing to make any changes to our Directors' remuneration policy this year. Our Directors' remuneration policy, which was approved by shareholders at the 2014 annual general meeting, will continue to apply for a third year. In the interests of succinct reporting we have not reproduced the full policy report. A summary table, setting out an overview of remuneration elements and policy for 2015 is included in the body of the report. The approved policy table is included at the end of this report for ease of reference. The full policy report can be found on our website, intugroup.co.uk. In 2016 we will be

### Key areas of focus and decisions in 2015 and for 2016

The key decisions made in applying our policies in 2015 and for 2016 included the following:

- the Chief Executive's salary will be increased by 3.9 per cent to £587,000, and the Chief Financial Officer's salary by 4 per cent to £463,320. The average salary increase for executive directors was lower than the average increase for other staff in the business
- the annual bonus awarded to the Executive Directors for the year ended 31 December 2015 was 114.4 per cent of salary representing 95.3 per cent of maximum opportunity, based on EPS performance in the year and the achievement of key strategic objectives
- the first tranche of the 2013 PSP award is due to vest at 37.6 per cent, reflecting intu's strong Absolute Total Return (NAV per share plus dividends) over a three-year period
- no changes have been made to the performance measures for the annual bonus and performance share plan
- performance share plan awards of 250 per cent of salary were made to each of the Executive Directors. These will only vest subject to the achievement of stretching Total Shareholder Return (TSR) and Absolute Total Return performance conditions, over three, four and five years
- all incentive awards in respect of 2015 have malus and clawback provisions under which incentive amounts delivered to the Executive Directors may be reclaimed in certain circumstances

undertaking a review of the Policy ahead of submitting it to shareholder vote at the 2017 annual general meeting, as required by regulations. We would consult with shareholders prior to any substantive changes to our policy.

## Alignment with long-term success

The Committee believes that our remuneration philosophy and incentive policy is aligned with the long-term success of the Company. Our long-term incentive plan has time horizons extending to five years, and 50 per cent of our annual bonus is deferred into shares. Performance pay is linked to:

— out-performance of total shareholder return (TSR) against our peers
— delivering absolute total return for our shareholders
— annual EPS performance
— achievement of our strategic initiatives that will build value for the longer term

## Shareholder annual general meeting

The Directors' remuneration report will be put to the shareholder vote at our 2016 AGM and we look forward to receiving your views and support.

**Louise Patten**
**Chairman of the Remuneration Committee**
26 February 2016

### Compliance statement

This is the Directors' remuneration report of the Company which has been produced pursuant to, and in accordance with, the Listing Rules, section 420 of the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended 2013). The Company also complies with the requirements of the UK Corporate Governance Code (the 'Code').

This report contains both auditable and non-auditable information. The information subject to audit is set out in the Directors' remuneration report, in sections marked with §.

A copy of our shareholder-approved Directors' remuneration policy can be found on the Company's website at **intugroup.co.uk/who-we-are/governance/corporate-policies**

## Overview of Executive Director remuneration

An overview of the key remuneration elements in place for Executive Directors is set out below. We have made no changes to the operation of our policy this year.

| Key elements | 2016 – 2020 | Summary of policy | Details of policy for 2016 |
|---|---|---|---|
| **Base salary** | 2016 | — Salaries are reviewed annually and will take into account factors such as: market pay levels for the role, increases for the rest of the Group and individual and Company performance | — Salaries for 2016 are:<br>– David Fischel, Chief Executive: £587,000<br>– Matthew Roberts, Chief Financial Officer: £463,320<br>— This is in line with increases to staff across the business |
| **Pension and benefits** | 2016 | — The Company operates an approved defined contribution pension arrangement, where the contribution is 24 per cent of basic salary. The Chief Executive receives an extra six per cent in recognition of the benefit foregone on the closure of the defined benefit scheme<br>— Benefits include a car allowance (up to £18,000), private medical insurance, life assurance and long-term sickness insurance | |
| **Annual bonus** | 2016; Vesting period 2017–2019 | — Maximum opportunity of 120 per cent of salary<br>— A proportion earned is deferred into intu shares, which vest over two and three years subject to continued employment<br>— At least two-thirds of this award is based on Group financial measures or quantitative key performance measures | — For 2016 performance is based two-thirds on EPS and one-third on strategic and operational objectives. This is the same framework which applied for 2015<br>— 50 per cent of the award deferred into shares |
| **Long-term incentives** | 2016–2018; Vesting period 2019–2020 | — The normal maximum grant size is 250 per cent of salary per annum; however this may be increased to 375 per cent in exceptional circumstances<br>— Awards under the plan vest one-third after each of three, four and five years | — Awards of 250 per cent of salary<br>— For 2016, the awards will be based:<br>– 50 per cent on TSR relative to the top five listed REITs<br>– 50 per cent on Absolute Total Return (NAV per share growth plus dividends)<br>— Targets unchanged from 2015 |
| **Shareholding guidelines** | 2016–2020 | — Executive Directors must build up, over a period of three to five years, a holding with a value equivalent to 200 per cent of salary (Chief Executive) and 150 per cent of salary (Chief Financial Officer) | |

# Directors' remuneration report continued

## Annual remuneration report

This report sets out how the Directors' remuneration policy of the Company has been applied in the year and details of how the Committee intends to apply the policy going forward. In accordance with section 439 of the Companies Act 2006, an advisory shareholder resolution to approve this report will be proposed at the 2016 annual general meeting of the Company. Subsections marked with § have been audited in accordance with the relevant statutory requirements.

**Key responsibilities**
The principal role of the Remuneration Committee is to determine and then agree with the Board the framework and policy for the remuneration of the Chief Executive, the Chief Financial Officer, the Chairman of the Company and such other members of the executive management as it is tasked to consider.

**Key principles of remuneration policy**
The Company's remuneration policy aims to attract, motivate and retain high-calibre executives by rewarding them appropriately with competitive compensation and benefit packages. The policy seeks to align the interests of Executive Directors with the performance of the Company and the interests of its shareholders.

Our incentive arrangements are designed to reward performance on our key performance indicators. Our aim is to focus management on delivering sustainable long-term performance and support the retention of critical talent.

### Total remuneration in 2015 §

The table below sets out the total remuneration received by each Director for the year to 31 December 2015.

| | Salary or fees £000 | | Benefits £000 | | Annual bonus (cash and deferred shares) £000 | | Long-term incentive (PSP) £000 | | Pension £000 | | Total remuneration £000 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **Executive** | | | | | | | | | | | | |
| David Fischel | **560** | 545 | **20** | 20 | **646** | 425 | **259** | – | **168** | 164 | **1,653** | 1, 154 |
| Matthew Roberts | **442** | 427 | **20** | 20 | **510** | 327 | **199** | – | **106** | 103 | **1,277** | 877 |
| **Chairman** | | | | | | | | | | | | |
| Patrick Burgess | **407** | 400 | **8** | 7 | **–** | – | **–** | – | **–** | – | **415** | 407 |
| **Independent Non-Executive** | | | | | | | | | | | | |
| Adèle Anderson | **78** | 76 | **–** | – | **–** | – | **–** | – | **–** | – | **78** | 76 |
| Andrew Huntley | **79** | 77 | **–** | – | **–** | – | **–** | – | **–** | – | **79** | 77 |
| Louise Patten | **70** | 66 | **–** | – | **–** | – | **–** | – | **–** | – | **70** | 66 |
| Neil Sachdev | **91** | 89 | **–** | – | **–** | – | **–** | – | **–** | – | **91** | 89 |
| Andrew Strang | **63** | 61 | **–** | – | **–** | – | **–** | – | **–** | – | **63** | 61 |
| Rakhi (Parekh) Goss-Custard (appointed 7 October 2015) | **15** | – | **–** | – | **–** | – | **–** | – | **–** | – | **15** | – |
| John Strachan (appointed 7 October 2015) | **14** | – | **–** | – | **–** | – | **–** | – | **–** | – | **14** | – |
| **Other Non-Executive** | | | | | | | | | | | | |
| Richard Gordon | **58** | 56 | **–** | – | **–** | – | **–** | – | **–** | – | **58** | 56 |
| John Whittaker[1] | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| **Total** | **1,877** | 1,797 | **48** | 47 | **1,156** | 752 | **458** | – | **274** | 267 | **3,813** | 2,863 |

1 John Whittaker did not receive any remuneration in 2015 or 2014 in connection with his position as Deputy Chairman and Non-Executive Director of the Company. A management fee of £207,500 was paid to Peel Management Limited for the provision by Peel of management and advisory services, as further described on page 89.

The figures have been calculated as follows:
— Base salary: amount earned for the year.
— Benefits: the taxable value of annual benefits received in the year. The main benefits are life assurance, long-term sickness insurance, private healthcare and company car cash allowance. The value of the company car cash allowance is £18,000.
— Pension: the value of the Company's contribution during the year (30 per cent salary supplement in lieu of contributions for the Chief Executive, 24 per cent SIPP contribution, part taken as a salary supplement in lieu of SIPP contributions, for the Chief Financial Officer).
— Annual bonus (cash and deferred): the value at grant of the annual incentive payable for performance over 2015.
— PSP: awards made in 2013, one third subject to each of three-, four- and five-year performance periods. The amount shown is the amount due to vest in respect of the first tranche, with a three-year performance period to 31 December 2015 and calculated using a three month average share price of £3.28. Further information regarding the vesting can be found on page 83.

## Performance out-turns and incentives

### Annual bonus §

The maximum award for both the Chief Executive and Chief Financial Officer in 2015 was 120 per cent of salary, of which 50 per cent is deferred for two and three years. This will remain unchanged for 2016.

Annual bonus payments are based on pre-determined performance measures. Two-thirds is based on adjusted EPS performance in the year, split evenly between performance versus budget and prior year figures. The overall structure ensures that the maximum EPS related bonus is only achievable if management deliver both the Board's expectations for the year and if there is an increase in EPS on the prior year.

The remaining third is based on achievement of strategic and operational objectives against a scorecard of measures. The Remuneration Committee considers the objectives carefully each year to align with intu's strategic objectives, and include quantitatively assessed financial and operational measures and milestones. Each objective relates directly to the strategic plan. Under the scorecard approach, the weightings of each objective vary between Executive Directors to reflect their roles and responsibilities. For 2016, the scorecard will include objectives in the following key areas:

— optimising assets
— key capital expenditure projects
— building the intu brand and delivering customer experience
— maximising the growth opportunities internationally
— financial flexibility
— talent development and staff engagement.

### Annual bonus – 2015 out-turn §

Performance against the targets for the 2015 short-term incentive arrangements is given below. As in previous years, full retrospective disclosure of financial targets is provided.

| | | Target | | | | |
|---|---|---|---|---|---|---|
| Performance element | Weighting | Threshold | Target | Maximum | 2015 performance | Out-turn (% max element) |
| Adjusted EPS vs. budget | 33% | 12.5p | 13.2p | 13.9p | 14.2p | 100% |
| Adjusted EPS vs. prior year | 33% | 100% | 102.5% | 105% | 106.8% | 100% |

| | | | David Fischel | Matthew Roberts |
|---|---|---|---|---|
| Scorecard of strategic and operational measures | 33% | See details of scorecard achievements | 86% | 86% |
| **Total** | | | 95.3% | 95.3% |

The strategic objectives in the annual bonus are a key part of the remuneration framework for incentivising and rewarding achievements and milestones which are the foundation for value creation in the future. The Committee follows a rigorous process in the setting and monitoring of scorecard objectives and then exercises judgement in assessing performance in the key areas selected. This includes determination of objectives by reference to the approved Board strategy, quarterly reviews of quantitative and qualitative data, and an end of year full review with supporting evidence, to ensure a robust assessment of performance against the objectives.

# Directors' remuneration report continued

For 2015, the scorecard weightings and out-turns were as follows:

| Scorecard (Including specific objectives under each area of focus) | Weighting David Fischel | Weighting Matthew Roberts | Summary achievement against objectives |
|---|---|---|---|
| Optimising performance of existing assets | 25% | 20% | — Delivery of key strategic priorities, including year-on-year improvement in net rental income in 2015<br>— Material outperformance of IPD index and other industry benchmarks<br>— Strong regional and centre specific strategic delivery, together with active management initiatives, contributing to strong pan-portfolio performance in UK and Spain<br>UPPER QUARTILE ACHIEVEMENT |
| Progress on key capital expenditure projects | 20% | 20% | — Good progress with existing centre developments, with construction phases at both intu Victoria Centre, Nottingham (restaurants and reconfigurations) and intu Potteries, Stoke-on-Trent (cinema and restaurants) completed to schedule<br>— Renovation projects commenced at intu Bromley, intu Eldon Square and intu Metrocentre<br>— Improvements to forecast returns, including yields, for extensions and renovated centres through construction phases<br>— Achievement of planning and pre-construction milestones for Charter Place redevelopment at intu Watford, commencing construction in early 2016 and supported by exchange for anchor tenancy with Debenhams; planning progress made for extension at intu Broadmarsh, Nottingham, on track to commence construction in 2017<br>UPPER QUARTILE ACHIEVEMENT |
| Branding and customer relationships | 20% | 15% | — Significant outperformance across net promoter score performance measures and targets in year, following introduction in 2014<br>— Clear improvement against new 'Baseline Spontaneous Awareness' metric<br>— Continued integration of digital offering, including further strengthening of online, wifi and mobile infrastructure and content in accordance with digital strategy<br>— Strong performance by digital operations against financial budget and traffic KPI measures<br>UPPER QUARTILE ACHIEVEMENT |
| Financial flexibility | 10% | 20% | — Maintained financial flexibility throughout 2015, exceeding the Board's minimum headroom threshold throughout year<br>— Centre-specific refinancing projects successfully delivered<br>— Financing strategy for 2016 and subsequent years well progressed, in particular for newly acquired Spanish centres and development pipeline<br>MAXIMUM ACHIEVEMENT |
| International growth opportunity | 15% | 15% | — Spanish centres both delivering net rental income improvements, and valuation uplifts in excess of forecast at acquisition<br>— Acquisition and integration of Puerto Venecia, Zaragoza delivered, with strategic joint venture with existing partner CPPIB agreed in June<br>— Planning approval for intu Costa del Sol advancing well, with regional government approval anticipated in 2016<br>UPPER QUARTILE ACHIEVEMENT |
| Talent development and staff engagement | 10% | 10% | — Strong improvement in employee satisfaction, by 23 points to 769 (2014: 747)<br>— 'Second tier' talent management initiative delivered to support the leadership development program commenced in 2014<br>— Phased introduction of enhanced leadership training modules<br>UPPER QUARTILE ACHIEVEMENT |

The resulting total short-term incentive payouts for David Fischel and Matthew Roberts in respect of 2015 were 114.4 per cent and 114.4 per cent of salary (95.3 per cent and 95.3 per cent of maximum opportunity), respectively.

**Deferral into shares**

50 per cent of the 2015 short-term incentive for both David Fischel and Matthew Roberts was deferred into shares of the Company.

Executive Directors must remain in employment with the Company for a period of two years (half of award) and three years (half of award) after the date of award before such shares are released.

## Long-term incentives §

**Awards with performance periods ending in the year – Performance Share Plan (PSP)**

The LTIP awards shown in the single figure relate to the first tranche of the 2013 PSP awards which is due to vest in May 2016. The second and third tranches of this award are due to vest in May 2017 and May 2018 respectively.

The performance condition was as follows:

- half of awards vest by reference to TSR relative to the top-five UK-listed REITs with 25 per cent minimum vesting for TSR in line with the third-ranked company; vesting of 60 per cent for TSR in line with the second-ranked company; full vesting for TSR in line with the top-ranked company; and straight line vesting between points, proportionate to TSR achieved. This portion is also subject to a committee-operated discretionary assessment of underlying financial performance
- half of the awards vest by reference to Absolute Total Return (NAV growth per share plus dividends) with 25 per cent minimum vesting for 6 per cent per annum; full vesting for 10 per cent per annum; straight-line vesting in between). Awards will lapse for growth of less than 6 per cent per annum

Over the three-year period to 31 December 2015:

- intu's TSR was ranked 6th against the comparator group resulting in 0 per cent vesting for this element of the tranche.

- Absolute Total Return was 8.7 per cent per annum resulting in 75.3 per cent vesting for this element of the tranche.

Based on the above performance the Remuneration Committee has determined that 37.6 per cent of the first tranche of the 2013 PSP awards will vest in May 2016.

**Awards granted during the year §**

This table summarises awards granted during the year in March 2015:

| | | Face value of 2015 award* | | % vesting | Performance period end | | |
|---|---|---|---|---|---|---|---|
| Individual | Type of interest | £ | % of salary | at threshold | 3 years | 4 years | 5 years |
| David Fischel | PSP** (nil cost options) | 1,364,000 | 250% | 25% | 31 December 2017 | 31 December 2018 | 31 December 2019 |
| Matthew Roberts | | 1,075,000 | 250% | 25% | 31 December 2017 | 31 December 2018 | 31 December 2019 |
| David Fischel | Deferred bonus award (restricted shares) | 213,000 | 38.3% | | | | |
| Matthew Roberts | | 169,000 | 38.3% | | | | |

* Face value calculated using an average share price at date of grant of £3.49 for the PSP and £3.49 for the Deferred Bonus Award.

** Vesting of awards is based 50 per cent on relative TSR and 50 per cent on Absolute Total Return (NAV growth per share plus dividends) performance, with targets equivalent to the 2016 award.

# Directors' remuneration report continued

**Awards for 2016**
Awards for 2016 will be 250 per cent of salary.

Awards under the plan vest one-third after each of three, four and five years.

A summary of the applicable targets are as follows:

| | Absolute Total Return (NAV growth per share plus dividends) (50% of award) | Total Shareholder Return relative to top-five UK-listed REITs (50% of award) |
|---|---|---|
| Minimum vesting (25% of element vesting) | 6 per cent per annum | TSR in line with the third-ranked company |
| Full vesting (100% of element vesting) | 10 per cent per annum | TSR in line with the top-ranked company |
| | Straight line vesting between points | Straight line vesting between points, proportionate to TSR achieved, with 60% vesting for TSR in line with the second-ranked company. Subject to a Committee-operated discretionary assessment of underlying financial performance |

## Malus and clawback
Shares awarded under the deferred bonus plan and the performance share plan are subject to malus provisions. The Committee may apply malus at its discretion in circumstances including (but not limited to):

- a material misstatement of the Company's audited financial results
- a material failure of risk management by the Company, any Group company or business unit
- a material breach of any applicable health and safety or environmental regulations by the Company, any Group company or business unit
- serious reputational damage to the Company, any Group company or business unit
- serious misconduct of the individual

The annual bonus and the performance share plan (PSP) are also subject to clawback provisions. The Committee may at its discretion seek to apply clawback in circumstances of:

- a material misstatement of the Company's audited financial results where the individual is responsible or accountable (and where Executive Directors would always be deemed to have management responsibility)
- serious misconduct of the individual

Clawback provisions may be applied up to two years following the determination of the annual incentive and up to one further year following vesting for awards under the performance share plan. Taking into account the three, four and five year vesting timescales, this means that PSP awards may be reclaimed for up to four, five and six years, respectively, from the date of award.

## Other share scheme information
The Company operates an employee share ownership plan ('ESOP') which has in the past used funds provided to purchase shares required under the annual bonus scheme.

The Company operates a share incentive plan ('SIP') for all eligible employees, including Executive Directors, who may receive up to £3,600 worth of shares as part of their annual bonus arrangements. As part of the SIP arrangements, the Company offers eligible employees the opportunity to participate in a 'partnership' share scheme, the terms of which are governed by HM Revenue & Customs regulations.

## Season ticket loan

All employees of the Group are entitled to an interest-free travel season ticket loan which is repaid over the year via deductions from salary. Neither David Fischel nor Matthew Roberts received a season ticket or other loan from the Group during 2015.

## Chief Executive pay increase in relation to all employees

The table below sets out details of the percentage change in salary, benefits and annual bonus for Chief Executive and wider employee comparator group. For these purposes, head office employees (who have been in employment over both periods) have been used as a comparator group as this is considered to be a reasonable, practical sub-set of the all-employee population.

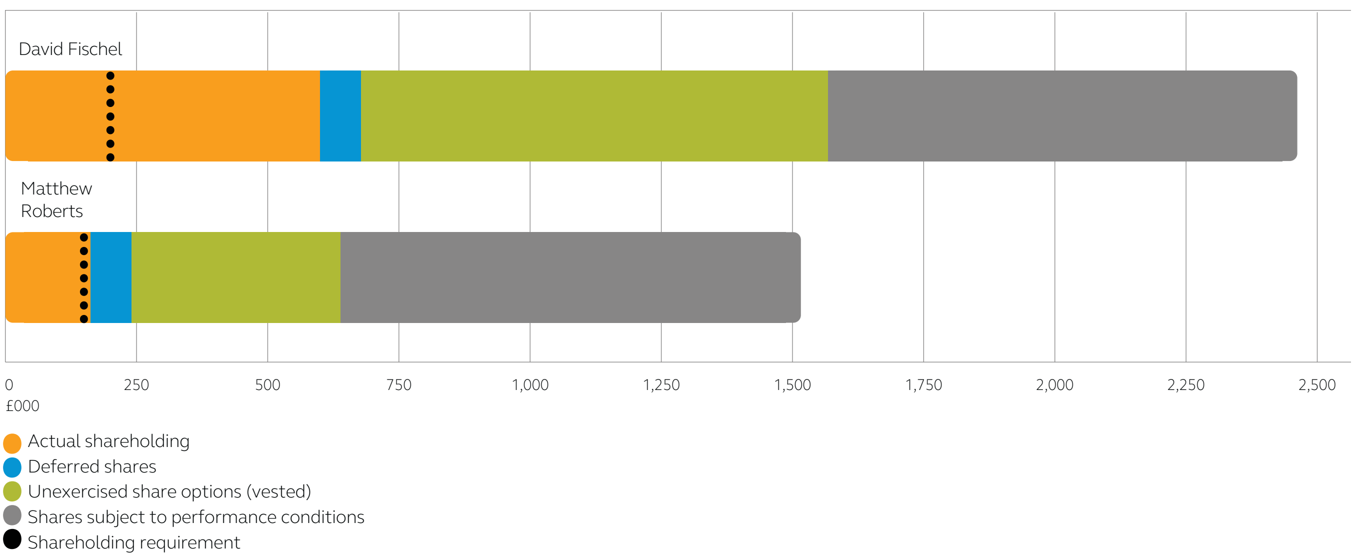
| | Percentage change in remuneration from 31 December 2014 to 31 December 2015 | | |
|---|---|---|---|
| | Percentage change in base salary | Percentage change in benefits | Percentage change in annual bonus |
| Chief Executive | 3.6% | (0.7)% | 51.9% |
| Head office employees | 5.7% | 0.7% | 33.6% |

## Shareholding and share interests §

Executive Directors must build up, over a period of three to five years, a holding of intu shares with a value equivalent to 200 per cent of salary (David Fischel) and 150 per cent of salary (Matthew Roberts). This requirement has been effective from 1 January 2013.

The graph below illustrates the shareholdings of the Executive Directors as a percentage of salary. Note that only actual holdings count towards the shareholding requirements. Shares subject to deferral and/or performance conditions have also been shown for reference.

Shareholding of intu ordinary shares as at 31 December 2015 (% of salary)*




* Value of shareholding calculated based on 12 month average share price to 31 December 2015.

As shown above, both David Fischel and Matthew Roberts have exceeded their shareholding requirements.

# Directors' remuneration report continued

The table below sets out the Directors' interests in shares as at 31 December 2015.

| | Number of shares owned (including connected persons) | | Unvested awards: Conditional shares not subject to performance conditions | | Unvested awards | | Vested awards | | |
|---|---|---|---|---|---|---|---|---|---|
| | Held in own name | Held in SIP trust for > 5 years | Deferred Shares | Held in SIP trust for < 5 years | PSP subject to performance conditions[1] | Options subject to performance conditions | Unexercised unapproved options[2] | Unexercised approved options | Options exercised in the year[3] |
| **Executive** | | | | | | | | | |
| David Fischel | 993,534 | 5,963 | 120,206 | 10,273 | 1,488,342 | – | 1,469,021 | 12,906 | 1,469,021 |
| Matthew Roberts | 213,133 | – | 95,364 | 8,384 | 1,152,390 | – | 511,339 | 11,203 | 511,339 |

1 PSP awards held as fixed-value zero-cost options and jointly owned shares.
2 Held as jointly owned shares. The outstanding options represent the unexercised element of the jointly owned shares portion of the 2009 unapproved options.
3 On 9 March 2015, David Fischel exercised capped options granted in 2009 and 2010 and Matthew Roberts exercised capped options granted in 2010. These capped options formed part of the jointly owned shares arrangement.
4 Outstanding share awards were adjusted as a result of the 25 April 2014 rights issue.
5 No changes in the interests of Directors have occurred between 31 December 2015 and 26 February 2016.

**Vested**

2009 ESOS awards — Awards of market value share options, with an exercise price of 232.41 pence. These awards became exercisable on 28 February 2013 and may be exercised until 28 May 2019.

2010 ESOS awards — Awards of market value share options, with an exercise price of 267.75 pence. These awards became exercisable on 26 May 2013 and may be exercised until 26 May 2020.

**Unvested**

2013 PSP award — Awards of performance shares, granted on 21 May 2013. Vesting is based on TSR (relative to the top five UK-listed REITs) and Absolute Total Return performance (ranging from 6 per cent pa to 10 per cent pa), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 21 May 2023.

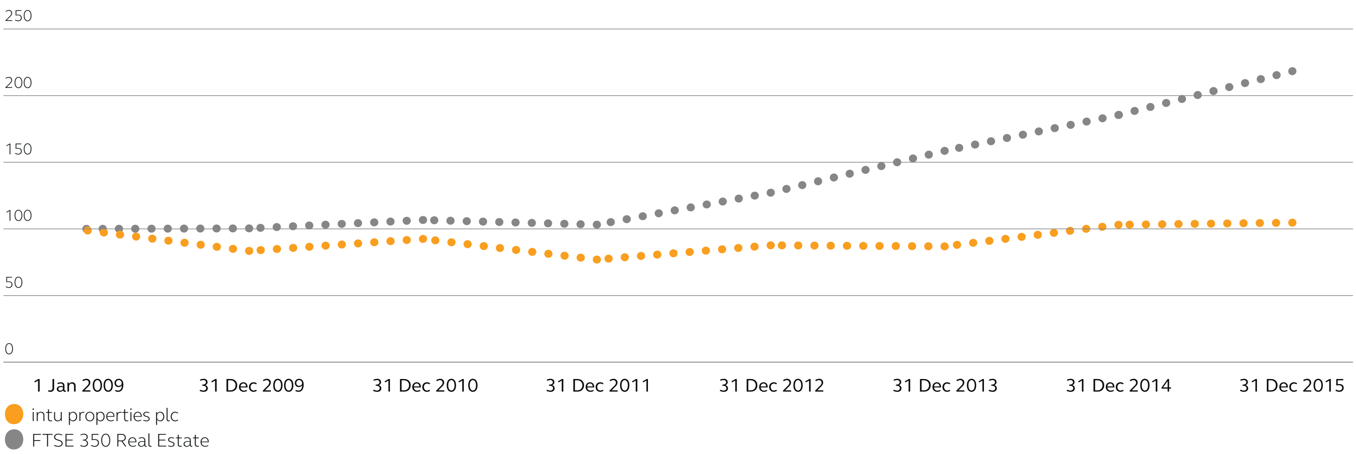
2014 PSP award — Awards of performance shares, granted on 12 May 2014. Vesting is based on TSR (relative to the top five UK-listed REITs) and Absolute Total Return performance (ranging from 6 per cent pa to 10 per cent pa), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 12 May 2024.

2015 PSP award — Awards of performance shares, granted on 11 March 2015. Vesting is based on TSR (relative to the top five UK-listed REITs) and Absolute Total Return performance (ranging from 6 per cent pa to 10 per cent pa), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 11 March 2025.

## Seven-year TSR chart

The following graph shows the Total Shareholder Return (TSR) for intu properties plc over the seven-year period ended 31 December 2015, compared with our closest comparator group for this purpose, the FTSE 350 Real Estate. TSR is defined as share price growth plus reinvested dividends.

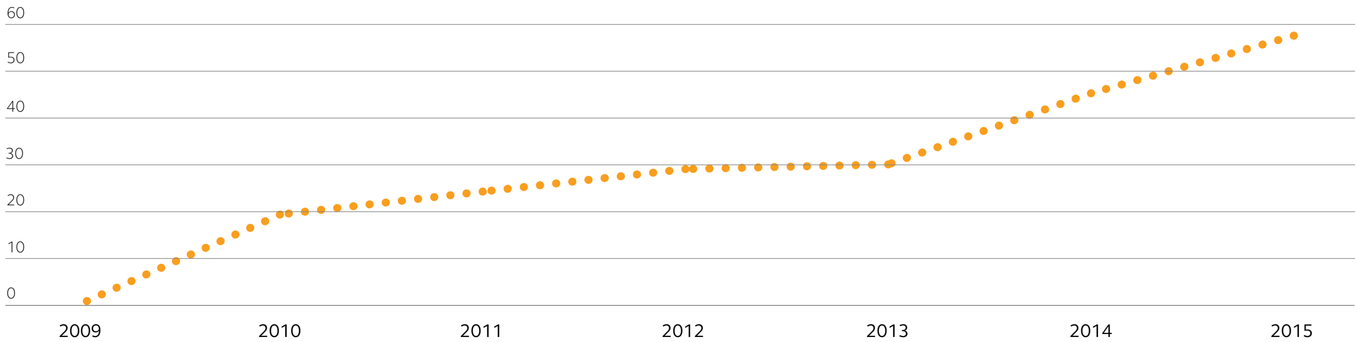
Seven-year Total Shareholder Return (TSR) performance



UK real estate is a cyclical sector. Since 2009, a key driver for growth in value within the UK real estate market has been exposure to central London properties. As a result of the demerger of Capital & Counties from Liberty International (now intu properties plc) in 2010, intu's portfolio does not include properties in central London and intu has therefore not benefited from the recent uplift experienced by those property companies with exposure to London. However, given the cyclical nature of the property sector, we would not expect this trend to endure over the long-term cycle.

For additional context, the following graph shows the Absolute Total Return (NAV growth plus dividends).

Absolute Total Return (cumulative) (%)




## Chief Executive remuneration history

The table below sets out historical details of Chief Executive pay.

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | **2015** |
|---|---|---|---|---|---|---|---|
| CEO single figure of total remuneration | £1,044k | £1,350k | £1,275k | £1,810k | £1,081k | £1,154k | **£1,653k** |
| Annual bonus payout (% maximum) | 50% | 100% | 83% | 70% | 55% | 65% | **95.3%** |
| Long-term incentive plan vesting in year (% maximum) | 0% | 0% | 0% | 100% | 0% | 0% | **37.6%** |

## Shareholder context

The table below shows the advisory vote on the 2014 Directors' remuneration report at the 2015 AGM. It is the Committee's policy to consult with major shareholders prior to any major changes, and to maintain an ongoing dialogue on executive remuneration matters.

| | For | Against | Abstentions |
|---|---|---|---|
| 2014 Annual Remuneration Report | 91.36% | 8.64% | 0.6m |

## Additional disclosures

### Other directorships

Executive Directors are not generally encouraged to hold external directorships unless the Chairman determines that such appointment is in the Group's interest and does not cause any conflict of interest. Where such appointments are approved and held, it is a matter for the Chairman to agree whether fees paid in respect of the appointment are retained by the individual or paid to the Company.

During 2015, David Fischel held three external directorships. His principal external appointments were with Equity One, Inc. and Prozone Intu Properties Limited. Equity One, Inc. is a US real estate investment trust with which intu operated a US venture controlled by Equity One until 19 January 2016 and at this point David Fischel stepped down as a Non-Executive Director. Prozone Intu Properties Limited is an Indian shopping centre owner and developer in which intu has a 33 per cent interest.

David Fischel also holds an external appointment as a Non-Executive Director of Marlowe Investments (Kent) Limited, a UK private company which relates to his family affairs and does not require any significant time commitment and does not conflict in any way with his role as Chief Executive of intu.

During 2015, David Fischel did not receive a fee in respect of his appointment as a Non-Executive Director of Prozone Intu Properties Limited. He received a fee of $65,500 in respect of his directorship of Equity One, Inc. He retained the fees paid in respect of his appointment with the Board's consent. In addition to his fee, restricted stock in Equity One, Inc. awarded to David Fischel vested during the year with a value on vesting of $95,253. He also received and retained a fee of £5,000 in respect of his non-executive directorship of Marlowe Investments (Kent) Limited.

# Directors' remuneration report continued

### Payments to former Directors §

A life presidency fee of £150,000 per annum (2014: £150,000) was paid to Sir Donald Gordon, the Group's Life President and former Chairman who founded the Company in 1980. The life presidency fee was agreed by the Board at the time of his retirement in June 2005 in recognition of his outstanding contribution to the Group. The payment is payable for the remainder of Sir Donald's life and is secured by deed.

### Payments for loss of office §

There were no payments for loss of office made to Directors in the year.

### Alternate Directors §

Steven Underwood and Raymond Fine serve as Alternate Directors to John Whittaker and Richard Gordon respectively. Neither Steven Underwood nor Raymond Fine received any fees in 2015 in respect of their appointment as Alternate Directors. Raymond Fine received a fee of £164,864 in respect of consultancy services provided to the Company in connection with South African tax and shareholder issues (particularly in respect of South African dividends tax), liaison with the Gordon Family and other related matters.

## Service contracts

Executive Directors and the Chairman have rolling service contracts which are terminable on 12 months' notice on either side.

All Non-Executive Directors have been appointed under letters of appointment on fixed terms of two or three years, subject to renewal thereafter. Richard Gordon is deemed to have served for more than nine years and is now subject to a one-year term. All are subject to annual re-election by shareholders.

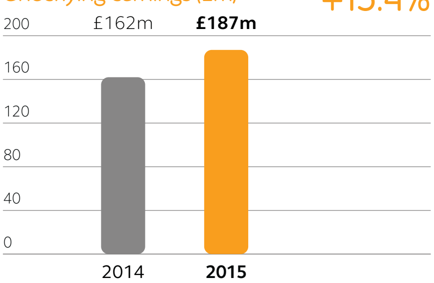
| | Notice period |
|---|---|
| David Fischel | 12 months |
| Matthew Roberts | 12 months |
| Patrick Burgess | 12 months |
| | Contract term expires |
| Adèle Anderson | 2016 AGM |
| Richard Gordon | 2016 AGM |
| Andrew Huntley | 2017 AGM |
| Rakhi (Parekh) Goss-Custard* | 2019 AGM |
| Louise Patten | 2017 AGM |
| Neil Sachdev | 2016 AGM |
| John Strachan* | 2019 AGM |
| Andrew Strang | 2018 AGM |
| John Whittaker | 2017 AGM |

* Newly appointed directors, terms subject to election at 2016 annual general meeting.

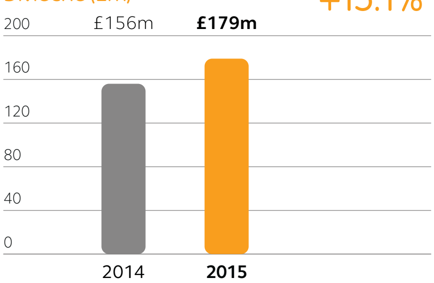
## Distribution statement

The table below shows the percentage change in underlying earnings, dividends, and total employee compensation spend from the financial year ended 31 December 2014 to the financial year ended 31 December 2015.

Underlying earnings (£m) +15.4%

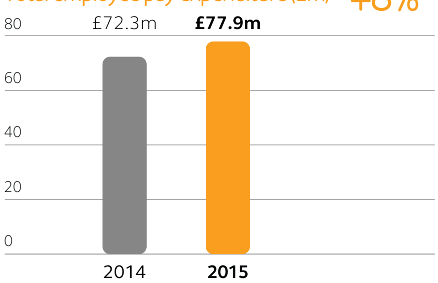



Dividend (£m) +15.1%*




* Increase due to issued share capital. Dividend per share was £0.14 (2014: £0.14).

Total employee pay expenditure (£m) +8%**




** 2014 includes full year impact of intu Retail Services for first time. Average increase in staff salaries for 2015 was 5.7 per cent.

The Group employed an average number of staff of 2,446 during the financial year to 31 December 2015 (2014: 2,177).

### Chairman and Non-Executive Director fees for 2016 §

The Chairman receives a fee of £410,000 per annum.

The basic Non-Executive Director fee is £59,000 per annum. The Senior Independent Director receives an additional fee of £10,000 per annum. Committee Chairmen receive £15,000 per annum, and Committee members receive £5,000 per annum. Fees were last increased in April 2015 and will remain unchanged in 2016.

John Whittaker does not receive a fee in respect of his position as Deputy Chairman and Non-Executive Director. The Board has authorised the payment of a management fee of £210,000 per annum to Peel Management Limited for the provision by Peel of a Non-Executive Director and an Alternate Director and other management and advisory services, together with reasonable costs and out-of-pocket expenses. The management fee was last reviewed and increased with effect from April 2015. It is anticipated that the agreement will be renewed annually thereafter by agreement between the parties. This payment is disclosed in the related party transactions note on page 153.

### Remuneration Committee membership in 2015

The principal responsibilities of the Committee, which take full account of the recommendations contained within the Code, include:

- determining the remuneration policy for the Company's Executive Directors and senior executives
- determining individual remuneration packages for the Chairman, Executive Directors and senior executives
- setting appropriately stretching and achievable targets for the Company's incentive schemes in order to motivate executives to deliver high levels of performance in the interests of our shareholders, customers and employees
- overseeing any significant changes to remuneration policy for the wider employee population

The full duties and responsibilities are set out in the terms of reference of the Committee which are available on the Company's website.

The Remuneration Committee currently comprises four independent Non-Executive Directors. Throughout the year the Committee consisted of Neil Sachdev, Louise Patten, Adèle Anderson and Andrew Huntley (who joined the Committee in November 2015). During the year Louise Patten took over from Neil Sachdev as the Remuneration Committee Chairman. Neil Sachdev will not be seeking re-election at the May 2016 AGM.

The Chairman, Chief Executive, Company Secretary, HR Director and on occasion Chief Financial Officer are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is present when his or her remuneration is being determined.

The Remuneration Committee met a total of six times in 2015, including four scheduled meetings and two additional drafting meetings. A summary of attendance at each scheduled meeting is set out on page 78.

### Advisers to the Committee

Deloitte LLP was appointed as the Committee's independent remuneration adviser in October 2013, following a competitive tender process.

During the year, Deloitte provided advice on remuneration governance developments, corporate reporting and investor engagement, market data and other remuneration matters that materially assisted the Committee. Representatives also attended Committee meetings during the year. The fees paid to Deloitte in respect of this work in 2015 totalled £75,750.

During the year Deloitte also provided to the Group tax compliance services, share scheme advice and financial advisory planning services in relation to intu Trafford Centre and intu Milton Keynes.

Deloitte is a founding member of the Remuneration Consultants Group, and adheres to its code of conduct. Deloitte was appointed directly by the Committee and the Committee is satisfied that the advice received was objective and independent.

The Committee also makes use of various published surveys to help determine appropriate remuneration levels.

On behalf of the Board

**Louise Patten**
**Chairman of the Remuneration Committee**
26 February 2016

# Directors' remuneration report continued

**Appendix: Policy table extract from the Directors' remuneration policy approved by shareholders on 8 May 2014.**
A full copy of our Directors' remuneration policy, binding for three years from May 2014, is included in the 2013 annual report (starting on page 83), which can be found on the Company's website, at intugroup.co.uk/investors/reports-presentations/annual-report-2013/. The Directors' remuneration policy was approved by 99.77 per cent of share holders at the 2014 annual general meeting.

| Element and link to strategy | Operation | Maximum potential value | Performance metrics |
|---|---|---|---|
| **Executive Directors** | | | |
| **Base salary**<br>To provide an appropriately competitive level of base pay to attract and retain talent. | Reviewed annually.<br>Salary levels take account of:<br>— size and nature of the responsibilities of each role<br>— market pay levels for the role<br>— increases for the rest of the Group<br>— the executive's experience<br>— changes to the size and complexity of the Group<br>— implications for total remuneration<br>— overall affordability<br>— individual and Company performance<br>The Committee may award an out-of-cycle increase if it considers it appropriate. | Base salary increases may be applied, taking into account the factors considered as part of the annual review. There is no maximum increase or opportunity.<br>For new appointments salaries may be set at a lower level. In such cases, there may be scope for higher than usual salary increases in the first three years as the individual progresses in the role. | None. |
| **Pension**<br>To help provide for an appropriate retirement benefit. | The Company operates an approved defined contribution pension arrangement.<br>A cash alternative may be offered in certain circumstances, for example where HMRC statutory limits have been reached. | Company pension contribution is 24 per cent of base salary.<br>The Chief Executive receives an additional 6 per cent of salary in recognition of the additional value of the benefit foregone on the closure of the defined benefit scheme. This amount was actuarially determined to be cost-neutral to the Company. | None. |
| **Other benefits**<br>To provide an appropriately competitive level of benefits. | Benefits include a car allowance, private medical insurance, life assurance and long-term sickness insurance. Other benefits may be provided if the Committee considers it appropriate.<br>In the event that an Executive Director is required by the Group to relocate, benefits may include, but are not limited to, relocation allowance and housing allowance. | Car allowance of up to £18,000 per annum.<br>The cost of insurance benefits may vary from year to year depending on the individual's circumstances.<br>There is no overall maximum benefit value but the Committee aims to ensure that the total value of benefits remains proportionate. | None. |
| **Short-term incentive**<br>To align annual reward with annual performance and to support retention and alignment with shareholders' interests through significant deferral of bonus into shares. | intu operates a short-term incentive arrangement with a maximum individual opportunity.<br>A proportion of any earned bonus is normally deferred in intu shares, vesting over two years and three years, subject to continued employment.<br>The Committee awards dividend equivalents in respect of dividends over the deferral period which may assume reinvestment on a cumulative basis.<br>The Committee has discretion to apply malus to unvested deferred bonus awards in certain circumstances including if there is a material misstatement in the annual financial statements or a material failure of risk management. | Maximum annual opportunity of 120 per cent of salary. | Executives' performance is measured relative to targets in key financial, operational and strategic objectives in the year.<br>The measures selected and their weightings vary each year according to the strategic priorities, however at least two thirds will be based on Group financial measures or quantitative reported key performance indicators.<br>Entry award level for financial measures is normally between 0 and 25 per cent of maximum. |

| Element and link to strategy | Operation | Maximum potential value | Performance metrics |
|---|---|---|---|
| **Executive Directors (continued)** | | | |
| **Long-term incentives**<br>To reward good long-term decisions which help grow the value of intu over a three to five-year horizon and support the retention of critical executives. | intu operates a performance share plan ('PSP'), which was approved by shareholders at the 2013 AGM.<br>Grants are made to eligible employees at the discretion of the Committee.<br>Awards can be made as performance shares, nil-cost options or jointly owned equity, and vest one third, one third, one third after three, four and five years respectively.<br>The Committee awards dividend equivalents in respect of dividends over the vesting period, which may assume reinvestment on a cumulative basis.<br>The Committee has discretion to apply malus to unvested awards in certain circumstances including if there is a material misstatement in the annual financial statements or a material failure of risk management by the Company. | Normal maximum grant size of 250 per cent of salary per annum.<br>In exceptional circumstances opportunity of up to 375 per cent of salary. To ensure that participants were not unduly disadvantaged as a result of the move towards longer time horizons, the first award under the plan had an opportunity of 375 per cent. | Long-term incentive performance conditions are reviewed on an annual basis, and are chosen to be aligned with the long-term success of the business.<br>The intention is that measures will be one or more of TSR, total return/NAV growth, EPS growth, relative total property return or return on capital.<br>For 2014, awards will be based:<br>— 50 per cent on relative TSR<br>— 50 per cent on total return (NAV growth plus dividends)<br>If the Committee considers that the level of vesting based on the extent to which the performance conditions have been satisfied is not a fair reflection of underlying financial performance, the Committee may adjust the level of vesting (upwards or downwards) accordingly. For the current performance measures this applies to the TSR portion only.<br>Entry vesting is 25 per cent of maximum. |
| **All employee share plans**<br>To align interests of employees with Company performance. | Executive Directors may participate in the HMRC-approved share incentive plan (SIP) on the same basis as all employees. | Participants can contribute up to the relevant HMRC limit. | None. |
| **Non-Executive Directors** | | | |
| **Fees**<br>To remunerate Non-Executive Directors | **Independent Non-Executive Directors**<br>The Chairman's fees are determined by the Remuneration Committee.<br>The Non-Executive Directors' fees are determined by the Board.<br>The level of fees takes into account the time commitment, responsibilities, market levels and the skills and experience required.<br>Non-Executive Directors normally receive a basic fee and an additional fee for specific Board responsibilities, including membership and chairmanship of committees.<br>The Chairman is entitled to receive certain benefits in addition to fees as detailed on page 87 of the 2013 annual report.<br>Additional fees may be paid to Non-Executive Directors on a per diem basis to reflect increased time commitment in certain limited circumstances.<br>Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the expenses. | | None. |
| | **Other Non-Executive Directors**<br>In addition to the above, in certain circumstances Non-Executive Directors. (other than those deemed to be independent) may receive a fee in relation to consultancy services (including alternate Directors).<br>Such fees may be provided directly to the Director or, in certain circumstances, paid to a third-party company under a consultancy services agreement. Such agreements may provide for the payment of an annual fee and reimbursement of expenses.<br>Such an agreement is currently in place with the Peel Group for the provision of non-executive director services (including alternative director services). | | None. |

# Directors' report

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 December 2015. Pages 2 to 93 inclusive of this annual report comprise the Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report will be subject to the limitations and restrictions provided by such law.

## Use of financial Instruments

The financial review on pages 46 to 51, accounting policies on pages 109 to 113 and note 35 on pages 136 to 141 contain information on the use of financial instruments.

## Dividends

The Directors declared an interim ordinary dividend of 4.6 pence (2014: 4.6 pence) per share on 30 July 2015, which was paid on 24 November 2015, and have recommended a final ordinary dividend of 9.1 pence per share (2014: 9.1 pence).

## Share capital and control of the Company

Details of the Company's share capital including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares are set out in note 37 on pages 142 and 143.

No shareholder holds securities carrying special rights with regard to control of the Company. Shares held by the Company's employee share ownership plan rank pari passu with the shares in issue and have no special rights, but voting rights and rights of acceptance of any offer relating to the shares rest with the plan's Trustee and are not exercisable by the employees. There are no restrictions on voting rights or any arrangements by which, with the Company's co-operation, financial rights are held by a person other than the shareholder, or any agreements between shareholders known to the Company which may result in restrictions on the transfer of shares or on voting rights.

Under a £600 million revolving-facility agreement dated 25 February 2009 (as amended and restated on 19 February 2010, 18 November 2011, and 30 October 2014) between, among others, the Company and HSBC Bank PLC (as 'Agent')on a change of control, if directed by a lender, the Agent may by notice to the Company cancel the commitment of that lender and declare the participation of that lender in all outstanding loans, together with accrued interest and all other amounts accrued and owing to that lender under the finance documents, immediately due and payable.

Under the terms and conditions of the £300 million 2.5 per cent Guaranteed Convertible Bonds issued on 4 October 2012 by Intu (Jersey) Limited (the 'Issuer') and guaranteed by the Company, on a change of control of the Company bondholders would have a right for a limited period of 60 days to exercise their exchange rights at an enhanced exchange price (ie lower than the prevailing exchange price). In addition, bondholders would become entitled for a limited period of 60 days to require the Issuer to redeem their bonds at their principal amount, together with accrued and unpaid interest.

The Company is not party to any other significant agreements that would take effect, alter or terminate following a change of control of the Company.

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. The terms of appointment of the Non-Executive Directors currently provide that in the event of change of control, the Directors will be compensated for any additional time commitment in certain limited circumstances, to be calculated on a per diem basis.

## Internal control

The statement on corporate governance on pages 58 to 93 includes the Board's assessment following a review of internal controls and consideration of the 2005 Financial Reporting Council's internal control guidance for directors.

## Directors

The Directors of intu who held office during the year were as follows:

| |
|---|
| **Chairman** |
| Patrick Burgess |
| **Deputy Chairman** |
| John Whittaker[1] |
| **Executive** |
| David Fischel |
| Matthew Roberts |
| **Non-Executive** |
| Adèle Anderson |
| Richard Gordon[1] |
| Andrew Huntley |
| Rakhi (Parekh) Goss-Custard (appointed with effect 7 October 2015) |
| Louise Patten |
| Neil Sachdev |
| John Strachan (appointed with effect 7 October 2015) |
| Andrew Strang |

1 John Whittaker and Richard Gordon have appointed Steven Underwood and Raymond Fine respectively as their alternates under the terms of the Company's Articles of Association.

In accordance with provision B.7.1 of the UK Corporate Governance Code, all continuing directors are subject to re-election, or election, at the forthcoming annual general meeting. Pursuant to the Articles of Association of the Company, the Company has indemnified the Directors to the full extent allowed by law. The Company maintains directors' and officers' insurance which is reviewed annually.

Additional information relating to the Directors can be found in note 50 on pages 158 and 159 on Directors' interests, in the governance section on pages 58 to 77, and in the Directors' remuneration report on pages 78 to 91.

The powers of the Directors are determined by UK legislation and the Articles of Association of the Company, together with any specific authorities that may be given to the Directors by shareholders from time to time, such as the power to allot shares and the power to make market purchases of the Company's shares which are described in note 37 on page 143.

## Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with the legislation in force from time to time.

## Substantial shareholdings

The table at the foot of the page shows the holdings of major shareholders in intu's issued ordinary shares as at 31 December 2015 and 19 February 2016.

## Employees

intu actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication to all staff of relevant information and corporate announcements. In 2015, intu conducted one all-employee survey covering a range of topics. More details are provided in the our people section on pages 56 and 57.

The annual bonus plan arrangements help develop employees' interest in the Company's performance; full details of these arrangements are given in the Directors' remuneration report on pages 78 to 91. Note 50 on pages 158 to 159 contains details of conditional awards of shares under the annual bonus scheme and bonus shares currently outstanding.

intu operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment from people with disabilities or other protected characteristics under the Equality Act where they have the appropriate skills and abilities, and to the continued employment of staff who become disabled.

intu encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees and those with protected characteristics.

Further information relating to employees is given on pages 56 to 57 and in note 8 on page 116. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 48 on page 158.

## The environment

We have an independent corporate responsibility (CR) strategy and details of our policies and the Group's aims alongside the latest full version of our annual CR report are to be found on the Company's website. An overview of the Group's CR activity (which includes disclosures relating to greenhouse gas emissions) is on pages 52 to 55, and a summary booklet is also available for download from the website or on request from the Company Secretary's office.

The Company recognises the importance of minimising the adverse impact on the environment of its operations and the obligation to carefully manage energy and water consumption and waste recycling.

The Company strives continuously to improve its environmental performance. The environmental management system and associated environmental policy and guide are regularly reviewed to ensure that the Company maintains its commitment to environmental matters.

## Additional disclosures

For the purpose of LR 9.8.4CR, the only information required to be disclosed by LR 9.8.4R relates to sub-section (1) thereof (interest capitalised) where the amount is £2.1 million (2014: nil) (see note 10 to the accounts). All other sub-sections of LR 9.8.4R are not applicable.

## Directors' disclosure of information to the auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

## Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming annual general meeting.

## Annual general meeting

The notice convening the 2016 annual general meeting of the Company will be published separately and will be available on the Company's website and distributed to those shareholders who have elected to receive hard copies of shareholder information.

By order of the Board

**Susan Marsden**
**Company Secretary**
26 February 2016

## Substantial shareholders

| | At 31 December 2015 | | At 19 February 2016 | |
|---|---|---|---|---|
| Shareholder | Number of shares notified | % interest in share capital | Number of shares notified | % interest in share capital |
| The Peel Group | 336,492,751 | 25.02 | 336,492,751 | 25.02 |
| Coronation Asset Management (Pty) Limited | 194,601,724 | 14.47 | 188,804,760 | 14.04 |
| The family interests of Sir Donald Gordon | 110,336,261 | 8.20 | 110,336,261 | 8.20 |
| Black Rock, Inc. | 78,363,390 | 5.83 | 78,363,390 | 5.83 |
| Public Investment Corporation | 90,197,225 | 6.71 | 89,433,457 | 6.65 |

# Statement of Directors' responsibilities

**The Directors are responsible for preparing the annual report, the Directors' remuneration 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 the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently

(b) make judgements and accounting estimates that are reasonable and prudent

(c) state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements

(d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate 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 the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy. Each of the Directors, whose names and functions are listed in the governance section on pages 60 and 61 confirm that, to the best of their knowledge:

(a) the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group

(b) the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

Signed on behalf of the Board on 26 February 2016

**David Fischel**
**Chief Executive**

**Matthew Roberts**
**Chief Financial Officer**