PALACE CAPITAL plc

NOTICE OF ANNUAL GENERAL MEETING 2023

Wednesday 26 July 2023 at 10.00 a.m. at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN INDEPENDENT FINANCIAL ADVICE FROM A STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, OR OTHER FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or otherwise transferred all of your ordinary shares in Palace Capital plc please send this Notice of Annual General Meeting, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee.

PALACE CAPITAL plc

(a company incorporated in England and Wales
with registered number 05332938)

DIRECTORS:

Steven Owen
Matthew Simpson
Mark Davies

Registered Office:
Fora Victoria,
6-8 Greencoat Place
London
United Kingdom
SW1P 1PL

23 June 2023

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING

This document contains the Notice of Annual General Meeting ("AGM") of Palace Capital plc (the "Company") which is to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on Wednesday 26 July 2023.

This year we will hold the meeting in person. If the board considers that arrangements regarding attendance at the AGM need to change, we will notify any changes as early as possible before the date of the meeting. Shareholders should continue to monitor the Company's website at https://investors.palacecapital.com/ and regulatory information service providers for any updates to the meeting arrangements.

Business at the Annual General Meeting

Details of the items of business to be proposed at the AGM are set out below.

Resolutions 1 to 10 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast for or against must be in favour of the resolution. Resolutions 11 and 12 are proposed as special resolutions. This means that for each of those resolutions to be passed, not less than 75% of the votes cast for or against must be in favour of the resolution.

Resolution 1 – Annual Report

Resolution 1 relates to the approval of the Company's annual report and accounts for the financial year ended 31 March 2023 (the "Annual Report") together with the reports of the Directors and the auditors and the strategic report for the year ended 31 March 2023 which the Company is required to put to shareholders for consideration.

Resolution 2 – Annual Remuneration Report

Resolution 2 is an ordinary resolution to approve the Annual Remuneration Report on pages 54 to 67 of the Annual Report (excluding the Remuneration Policy on pages 56 to 59), and states how the Company has remunerated its Directors for the financial year ended 31 March 2023. The vote is advisory and therefore does not affect the actual remuneration paid to any individual Director.

Resolution 3 – Declaration of dividend

The Directors are recommending a final dividend on the Company's ordinary shares of 3.75 pence per ordinary share, to be paid on 4 August 2023 to the holders of ordinary shares on the register at close of business on 7 July 2023. A final dividend can only be paid after it has been approved by shareholders at a general meeting.

Resolution 4 – Re-appointment of the auditors

Following the recommendation of the Audit and Risk Committee, the Board is proposing the re-appointment of BDO LLP as the Company's auditors to hold office from the conclusion of the AGM until the conclusion of the next annual general meeting of the Company.

Resolution 5 – Authority to agree the remuneration of the auditors

This resolution authorises the Audit and Risk Committee to determine the remuneration of BDO LLP, the auditors of the Company, for the work to be carried out by them in the next financial year.

Resolutions 6 to 8 – Election and re-election of Directors

In line with the UK Corporate Governance Code, all the Directors will retire at the AGM. Biographical details of the Directors standing for election or re-election are set out on page 41 of the Annual Report. The Board considers that the Board is of the right size for the Company and that all of the Directors continue to make a valuable contribution to the Board's deliberations and that they continue to demonstrate the required commitment.

The Board has considered the appointment of Steven Owen as Executive Chairman with effect from the AGM. Mr Owen was appointed as Interim Executive Chairman on 14 June 2022 following the stepping down from the Board of Mr Neil Sinclair, formerly Chief Executive. The Board considers that Mr Owen has the right attributes to fulfil this role to progress its agreed strategy of returning cash to shareholders while being mindful of consolidation in the sector. The Board will agree written terms for the appointment including salary. Further information on the appointment and remuneration will be provided in the 2024 Annual Report. The Board believes that Mr Owen has sufficient time and commitment to devote to the role, notwithstanding his Non-executive Chairmanship of Primary Health Properties plc which he will be standing down from in April 2024.

Resolution 9 – New Short Term Incentive Plan

It is proposed to offer certain employees the opportunity to participate in a new short term realisation plan, a summary of which is contained in the Appendix to this notice (the "STIP"). This plan would replace the Long Term Incentive Plan ("LTIP") going forwards and the Directors do not intend to make further awards under the LTIP. No awards were made under the LTIP to Directors or other employees for the financial year ended 31 March 2023. Shareholders are requested to approve the rules of the new STIP as an ordinary resolution.

Resolution 10 – Remuneration Policy

The remuneration policy, which is legally binding, was last approved by Shareholders at the Company's 2021 AGM. In line with usual practice, this would become due for further shareholder consideration and approval no later than the Company's 2024 AGM. Shareholders are being asked to consider a new policy to reflect the change in strategy and appropriate remuneration for the Board, the Executive Chairman and senior management.

Subject to approval by shareholders of the proposed new STIP in Resolution 9, the Directors are proposing the adoption of a new remuneration policy which is provided at the Appendix to this notice (the "Remuneration Policy"). This reflects the reduced Bonus opportunity as well as the new Plan and the removal of the legacy Long Term Incentive Plan from the Remuneration Policy.

Resolution 11 – Market purchase of own shares

A special resolution is proposed, in line with market practice, to authorise the purchase of the Company's own shares in the market. The power given by the resolution will only be exercised if the Directors are satisfied that any purchase is in the interests of shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits.

The Companies Act 2006 permits certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by the company. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the company's employees' share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the company's assets may be made to the Company in respect of the treasury shares.

If the Directors exercise the authority conferred by this resolution, they may consider holding those shares in treasury, rather than cancelling them. The Directors believe that holding shares in treasury would provide the Company with greater flexibility in the management of its share capital. The Directors will also consider using the treasury shares to satisfy share options and/ or awards under the Company's employees' share schemes. The maximum number of shares which may be purchased under the proposed authority will be 4,284,029 shares representing approximately 10% of the issued ordinary share capital of the Company as at 22 June 2023. The price per ordinary share that the Company may pay will not be less than the nominal value (of 10 pence per share) nor more than the higher of: (a) 5% above the average of the middle-market quotation of the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the day on which the shares are purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

The total number of options to subscribe for ordinary shares that were outstanding at 22 June 2023 (being the latest practicable date prior to publication of this document) was 537,877. The proportion of issued share capital that they represented at that time was 1.3% and the proportion of issued share capital that they will represent if the full authority to purchase shares is used is 1.4%.

The authority will expire on 28 December 2024 or, if earlier, at the conclusion of the next year's annual general meeting.

Resolution 12 – Notice of General Meeting

Under the existing articles of association of the Company, the Company may call a general meeting which is not an AGM on at least 14 clear days' notice. Section 307A of the Companies Act 2006 requires, in addition, the Company to pass a special resolution on an annual basis in order for the Company to be permitted to convene general meetings, other than the Company's annual general meeting, on 14 clear days' notice. The Directors believe that obtaining this authority is desirable and would give the Directors an additional degree of flexibility.

Action to be taken

You are requested to submit a form of proxy to the Registrar so that it arrives no later than 10.00 a.m. on Monday 24 July 2023. If you are unable to attend the meeting, we would encourage you to appoint the chair of the meeting as your proxy. The completion and return of a Form of Proxy will not preclude you from attending the AGM and voting in person if you wish to do so.

Shareholders can appoint proxies electronically via www.signalshares.com provided that such appointments are received by the Registrar by no later than 10.00 a.m. on Monday 24 July 2023. Alternatively, shareholders whose shares are held through CREST may appoint a proxy by issuing a CREST Proxy Instruction utilising the CREST electronic proxy appointment service. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. If you cannot use either of these services, you should contact the Registrar, who can send you a hard copy form of proxy.

Documents for inspection

Copies of the Directors' service contracts and letters of appointment, as well as the Company's articles of association, this notice, the rules of the new STIP and all the financial statements of the Company for the last three financial years will be available on the National Storage Mechanism until the conclusion of the AGM at the Company's registered office. These documents will also be available for inspection at the place of the AGM for at least 15 minutes prior to, and during, the AGM. In addition, copies of these documents (other than the Directors' service contracts and letters of appointment) will be made available on the Company's website at https://investors.palacecapital.com/.

Recommendation

The Board considers that resolutions 1 to 12 are in the best interests of shareholders as a whole and unanimously recommends that shareholders vote in favour of such resolutions as will Directors in relation to their own beneficial holdings.

Yours sincerely

Steven Owen
Interim Executive Chairman
23 June 2023

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of Palace Capital plc (the "Company") will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place 78 Cannon Street London EC4N 6AF at 10.00 a.m. on Wednesday 26 July 2023.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions.

ORDINARY BUSINESS

1. To receive and approve the Company's accounts together with the reports of the Directors and the auditors and the strategic report for the financial year ended 31 March 2023.
2. To receive and approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, for the financial year ended 31 March 2023.
3. To declare a final dividend of 3.75 pence per ordinary share of the Company in respect of the financial year ended 31 March 2023, to be paid on 4 August 2023 to the holders of ordinary shares on the register at close of business on 7 July 2023.
4. To re-appoint BDO LLP as auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company.
5. To authorise the Audit and Risk Committee to determine the remuneration of BDO LLP as the auditors of the Company.
6. To re-elect STEVEN OWEN as a Director of the Company.
7. To re-elect MATTHEW SIMPSON as a Director of the Company.
8. To elect MARK DAVIES as a Director of the Company.

SPECIAL BUSINESS

9. That the Company's new Short Term Incentive Plan (STIP), the rules of which are summarised in the Appendix to this Notice, be approved in place of the Company's existing Long Term Incentive Plan (LTIP).
10. That the new Directors Remuneration Policy, as summarised in the Appendix to this Notice, be approved.
11. That the Company be, and is hereby, generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of its ordinary shares upon such terms and in such manner as the Directors shall determine, provided that:
    (a) the maximum aggregate number of ordinary shares authorised to be purchased is 4,284,029 (representing approximately 10% of the Company's total issued ordinary share capital);
    (b) the minimum price which may be paid per ordinary share is 10 pence (excluding expenses);
    (c) the maximum price (excluding expenses) which may be paid per ordinary share is an amount equal to the higher of:
        (i) an amount equal to 5% above the average of the closing middle market price for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day the purchase is made; and
        (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;
    (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the expiry of a period of 15 months from the date of the passing of this resolution; and
    (e) the Company may, if it agrees to purchase ordinary shares under this authority prior to the expiry of this authority, may complete such purchase wholly or partly after the expiry of this authority pursuant to such agreement.
12. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board

Phil Higgins
Company Secretary
Date: 23 June 2023

Registered Office

Fora Victoria
6-8 Greencoat Place
London
United Kingdom
SW1P 1PL

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Notes to the Notice of Annual General Meeting

NOTES

The following notes explain your general rights as a shareholder and your right to vote at the 2023 Annual General Meeting ("AGM") or to appoint someone else to vote on your behalf.

1. To be entitled to vote at the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the register of members of the Company at close of business on 24 July 2023, or, if the AGM is adjourned, at 48 hours (excluding any part of a day that is not a working day) prior to the adjourned AGM. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the AGM.
2. Shareholders are entitled to appoint a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. We recommend you appoint the chair of the meeting as your proxy.
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
5. You can appoint a proxy either:
   - by logging on to www.signalshares.com and following the instructions; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   The appointment of a proxy in each case must be received by 10:00 a.m. on 24 July 2023.

   If you need help with voting online, please contact our Registrar 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate or email them at enquiries@linkgroup.co.uk.

   If you cannot use either of the above services, you should contact the Registrar who can send you a hard copy form of proxy. In the case of a shareholder which is a company delivering a hard copy form of proxy, such form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy of such power or authority) must be included with the form of proxy.

   In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group, PXS1, Central Square, 29 Wellington Street, Leeds LS1 4DL by 10.00 am on 24th July 2023.
6. To change your proxy instructions simply submit a new proxy appointment using any of the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any attempt to terminate or amend a proxy appointment received after the relevant cut-off time will be disregarded.
7. If you return more than one proxy appointment, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual. CREST personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made by means of CREST to be valid, the CREST Proxy Instruction must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information

required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

12. As at the Latest Practicable Date, the Company's ordinary issued share capital consists of 46,388,515 ordinary shares, of which 3,548,220 are Treasury Shares. Therefore, the total voting rights in the Company as at the Latest Practicable Date are 42,840,295.

13. Under section 527 of the Companies Act 2006 (the "Act"), shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with section 437 of the Act (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under section 527 of the Act to publish on a website.

14. Any shareholder who would be entitled to attend the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

15. You may not use any electronic address (within the meaning of section 333(4) of the Act) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

16. A copy of this Notice, and other information required by section 311A of the Act, can be found on the Company's website at https://investors.palacecapital.com/.

Proxy Information

Shareholders who are unable to attend the AGM may appoint proxies electronically via www.signalshares.com so that it is received by the registrar by no later than 10.00 a.m. on 24 July 2023.

CREST members may also appoint proxies by using the CREST Electronic Proxy Appointment Service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so it is received by the registrar no later than 10.00 a.m. on 24 July 2023. The time of receipt will be taken to be the time from which the registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

If shareholders cannot use either of these services, you should contact the Registrar, Link (on 0371 664 0300) who can send you a paper form of proxy.

The Annual Report and Notice of AGM are also available on the Company's website at www.palacecapitalplc.com

Appendix

APPROVAL OF THE NEW REMUNERATION POLICY AND SHORT TERM INCENTIVE PLAN

Background

As announced on 19 July 2022, the Board's strategy is to focus on maximising cash returns to Shareholders, whilst continuing to remain mindful of consolidation in the Real Estate sector.

In order to support the disposal of the Company's assets and the return of cash to shareholders, we are proposing to introduce a new short term realisation plan (the "Short Term Incentive Plan", "STIP" or "Plan"). This plan will replace the current Long Term Incentive Plan ("LTIP"), help to retain the management team and incentivise them to achieve an orderly and timely disposal of the Company's assets. In addition to the changes to incentives, we are also proposing some minor changes to the Remuneration Policy to align the Policy with the wider Company strategy.

An overview of the Short Term Incentive Plan

- Under the STIP, participants will receive a proportion of a notional pool (the 'Pool') which will be created from any "gain" when assets are sold as a part of the disposal strategy.
- If the assets sold realise a "gain", 12.6% of such gain will be added to the Pool (which, if the assets are sold at their value as at the end of March 2023, will give a stretch Pool value of £4.4m, the amount considered necessary by the Remuneration Committee to incentivize the participants to achieve this objective). If the assets sold realise a "loss", the value of the Pool will decrease.
- A gain is created where the net sale proceeds of assets exceed their share of the Company's enterprise value (the 'Enterprise Value'). The Enterprise Value is the average market capitalisation over March and April 2023 of £94.3m plus the total net debt and net current liabilities as at 31 March 2023 of £63.1m. This is split across the Company's assets by reference to their independent valuation by CBRE, as at 31 March 2023 of £192.4m. Where the gain on an asset sale is negative, this reduces the total gain from other sales. No further value will accrue in the Pool if total net sale proceeds reach a NAV that would have been 350p per share on 31 March 2023, putting a cap on the total amount which can be paid out under the STIP.
- To ensure the timely disposal of assets, the gain attributable to the Pool will reduce over time. For assets sold after 31 March 2024, a 12% p.a. discount will be applied to the gain when calculating the total value of the Pool.
- Participants will receive a share of the Pool value based on the number of units allocated to them. An individual may receive no more than 40% of the total Pool value and the value delivered by the Plan will be provided in the form of cash for simplicity.
- As we expect that there will be an overlap between the objectives for the annual bonus and the STIP, people who participate in the Plan will have a reduced annual bonus opportunity (50% of their previous bonus opportunity). In addition, no future awards will be made under the legacy LTIP. The Executive Chairman will not be eligible for an annual bonus.
- "Good" leavers will receive, on or shortly after cessation of employment, their share of the "gains" realised (less any anticipated unrealised "losses") at the time they leave, but no further value. The proportion of the Plan that each individual will receive will be based on the number of units allocated to them. For individuals that leave within 12 months of the start of the period covered by the Plan (i.e. before 1 April 2024), 50% of the number of units they hold will lapse. Units that are forfeited may be re-allocated to remaining participants (at the discretion of the Remuneration Committee) to reflect, for example, where individuals are required to take on more responsibilities.
- The Plan will pay out as soon as reasonably practicable after the earliest of (i) the sale of all assets, (ii) a takeover of the Company (when the Pool will be recalculated to reflect the value realised by shareholders) or (iii) when the Remuneration Committee determines that a sufficient proportion of the assets have been sold and that the Plan has achieved its original purpose (for example, if there is a change in strategy, or the business has been wound down to a size and structure that no longer requires the operation of the Plan). It is anticipated that this will be no later than 31 March 2025.
- Malus and clawback provisions apply until the Company is sold or wound-up, or in the opinion of the Remuneration Committee, all (or in the opinion of the Remuneration Committee, a sufficient proportion of) the assets have been sold and the proceeds returned to shareholders.

Other Policy changes

Annual bonus and legacy LTIP

- Individuals that participate in the STIP will have a reduced bonus opportunity and will not receive any future awards under the Company's current LTIP. The annual bonus opportunity has therefore decreased from 100% of salary to 50% of salary and the LTIP has been removed from the Policy going forwards.

Service contracts

- Following Neil Sinclair stepping down as Chief Executive on 14 June 2022, Steven Owen became interim Executive Chairman. With effect from the close of the 2023 AGM, it is intended that Mr Owen be appointed as Executive Chairman. As a result, reference to the Chief Executive Officer has been excluded from the Policy. The Board will determine the terms of the appointment of Mr Owen as Executive Chairman, which will set out the role and responsibilities and be in writing.

APPENDIX

Non-Executive Director Policy

- Introduced the ability to reimburse expenses reasonably incurred during the fulfilment of the Company's business, together with any taxes thereon.

Other

- Minor amends to other elements of the Policy such as recovery provisions, discretion and recruitment section to provide further clarity for investors.

The rationale behind the Short Term Incentive Plan and the new Remuneration Policy

The STIP has been specifically designed to align participants with the Company's strategy and with shareholders. Whilst the STIP is unique, the Committee Chair has consulted with a number of significant shareholders and believes that it is appropriate for the business for the following reasons:

Key rationale	Detail
Focusses on the disposal of assets and the return of cash to investors	• Value accrues under the Pool as the assets are sold. As a result, the Plan provides a direct link to the disposal strategy. • We are already in the process of returning cash to investors via the share buyback scheme announced in July 2022.
Ensures that assets are disposed of as quickly as possible but without reducing their disposal price and the cash returned promptly	• The Plan is designed to incentivise the sale of assets at the maximum value possible and without delay. • To ensure the timely disposal of assets, the gain attributable to the Pool under the STIP will reduce over time.

Implementation of the new Remuneration Policy following the 2023 AGM

Base Salary and fees

- The Chief Financial Officer's salary increased from £238,000 to £245,000 (+2.9%) effective from 1 April 2023. This was lower than the average wider workforce increases of 9% which was below the annual inflation rate of 10.1%.
- The fees for the Non-Executive Director increased from £60,000 to £70,000 effective from 1 April 2023. The fees were increased to reflect the additional time commitment required as sole Non-Executive Director.
- In line with the appointment as an Executive Director, Mr Owen's salary is expected to be £195,000.

Annual Bonus

- The Chief Financial Officer's will be eligible for a maximum annual bonus opportunity of 50% of salary. The Executive Chairman will not be eligible for an annual bonus.
- The bonus will be assessed against financial, strategic and operational and personal measures which will be reported on in the 2024 Annual Report.
- As the bonus opportunity has been halved and the STIP provides alignment with Palace Capital's strategy, the Committee will use its discretion to pay any bonus in the form of cash.

The Short Term Incentive Plan

- Subject to shareholder approval of the Plan at the AGM, the Executive Chairman and Chief Financial Officer will receive an award under the STIP. The Plan will operate in line with the summary in this Appendix.

Why should Shareholders support the Committee's proposals?

The STIP provides direct alignment between participants and shareholders. It retains and incentivises management by rewarding them for achieving an orderly disposal of the portfolio and delivering the value gap between Net Asset Value ("NAV") and Share Price.

If assets are sold in line with the independent valuations as at 31 March 2023, and the gap between market capitalisation and NAV is closed completely, the total gain would be c.75-80 pence (p) per share. Of which, a stretch pool value of c.10p per share would be delivered to participants under the STIP. However, due to the application of late sale discounts and anticipating that some participants will leave before the end of the Plan, the expected pay-out under the Plan is c.7p to c.8p per share.

Individuals that participate in the STIP will have a reduced bonus opportunity and will not receive future LTIP grants. The saving from these incentive arrangements would be up to approximately c.4p per share. Therefore, the additional expected cost of the STIP is expected to be approximately c.3p to c.4p per share.

If assets are sold at a discount to NAV, the pay-outs expected under the STIP decrease significantly. If assets are sold at a 10% discount to NAV the expected pay-out under the STIP is approximately c.5p per share. At a 15% discount to NAV, the expected cost of the STIP is approximately c.3p per share. This is designed to ensure management exercises all asset management opportunities to defend and create value and optimise the exit strategy and maximise cash returns to Shareholders.

APPENDIX CONTINUED

Shareholder consultation

As a part of the STIP design process, we consulted with a number of significant shareholders representing over 45% of the Register. Shareholders we met were supportive of the proposed plan and, based on their feedback, we made some amendments to the STIP including in relation to the approach to late sale discounts, the maximum opportunity under the Plan for any individual, and the introduction of a cap on the overall amount which can be paid out under the Plan.

I am pleased that the consultation yielded a positive response, following which the Committee decided to proceed with the STIP and the proposed changes to our Remuneration Policy.

I will be available at the AGM to answer any questions about the STIP, the new Remuneration Policy or work of the Committee and look forward to meeting Shareholders there.

Yours sincerely

Mark Davies
Chair of the Remuneration Committee

PROVISIONS APPLYING TO THE SHORT TERM INCENTIVE PLAN

A summary of the principal terms of the Short Term Incentive (the "STIP" or "Plan") is set out below.

1. ELIGIBILITY

Any employee (including an Executive Director) of Palace Capital plc (the "Company") will be eligible to participate in the Plan at the discretion of the Remuneration Committee (the "Committee").

2. FORM OF AWARDS

Awards under the Plan will be settled in cash.

3. OPERATION OF THE PLAN

Participants will be granted an Award over units in a Realisation Pool. The size of the Realisation Pool is determined by a share (12.6%) of the value created from the sale of assets from 1 April 2023. Value created is defined as the difference between the net sale proceeds of assets less their share of the Company's enterprise value. The Company's enterprise value is the average market capitalisation over March and April 2023 of £94.3m plus the total net debt and net current liabilities as at 31 March 2023 of £63.1m. This is split across the Company's assets by reference to their valuation on 31 March 2023 of £192.4m. No further value will accrue in the Pool if total net sale proceeds reach an NAV that would have been 350p per share on 31 March 2023.

To incentivise the timely disposal of assets, the value created on an asset sale will be reduced by the Committee as follows:

Until 31 March 2024	No reduction
From 1 April 2024	12% p.a. reduction

When the Committee has determined that the Plan's performance period has ended, the value of the Pool will be calculated, and participants will be paid, in cash, their share of the Pool based on the number of units they hold.

4. DISCRETIONARY ADJUSTMENT

The Committee may adjust the formulaic payment outcome of any Award upwards or downwards (including to zero) if it considers that the extent to which the Award would otherwise pay out is not a fair reflection of the performance of the Company, the Award Holder's performance and/or wider circumstances.

5. INDIVIDUAL LIMITS

There will be a total of 1,000 units in the Pool, of which no individual may receive more than 400 units.

6. GRANT OF AWARDS

Awards under the Plan are intended to be granted shortly after the approval of the Plan. However, units forfeited by leavers may be allocated to remaining participants (at the discretion of the Remuneration Committee) at a later date.

No further awards will be able to be made after the second anniversary of the approval of the Plan by shareholders.

7. MALUS AND CLAWBACK

The Committee may determine that malus or clawback provisions may apply in the following circumstances: (i) material financial misstatement; (ii) significant reputational damage; (iii) negligence or gross misconduct by a participant; (iv) fraud effected by or with the knowledge of a participant; (v) material corporate failure; or (vi) where awards were granted or paid out based on erroneous or misleading data.

For the STIP, malus and clawback provisions apply until the Company is sold, or in the opinion of the Board, all (or in the opinion of the Remuneration Committee, a sufficient proportion of) value has been returned to shareholders.

The clawback obligation can be enforced against any other Awards the participant holds, any cash bonus payable to the participant, or any other award under an incentive scheme operated by a member of the Company's group.

8. PAY-OUTS

The end of the performance period will be the earlier of (i) the sale of all assets, (ii) a takeover of the Company (when the Pool will be recalculated to reflect the value realised by shareholders) or (iii) when the Remuneration Committee determines that a sufficient proportion of the assets have been sold and that the Plan has achieved its original purpose. For example, if there is a change in strategy, or the business has been wound down to a size and structure that no longer requires the operation of the Plan. This is expected to be no later than 31 March 2025.

9. CESSATION OF EMPLOYMENT

If a participant ceases to be employed by the Company or one of its subsidiaries (together, the "Group") by reason of death, retirement (with the agreement of their employer), ill-health, disability, redundancy or for any other reason at the Committee's discretion, they will be treated as a good leaver under the Plan.

At the time that an individual is categorized as a good leaver, the value of their units is determined by the Committee by reference to the assets sold up to that date less any anticipated losses on sale of the remaining assets. For participants that leave before 1 April 2024, half of their units will normally lapse unless the Committee decides otherwise or the participant leaves within a period of 28 days before a change of control or a solvent winding up of the Company. Payments of the value of their units will be made shortly following their departure.

APPENDIX CONTINUED

If a participant ceases employment with the group in any other circumstances, any Award he or she holds shall lapse on the date on which the participant ceases employment (or, if the Committee so decides, the date they give or receive notice).

10. CORPORATE EVENTS

In the event of a change of control or a solvent winding-up of the Company, Awards under the Plan will generally pay out as soon as reasonably practicable after the date of a change of control or solvent winding-up, having regard to the total gains (less any losses and anticipated losses) realised and returned to investors at this point.

11. AMENDMENT AND TERMINATION

The Committee may amend the Plan at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of eligible employees or participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of an Award.

However, any minor amendment to benefit the administration of the Plan, to take account of legislative changes, or to obtain or maintain favourable tax, exchange control or regulatory treatment may be made by the Remuneration Committee without shareholder approval.

No amendment may be made to the material disadvantage of participants in the Plan unless consent is sought from the affected participants and given by a majority of them.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The rules of the Plan will be available for inspection at the place of the general meeting for at least 15 minutes before and during the meeting and on the national storage mechanism from the date of this circular.

PROPOSED NEW REMUNERATION POLICY

This section of the Circular sets out the Company's new Remuneration Policy for Executive and Non-Executive Directors, to be considered by Shareholders at the 2023 Annual General Meeting to be held on 26 July 2023. If approved, the new Remuneration Policy may operate for up to three years from this date.

The New Remuneration Policy has been prepared in accordance with the requirements of the UK's Companies Act 2006 (the "Act") and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"), the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code (the "Code").

Changes in the remuneration Policy from the current Policy (approved by shareholders in 2021)

The following table sets out the material changes and the rationale:

Element	Change to the Policy	Rationale
Annual bonus	Reduced the maximum opportunity from 100% of salary to 50% of salary	As there is an overlap between the objectives for the annual bonus and the STIP, participants in the Plan will have a reduced bonus opportunity.
The Short Term Incentive Plan	Introduction of the one-off plan to replace the legacy LTIP	To support the disposal of the Company's assets and the return of cash to shareholders
Service contracts	To include provisions for the role of Executive Chairman	Aligns the Policy with the Executive Chairman's proposed new service contract
Other	Minor amends to the other elements of the policy such as recovery provisions and discretion	To provide further clarity on our approach to each of these elements

Considerations when determining the new Remuneration Policy (including the Short Term Incentive Plan)

The Committee is responsible for the development, implementation and review of the Directors' Remuneration Policy. In addressing this responsibility, the Committee works with management and external advisors to develop proposals and recommendations. The Committee considers the source of information presented to it, takes care to understand the detail and ensures that independent judgement is exercised when making decisions.

When designing the STIP and the new Remuneration Policy for the Executive Directors and senior management, the Committee took into account the following:

- The alignment to business strategy including the disposal strategy and the return of cash to shareholders.
- The need to retain the management team and incentivise them to achieve an orderly and timely disposal of the Company's assets.
- To ensure that assets are disposed of as quickly as possible but without reducing their disposal price.
- In addition, the Committee also considered the alignment across the business as well as stakeholder views.

In line with the UK Corporate Governance Code, the policy has been tested against the six factors listed in Provision 40:

- Clarity – the Remuneration Policy is transparent, and the implementation of the Policy is disclosed in straightforward, concise terms to shareholders.
- Simplicity – remuneration structures incorporate the necessary structural features to ensure a strong alignment to performance, strategy and minimising the risk of rewarding failure whilst being sufficiently simple enough for key stakeholders to understand.
- Risk – the Remuneration Policy has been shaped to discourage inappropriate risk taking. Awards under the Remuneration Policy are subject to malus and clawback provisions. The performance conditions are reviewed annually to ensure that they remain suitable and do not incentivise risk taking. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings.
- Proportionality – the link between each element of policy and Company strategy is noted in the table below.
- Alignment to culture – Where possible, in support of our performance culture, we align remuneration across the Group.

APPENDIX CONTINUED

Remuneration policy

Executive directors' policy table

Element and link with strategy	Operation and maximum potential value	Performance framework
Salary Fixed amount at a level appropriate to the skills and experience needed to fulfil the role.	Salaries are generally reviewed annually with effect from 1 April each year. Any increases are made having regard to inflation, personal performance, and the need to retain and motivate. A review of the salaries in the Company's peer group in conjunction with the Group's remuneration advisors may be undertaken to ensure comparable salaries are being paid. The Remuneration Committee seeks to ensure that salaries are set at levels that are reasonable with an emphasis on total remuneration being achieved from performance-based rewards. The Committee does not specify a maximum salary or maximum salary increase.	Salary is not linked to specific financial or non-financial performance measures.
Annual bonus To incentivise performance which is measured against targets normally set at the beginning of the financial year. Paying part of the bonus in shares aligns the interests of Executive Directors with those of shareholders.	Performance targets are ordinarily set by the Remuneration Committee at the beginning of each financial year. In general, at the end of the financial year the Committee normally reviews performance against the targets and also takes in to account the overall financial performance and future prospects. The maximum bonus opportunity is capped at 50% of salary. The Executive Chairman is not eligible for a bonus. The bonus is paid as to 65% in cash and 35% by way of an option over shares pursuant to the Deferred Bonus Plan. The ability to exercise the option granted under the Deferred Bonus Plan is deferred for a year and there is a period of a further year during which the options may be exercised. The Committee has discretion for 100% to be paid in cash. The Committee may, in exceptional circumstances, use its discretion to amend the bonus outcome if it believes that it does not properly reflect overall underlying business performance, an individual's contribution or some other factor. Malus and clawback applies at the discretion of the Committee.	Performance is assessed against a range of financial, non-financial and/or strategic targets which may vary each year.

Element and link with strategy	Operation and maximum potential value	Performance framework
Legacy Long Term Incentive Plan Outstanding legacy LTIP awards will continue to vest on their terms	No further awards will be made under the legacy LTIP. Awards previously made are subject to the terms of the 2021 Policy which are summarised as: Awards were granted in the form of nil cost options and continue to be subject to challenging performance conditions in line with business KPIs, measured over a three-year period. Award levels were capped at a maximum value of 100% of salary. At the end of the three-year performance period a review is undertaken and a comparison made with the performance targets which will determine the percentage of the award that will vest. Vested shares are subject to a further two-year holding period. The Committee may, in exceptional circumstances, use its discretion to adjust the level of vesting of LTIP awards if it believes it does not properly reflect overall underlying business performance, Shareholders' experience, an individual's contribution or any combination thereof. Malus and clawback applies at the discretion of the Committee.	Performance measures were aligned to the key objectives of the Company and the creation of Shareholder value. The Committee reviewed the measures, their relative weightings and targets prior to each award and made changes as is deemed appropriate.
Short Term Incentive Plan To support the disposal strategy and the return of cash to shareholders.	A one-off award that grants Executive Directors the opportunity to share in the value created for shareholders. Executive Directors will be eligible to receive a proportion of the Pool generated by the sale of assets. An individual may be awarded no more than 40% of the units in the pool. Awards under the STIP will pay out in cash. The Plan will pay out as soon as reasonably practicable after the earlier of (i) the sale of all assets, (ii) a takeover of the Company or (iii) when the Remuneration Committee determines that the plan has achieved its original purpose. This is expected to be no later than two years after the inception of the plan (31 March 2025). Malus and clawback provisions apply until the Company is sold, or in the opinion of the Board, all (or in the opinion of the Remuneration Committee, a sufficient proportion of) value has been returned to shareholders. See page 11 for more detail.	Participants will be granted an Award over units in a Realisation Pool. The size of the Realisation Pool is determined by a share (12.6%) of the value created from the sale of assets from 1 April 2023. Value created is defined as the difference between the net sale proceeds of assets less their share of the Company's enterprise value. The Company's enterprise value is the average market capitalisation over March and April 2023 of £94.3m plus the total net debt and net current liabilities as at 31 March 2023 of £63.1m. This is split across the Company's assets by reference to their valuation on 31 March 2023 (£192.4m). To ensure the timely disposal of assets, the gain attributable to the Pool will reduce over time. For assets sold after 31 March 2024, a 12% p.a. discount will be applied to the gain when calculating the total value of the Pool. No further value will accrue in the Pool if total net sale proceeds reach an NAV that would have been 350p per share on 31 March 2023.

APPENDIX CONTINUED

Element and link with strategy	Operation and maximum potential value	Performance framework
Pension As part of their overall package Executive Directors are provided with retirement benefits.	Executive Directors receive a contribution in line with the rate available to the majority of the workforce paid into a pension scheme. The Executive Chairman is not eligible for a pension.	None
Other Benefits As part of their overall package Executive Directors are provided with a competitive level of benefits that encourage well-being and engagement	Benefits include (but are not limited to): Travel or car allowance – Travel allowances are fixed in the Executive Directors service contracts. Private medical cover - Private medical cover is at a level which the Committee determines is fair and reasonable. Life assurance - Life assurance is fixed at £1.5m for the Executive Directors below retirement age. Critical illness cover - The critical health insurance benefit for Executive Directors provides £500,000 in the event policy cover terms are met. The Executive Chairman may also be eligible to receive the benefits set out above. The Company may reimburse expenses reasonably incurred in fulfilment of the Company's business, together with any taxes thereon.	None
Shareholding Requirements Encourages commitment and alignment with shareholder interests.	Executive Directors are expected to build up and retain a minimum shareholding of 100% of basic salary. The shareholding will be built up over time, with a requirement to retain 25% of any shares vesting under the Deferred Bonus Plan or the legacy Long-Term Incentive Plan (after tax/NI has been settled) until the guideline is met. Post-employment requirements - Any shares that are still subject to the holding period as defined in the respective award will need to be retained, and in all other regards the Executive will be encouraged to engage with the Company regarding the timing of any sales for a period of two years following the termination of their employment to ensure an orderly market is preserved. The Committee may, in exceptional circumstances, exercise its discretion to adjust or disapply the holding requirement.	None

Selection of performance metrics and targets

With regards to performance measures for variable pay, these are set with reference to Palace Capital's strategy and align the senior executives' interests with those of shareholders.

Targets for the Executive Directors' annual bonuses are generally set by the Committee at the beginning of each financial year. Targets for the STIP are set by the Committee prior to grant. In setting stretching targets, the Committee takes into consideration current and prospective market conditions, the economic outlook, market expectations, the business plans and long-term strategy of the Company.

Legacy Remuneration Arrangements

All variable remuneration arrangements previously disclosed in prior years' Directors' Remuneration Reports will remain eligible to vest or become payable on their original terms and vesting dates, subject to any related clawback provisions.

Policy amendments

The Committee may make changes to the Policy as it sees fit which it believes is in the best interests of shareholders.

Dividend equivalents for share-based awards

Awards granted under the Deferred Bonus Plan and legacy Long Term Incentive Plan incorporate the right to receive amounts equivalent to any dividends or shareholder distributions which would have been paid between the date of grant and the date of the delivery of shares in respect of which an option has been exercised.

Malus and clawback

The Committee may, determine that malus or clawback provisions may apply in the following circumstances: (i) material financial misstatement; (ii) significant reputational damage; (iii) negligence or gross misconduct by a participant; (iv) fraud effected by or with the knowledge of a participant; (v) material corporate failure; or (vi) where awards were granted or vested based on erroneous or misleading data. For the STIP, malus and clawback provisions apply until the Company is sold, or in the opinion of the Board, all value has been returned to shareholders.

HOW THE COMMITTEE WILL USE ITS DISCRETION

The Remuneration Committee can exercise discretion in a number of areas when operating the Company's incentive schemes, in line with the relevant rules of the schemes. These include (but are not limited to):

- the choice of participants;
- the size of awards in any year (subject to the limits set out in the Directors' Remuneration Policy table);
- amending or substituting any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition;
- adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period;
- the determination of good or bad leavers and the treatment of outstanding awards (subject to the provisions of the scheme rules and the Remuneration Policy provisions); and
- the treatment of outstanding awards in the event of a change of control.

The Committee also retains discretion to make downward or upward adjustments resulting from the application of the performance measures if it considers that the outcomes are not a fair and accurate reflection of business performance. In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report.

NON-EXECUTIVE DIRECTORS POLICY TABLE

Element and link with strategy	Operation and maximum potential value	Performance framework
Fees To provide competitive fees to attract the right Non-Executive Directors.	Fees are normally reviewed every two years. Additional fees are payable for the chairing of Board Committees. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload. The aggregate of all fees to the Directors will not exceed the maximum set out in the Articles of Association, currently £500,000. The Company currently does not intend to exceed the previous maximum of £300,000. Private medical cover may be provided at a level which the Committee determines is fair and reasonable. The Company may reimburse expenses reasonably incurred in the fulfilment of the Company's business, together with any taxes thereon.	Not applicable.

APPENDIX CONTINUED

APPROACH TO RECRUITMENT REMUNERATION

The Company's principle is that the remuneration of any new recruit to the Board will be assessed in line with the same principles as for the Executive Directors, as set out in the Policy Table.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate experience needed for a particular role.

In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award.

If an existing employee is promoted to the Board, the Policy would apply from the date of appointment to the Board and there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, the existing remuneration package would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Committee report for the relevant financial year.

For external appointments, the Remuneration Committee may (if it is considered appropriate) provide a buy-out award equivalent to the value of any outstanding incentive awards that will be forfeited on cessation of a Director's previous employment. To the extent possible, the buy-out award will be made on a broadly like-for-like basis. The award will take into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting, the likelihood of vesting and the nature of the awards (cash or equity).

New Non-Executive Directors will be appointed through letters of appointment and fees set at a competitive market level and in line with the other existing Non-Executive Director. Letters of appointment are normally for an initial term of three years.

SERVICE CONTRACTS AND POLICY ON PAYMENTS FOR LOSS OF OFFICE

The Committee's policy on service contracts for Executive Directors is that they should provide for termination of employment by giving 12 months notice.

Element	Operation
Salary	Service contracts may be terminated immediately by making a payment in lieu of notice. An immediate payment of 50% of salary will be made followed by monthly payments after six months in the event that alternative employment has not been secured.
Annual Bonus	In the event of termination for a reason other than resignation or gross misconduct for material performance or conduct concerns, a Director may be eligible, at the discretion of the Remuneration Committee to receive an award based on the achievement of the performance targets. If the Director has not been employed throughout the year a reduced pro-rata amount may be paid in specific circumstances or at the discretion of the Remuneration Committee.
Deferred Bonus Plan	In relation to Deferred Bonus awards, individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement, redundancy, ill-health, death or disability (proved to the satisfaction of the Committee), or those deemed by the Committee in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver the award will vest on the normal vesting date unless the Committee determines the award should vest following cessation of employment or a change of control. If an individual is considered by the Committee to be a bad leaver, their awards will lapse in full.
Legacy LTIP	Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement, redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Committee in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, the award will vest on the normal vesting date reflecting the extent to which performance targets have been met and the number of shares would normally be pro rated to reflect the reduced service period. The post vest holding period would also apply, other than in exceptional circumstances. If an individual is determined to be a bad leaver, their awards will lapse in full.

Element	Operation
Short Term Incentive Plan	Individuals would be defined as good or bad leavers, in line with the approach for deferred share awards and legacy LTIP awards. At the time that an individual is categorized as a good leaver, the value of their units is determined by the Committee by reference to the assets sold up to that date less any anticipated losses on sale of the remaining assets. For participants that leave before 1 April 2024, half of their units will lapse unless the Committee decides otherwise or a participant leaves within the period of 28 days before the change of control or a solvent winding-up. Payments of the value of their units will be made shortly following their departure. If a participant ceases employment with the group in any other circumstances, any Award he or she holds shall lapse on the date on which the participant ceases employment (or, of the Committee so decides, the date they give or receive notice).
Change of control	On a change of control, Executive Directors' incentive awards will be treated in accordance with the rules of the relevant plans. In summary: • Bonus payments will take into account the extent to which the performance measures have been satisfied between the start of the performance period and the date of the change of control, and the value will normally be pro-rated to reflect the same period; • Deferred bonuses will generally vest on the date of a change of control, unless the Committee permits (or requires) awards to roll over into equivalent shares in the acquirer; • Legacy LTIP awards will generally vest on the date of a change of control, taking into account the extent to which any performance condition has been satisfied at that point. Time pro-rating will normally apply unless the Committee determines otherwise; and • STIP awards will generally pay out as soon as reasonably practicable after a change of Control , taking into account the total gains (and any losses or anticipated losses) and returned to investors at this point.

The table below summarises the notice periods for each Director as well as the date of appointment and current contract/ letter of appointment. Following the AGM, it is intended that Mr Owen will be appointed as Executive Chairman under a new contract including a notice period of 12 months.

	Date of current contract/letter of appointment	Notice from the Company	Notice from the individual	Unexpired period of service contract / letter of appointment
Steven Owen	1 January 2022	6 months	6 months	18 months
Matthew Simpson	18 November 2021	12 months	12 months	Rolling
Mark Davies	1 August 2022	1 month	1 month	25 months

Copies of Executive Directors' service contracts and Non-executive Directors' letters of appointment are available for inspection by contacting the Company Secretary (info@palacecapitalplc.com).

Statement of consideration of employment conditions elsewhere in the company

Remuneration throughout the Group is considered when setting the Directors' Remuneration Policy. Benefits for employees are similar to those provided to the Executive Directors. Individual reward levels will vary according to the employees' level of responsibility.

APPENDIX CONTINUED

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

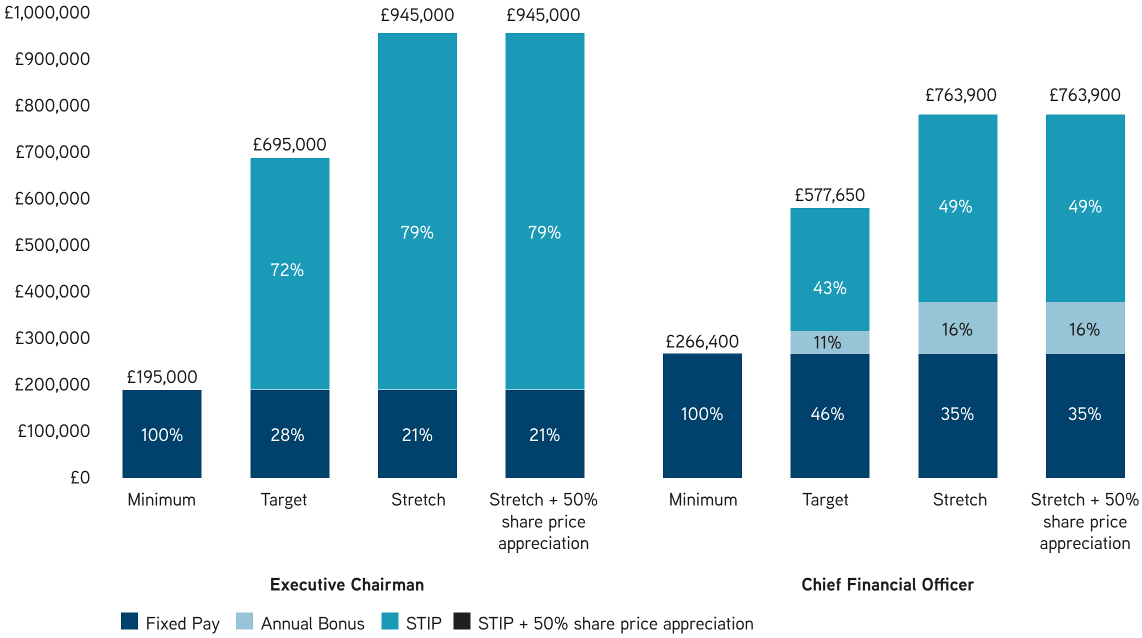
The Committee takes into account the published remuneration guidelines and specific views of Shareholders and proxy voting agencies when considering the operation of the Remuneration Policy. As part of the Policy renewal process the Committee Chair consulted with significant shareholders. Based on the feedback from our engagement, shareholders welcomed the introduction of the STIP and the proposed changes to the Remuneration Policy, and so no amendments were required to the proposed arrangements.

ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The graphs below illustrate the remuneration opportunity for the Executive Chairman and Chief Financial Officer in line with the Remuneration Policy.

Key and assumptions:

The minimum reflects the expected salary, pension and benefits for the Executive Chairman and Chief Financial Officer post the AGM.



The on-target scenario includes the remuneration above plus a bonus payout of 25% of salary (excluding the Executive Chairman who is not eligible for a bonus) and a payout under the STIP of two-thirds of stretch.

The stretch scenario reflects fixed remuneration, plus full payout of all incentives. It assumes a maximum bonus of 50% of salary and 100% pay-out of the Awards under the STIP. For the purpose of this analysis, the stretch Pool value is determined assuming that all assets are sold at the March 2023 valuation value.

As the STIP will be delivered in cash, in the event that there is a 50% increase in share price, there will be no change in the stretch award opportunities.