

The XPS Directors' Remuneration Report

(Resolution 3 approved at the Annual General Meeting held on 13th September 2018)

The Board acknowledged, at the time that the results of the Annual General Meeting held on 13th September 2018 were released, that 20.01% of the votes cast were against resolution no.3, to approve the Directors' Remuneration Report. The salary increases for four of the five executive directors and the pension and annual bonus of the newest director on the board caused concern for some of the Company's shareholders and certain voting guidance services.

Since September 2018, Margaret Snowdon, the Chair of the Remuneration Committee, has met with a number of XPS Pension Group's shareholders and discussed their concerns.

The Remuneration Committee continues to evaluate the most appropriate structure for the executive directors' remuneration, with particular regard to ensuring alignment with XPS Pension Group's internal pay structure and external market competitiveness, and will be mindful of these concerns in making any future changes to remuneration. In the ordinary course of events, the Directors' Remuneration Policy will next be put to shareholders at the Annual General Meeting in 2020 and we look forward to consulting with our major shareholders and the voting guidance services well in advance of this.

26 February 2019