

Directors' Remuneration Policy Summary Report

Our Directors' Remuneration Policy was approved by shareholders at the 2017 AGM. The full Policy is available on the Company's website, but as context for the rest of this report, the main elements of the Policy, as well as how the Policy was implemented during the year, are summarised below:

Elements	Objective	Key features	Implementation in FY19	Implementation in FY20
Base salary	Attract and retain talent of an appropriate calibre.	Reviewed annually, with changes typically effective from October. Maximum salary increases generally in line with wider employees.	Graham Stapleton – £545,700, increased by 2% in line with the increases awarded across the wider workforce with effect from 1 October 2018. Loraine Woodhouse – £350,000 (appointed 1 November 2019)	No change. Salaries will next be reviewed with effect from 1 October 2019 and it is expected that any increase will be in line with the increase received for the wider workforce.
Benefits	Provide market competitive benefits consistent with the role.	Set at an appropriate level taking into account the individual's circumstances and market practice.	Executive Directors received benefits including life assurance, private health insurance and a company car or equivalent allowance, to the following total values: Graham Stapleton – £20,869 p.a. Loraine Woodhouse – £4,667 p.a.	No changes proposed.
Pension	To provide individuals with retirement arrangements.	Contributions made either to defined contribution pension schemes or as an equivalent cash allowance. Total contribution capped at 15% of salary.	All Executive Directors received cash allowances of 15% of salary.	Executive Directors will receive cash allowances of 15% of salary. For any new Executive Directors appointed to the Board from 1 April 2019 the pension opportunity will be limited to 3% of base salary in line with the policy for the majority of the workforce.
Annual bonus	Incentivise the achievement of annual financial targets and key strategic objectives.	Maximum opportunity of 150% of salary. One-year performance period. One-third of any award is deferred into shares for three years. Malus and clawback provisions apply.	Based on performance against Group PBT targets (80%) and key strategic objectives (20%) (NPS, employee engagement, service-related sales growth and digital sales). Any payment under the strategic element of the bonus is subject to the threshold PBT target being met. Group PBT targets were not met and therefore, despite strong progress against some of the strategic objectives, no bonuses were paid.	Executive Directors will have a maximum opportunity of 150% of base salary. 80% will be based on Group PBT, 20% on key strategic objectives. For 2019/20 the strategic measures for the annual bonus will be based on NPS, employee engagement, Group services-related revenue and Operating Cash Flow. Given the broadening of the strategic focus set out at the Capital Markets Day and the strategic importance of delivering strong cash flow, the Committee considered that these metrics are appropriate. Targets have not been disclosed at the current time as they are considered to be commercially sensitive. The Committee intends to disclose targets in next year's Directors' Remuneration Report. One-third of any bonus earned will be deferred into shares for three years.

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Performance Share Plan	Align interests with those of shareholders by incentivising individuals to deliver the strategy, create a sustainable business and maximise shareholder returns.	<p>Maximum opportunity of 200% of salary.</p> <p>Three-year performance period.</p> <p>Two-year holding period after vesting.</p> <p>Malus and clawback provisions apply.</p>	<p>No Executive Director had outstanding 2016 PSP awards so there were no vesting events in respect of FY19.</p> <p>Graham Stapleton was granted 2018 PSP awards over 200% of salary.</p> <p>Shortly following her appointment in November 2018, Loraine Woodhouse was granted a 2018 PSP award over 200% of salary.</p> <p>Vesting dependent on performance against underlying EPS growth (50%) and revenue growth (25%) targets, and Free Cash Flow (25%) with a net debt to EBITDA ratio underpin. Targets are disclosed on page 102.</p> <p>Shares vesting are subject to a two-year holding period.</p>	<p>Executive Directors will have a maximum opportunity of 200% of salary for FY20.</p> <p>No changes to performance measures.</p> <p>The Committee carefully considered whether it would be appropriate to reduce the level of PSP awards for FY20 in light of the share price which has fallen by around 25% since the FY19 awards were granted. However, given the increase in the stretch of the targets for FY20 awards and the fact that management are relatively new in the role, the Committee considered that it was appropriate to maintain the current award level to ensure that management are fully incentivised to drive performance and deliver value for shareholders over the next three years.</p>
Shareholding guidelines	Align individuals with shareholders.	<p>Executive Directors are encouraged to acquire and retain shares equal to a value of at least 200% of their salary.</p> <p>Expectation that 75% of any post-tax shares that vest from incentive plans are retained until the guideline is met.</p>	<p>Executive Directors were subject to a 200% of salary shareholding guideline.</p> <p>Executive Directors are expected to retain 75% of any post-tax shares that vest under any share incentive plans until this shareholding guideline is reached. There have not been any share incentive plan vestings this financial year.</p>	<p>No change.</p> <p>We will consider our approach to post-employment shareholding guidelines as part of the wider review of Remuneration Policy being undertaken during 2019/20.</p>

