Remuneration report

Annual statement by the Remuneration committee Chair

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The committee Chair's letter and the annual implementation report on directors' remuneration will be subject to an advisory vote at the 2019 AGM. The remuneration policy will be subject to a binding vote at the 2019 AGM.

2019 has been a busy year for the Remuneration committee as we have been reviewing our remuneration policy.

In this letter I have summarised the thinking behind our policy review and have set out the key features of the new policy we are proposing. More details, including the process we followed, are provided on the following pages. I then present our key decisions in implementing our current remuneration policy in 2018/19 and decisions so far regarding 2019/20. Further information on these topics can be found in the implementation report.

Executive remuneration policy review

In 2016 we introduced a number of important changes to our remuneration policy, including a new design of the Long Term Incentive Plan (LTIP) measures to reflect the strategy of holding a portfolio of diverse businesses and the very different nature of our Sugar business. On balance, we believe that our current policy works well. Nonetheless, we have used the opportunity of this policy review to take an even more fundamental look at the LTIP structure and its linkage to how we want to drive the businesses. The other main focus of our review has been the recent changes in the corporate governance environment.

As a result, the substantive changes that we are proposing to the policy are:

- a reduction in pension contribution rates for new executive directors to align with other UK employees;
- the introduction of a post-employment shareholding requirement; and
- a new approach to LTIP performance targets.

No change to the overall quantum of reward is proposed, as we remain mindful of the broader debate about executive pay and inequality in society.

Pension contributions

We welcome the new expectation for pension contributions for executives to be in line with those for the broader employee population, as raised by a number of investors and now reflected in the UK Corporate Governance Code. We believe this is the right thing to do and are proposing to align pension contributions or cash allowances for future directors with the wider UK workforce.

Fairness and taking a long-term view are key principles for us when running the business and when making remuneration decisions. Considering the contributions for our current executive directors, we believe that it is important to honour our contractual commitments as an organisation, and we are therefore not planning to make changes to their current pension arrangements as part of this year's remuneration policy review. This is consistent with the approach we took across our UK employee population when closing our defined benefit pension to new members, and when defined contribution rates were changed.

Shareholding requirements

We have a shareholding culture amongst our senior leadership team, driven by a sense of ownership of the business rather than shareholding rules. Our executive directors currently have shareholdings considerably above the minimum requirements set in our remuneration policy, as do many other senior executives. Reflecting the new corporate governance expectations, we are proposing to introduce a post-leaving holding requirement that demonstrates our commitment, and that of our executives, to good corporate governance and the long term.

LTIP – Context

The diverse businesses in our portfolio need to deliver different performance outcomes in order to support the overall strategy. In reviewing the design of our LTIP, we have sought to create a very strong linkage to these desired outcomes:

- incentivise growth in all our non-Sugar businesses; and
- ensure executives are focussed on delivering an acceptable return across the cycle from the Sugar business.

The LTIP should not reward executives if high sugar prices drive spikes in profitability. If shareholders benefit from increases in the share price driven by sugar price volatility, executives will share in this as a result of having significant shareholdings themselves.

LTIP – Performance measures

Group adjusted earnings per share (EPS) is an important performance measure for our growth businesses. However, it is not an appropriate measure for a cyclical business such as Sugar. We are therefore proposing that the first measure of performance in the LTIP is adjusted EPS growth in the non-Sugar businesses over the three-year performance period. This adjusted EPS measure is used in our current LTIP.

We believe executives should be accountable for the performance of their investment decisions. The second proposed measure is therefore a modifier, based on the three-year average adjusted return on capital employed (ROCE) in the non-Sugar businesses. This measure is a downward only modifier of up to 20% of the calculated incentive and is intended to act as a safety net by placing a focus on returns; the performance range is set accordingly.

The first and second measures described above for our new LTIP model form 60% of our current LTIP model and are familiar to our executives. Our new proposal is to introduce a third measure which is a further modifier that penalises executives if returns from the Sugar business are not acceptable. This measure is based on adjusted return on average capital employed in the Sugar business, with the book value of goodwill added to the denominator so that any investment in Sugar is reflected. The modifier may reduce the calculated incentive outcome by up to a further 20% of the previously calculated amount. The scale of this adjustment reflects the relative size of Sugar in the group portfolio.

In the 2019-22 LTIP cycle, the adjusted average Sugar return will be calculated over the three years of the LTIP performance period. For future cycles we will lengthen the averaging period to include past performance so that eventually the average is calculated over five or more years. This will reduce the impact of peaks and troughs in sugar price and reflects our position that this business must deliver an acceptable return to investors and generate cash over the sugar cycle. Our current focus is to drive Sugar returns up to acceptable levels, following a period of low sugar pricing caused by the European sugar regime change. We are therefore proposing that in the initial 2019-22 cycle, no adjustment be made if average returns are above 8% but that executives are penalised for lower returns, with the full reduction applying if average returns are at or below 5%. This takes into account the fact that our European sugar businesses may still be affected by the effects of regime change at the start of the performance period. A return at the bottom of this range is broadly in line with shareholder expectations for 2019/20. Executives will need to drive improved performance if they are to avoid the downwards modifier being applied to vesting in 2022.

Over time we would expect the bottom of the performance range to move up as we include more years in the averaging of returns and move beyond the impact of regime change. Furthermore, in our next policy review in 2022, we expect to determine whether the modifier could apply both upwards and downwards with a more stretching performance range.

We believe that this new approach is well aligned with our strategy and operating model and is in investors' interests. It addresses concerns we had heard from some shareholders, that the current model allows for part of the LTIP to be earned regardless of the Sugar performance. In the new model, all of the outcome includes the impact of Sugar.

I am delighted that when we consulted our largest shareholders, they were very supportive of our proposals.

Remuneration in 2018/19

LTIP 2016-19

This is the first vesting under the LTIP measures that we introduced in 2016.

For the 60% of the LTIP that is measured with the impact of Sugar removed, the performance outcome was 70.89% of maximum. Over the performance period the Retail, Grocery and Ingredients businesses performed well against a backdrop of Brexit uncertainty, consequent volatility in foreign exchange rates and a challenging environment on the high street.

For the 40% of the LTIP measured on adjusted group EPS and ROCE, the performance outcome was 61.68%. The performance of the non-Sugar businesses was as described above, while Sugar performance over the three years was impacted by reform of the European sugar regime and low world sugar prices.

This year we have recognised an impairment charge of £65m in respect of our UK bakeries following the loss of a key contract. This has been charged 'below the line' of adjusted operating profit and does not impact incentive outcomes.

Consistent with past practice however, we have used discretion to reduce the number of shares vesting for the small number of executives, including the executive directors, involved in the original investment decision to which the impairment relates. The reduction has been set at 15% of the pre-adjustment vesting amount.

Discretion has been applied to reduce the LTIP rather than the STIP as investment decisions are long-term, multi-year choices.

These LTIP awards were allocated at a share price of £26.25. Share prices have since fallen, so the committee has considered whether any adjustment to the vesting outcome should be considered. In some previous cycles our share price rose significantly while the number of shares vesting was low due to stretching EPS targets. In these cases, no adjustments were made to increase vesting and so for consistency of approach, no adjustment is being made this time. Our executive directors have very significant shareholdings so they have experienced the share price decline directly through its impact on their personal wealth.

We believe that the calculated vesting outcome, following the application of discretion as detailed above, is fair and in line with our tradition of reasonable and conservative levels of reward.

Short Term Incentive Plan (STIP) 2018/19

STIP targets for 2018/19 were set taking into account the projected substantial decline in profitability of the Sugar business driven by global and European prices. This reduction was offset by setting challenging growth targets for Retail and Grocery.

Achievement of the budget was seen as very challenging throughout the year, but the final profit outcome was a little ahead of budget, driven by the strong growth in Primark and our international grocery businesses. Primark performance was a result of better buying and lower mark-downs, leading to margins above expectations. In our international grocery businesses, we were delighted with new product development. Whilst at a much lower profit than the previous year, AB Sugar was marginally ahead of budget with tight cost control and strong measures taken in our Spanish business to reduce beet prices.

In light of the impairment taken at half year, as described above, the committee has applied discretion to adjust the STIP target upwards by the depreciation benefit in the second half arising from this impairment.

We also adjusted the STIP and LTIP ranges to take into consideration the accounting charge for Argentina hyperinflation that was included in reported numbers but not in the original performance targets. This adjustment made the targets no harder or easier to achieve than was originally intended.

Taking all of the above into account, the financial STIP outcome is 74.13% of maximum which the committee considers to be an appropriate reflection of performance in a challenging year.

Salaries

In December 2018, we did not increase the salaries of our executive directors.

Remuneration in 2019/20

LTIP 2019-22

Subject to our new remuneration policy being approved, we will make LTIP allocations for the 2019-22 performance period in December 2019 with performance subject to the proposed new performance measures.

IFRS 16

IFRS 16 will impact outcomes under the LTIP in 2020 and 2021 as the EPS and ROCE targets were set without the impact of this change to lease accounting being taken into account.

Incentive performance ranges will be adjusted to ensure that the LTIP outcomes remain no harder or easier to achieve than they would have been on the old accounting basis. The revised performance ranges will be disclosed in the 2020 Remuneration report.

STIP 2019/20

The personal performance element of the STIP will be modified to focus on in-year execution of multi-year priorities related to environmental, social and governance (ESG) measures/business health as well as to business performance. This change was welcomed by our shareholders in consultation.

Salaries

This year, with increases for our wider UK workforce typically in the range of 2%-3.5%, we have decided not to increase salaries for the executive directors. This reflects our conservative approach on remuneration.

The committee has chosen voluntarily to disclose our CEO pay ratio for 2018/19 on page 103.

Lastly, as you will see, we have taken this opportunity to review the format of this Remuneration report. We hope that the additional tables and narrative will add clarity for readers of the report.

Ruth Cairnie
Remuneration committee Chair

Remuneration report

Role of the Remuneration committee
The committee is responsible to the board for determining:

- the remuneration policy for the executive directors and the Chairman, considering remuneration trends across the Company;
- the specific terms and conditions of employment of each individual executive director;
- the overall policy for remuneration of the Chief Executive's first line reports;
- the design and monitoring of the operation of any Company share plans;
- stretching incentive targets for executive directors to encourage enhanced performance;
- an approach that fairly and responsibly rewards contribution to the Company's long-term success; and
- other provisions of the executive directors' service agreements and ensuring that contractual terms and payments made on termination are fair to the individual and the Company, and that failure is not rewarded and loss is mitigated.

The committee's remit is set out in detail in its terms of reference, which are reviewed regularly and were last updated in September 2015. They are available on request from the Company Secretary's office or at www.abf.co.uk/ investorrelations/ corporate_governance.

The committee's terms of reference are being reviewed in late 2019 to ensure that they are compliant with latest corporate governance requirements and once approved will be available at the link above.

Members of the Remuneration committee
In the financial year and as at the date of this report, members and Chair of the committee have been as follows:

	Role on committee	Independence	Year of appointment	Meetings attended
Ruth Cairnie[1]	Chair	Senior Independent Director	2014	8
Javier Ferrán[1]	Member	Senior Independent Director	2006	1
Wolfhart Hauser	Member	Independent Director	2015	8
Richard Reid	Member	Independent Director	2016	8
Michael McLintock	Member	Chairman	2017	8
Graham Allan[2]	Member	Independent Director	2018	8

1 Javier Ferrán retired from the Board on 7 December 2018 and Ruth Cairnie was appointed Senior Independent Director from that date.
2 Graham Allan was appointed on 5 September 2018.

George Weston (Chief Executive), Des Pullen (Group HR Director) and Julie Withnall (Group Head of Reward) attend the meetings of the committee. No individual is present when their own remuneration is considered.

Remuneration principles
Our remuneration approach needs to enable us to attract and retain top executive talent to promote the strategic and financial performance of the business. The remuneration principles, shown below, remain unchanged, and have informed our decision-making in relation to the proposed changes to our remuneration policy.

Alignment, accountability and doing the right thing
Our board is accountable for ensuring that the portfolio that we operate is the right one to deliver optimal returns to shareholders and for ascertaining that the businesses are well run. Our remuneration policy aims to align executive rewards with shareholder value creation.

Line of sight
We aim to align remuneration and business objectives through performance measures to which individuals have line of sight.

Clarity and simplicity
We believe that executive pay should be clear and simple for participants to understand.

The best way to achieve this is through alignment with business performance.

Fairness
Total remuneration should fairly reflect the performance delivered and efforts made by executives.

Policy review
When reviewing our policy, the committee considered a wide range of options. At one extreme we considered whether a shift to a remuneration model focussed on fixed pay and long-term share awards without performance conditions could be a helpful simplification. We also looked at whether a price adjustment mechanism, such as those used in other commodity businesses, might be appropriate for the LTIP. The debate was thorough and robust, and we believe that the proposals set out in the committee Chair's statement and in the following disclosure represent the most appropriate solution for the business.

We operate a portfolio approach to our businesses, to which we remain committed. The role of the divisions in the portfolio is reviewed regularly. Since we put our current remuneration policy in place in 2016, the following important changes have taken place:

- our non-Sugar businesses have continued to grow;
- European regime reform has impacted performance in our Sugar division; and
- the overall shape of the group has changed with Primark becoming a relatively larger part of the whole and Sugar becoming relatively smaller (less than 20% of the whole).

With the changes in the European sugar regime, we have considered the role of AB Sugar in the portfolio and continue to believe that this business will deliver an acceptable return to investors and generate cash over the sugar cycle.

Recent history has reinforced the case for a bespoke approach to our remuneration package, reflecting the different nature of the Sugar business. In the early stages of this review we consulted several of our largest shareholders. Their feedback included:

- recognition of our conservative approach to incentive quantum and operation of discretion;
- support for our choice of metrics (adjusted operating profit, working capital, adjusted EPS and adjusted ROCE);
- recognition of the challenge of designing an LTIP for a diverse organisation;
- some challenge from a few of our shareholders on the current LTIP approach, particularly the fact that part excluded Sugar performance when, as investors, they can only invest in the business as a whole; and
- some support for the current approach of measuring LTIP performance partly based on the group as a whole and partly based on the group excluding Sugar.

Our workforce remuneration practices vary widely across the organisation. Each divisional chief executive is responsible to the Board for running his/her business well and reporting to the Board on how they engage the people in their businesses. Within our review we consulted the HR directors from our divisions as representatives of the employees in their areas of the organisation. We sought to understand views on the alignment of reward and culture in the organisation. Their feedback included:

- confirmation that our remuneration principles are right and resonate across our diverse portfolio of businesses;
- confirmation of the importance of pay for performance and of flexibility in reward models across the divisions to support different business models and market practices;
- confirmation of the importance of shares in long-term incentives to align our business leaders' interests with those of shareholders;
- support for our line of sight principle that ensures that targets are meaningful to participants; and
- confirmation that our approach to discretion and flexibility is well aligned with our culture and focuses on 'doing the right thing'.

In line with the UK Corporate Governance Code, the following factors, which align well with our principles, were also considered:

- clarity and simplicity – we believe that our new policy proposals provide transparency for executives and investors about what performance we are looking for across our portfolio;
- risk – we note the reputational and other risks that can result from excessive rewards and believe that our robust target-setting and long history of applying discretion to calculated outcomes reflects this. Over the years, we have applied discretion occasionally to increase incentive outcomes when the situation merits it (as we did in 2017) as well as to decrease payments (as we are doing this year);
- predictability and proportionality – we believe that the link between individual awards, the delivery of strategy and the long-term performance of the company is clearly explained in this report and that our approach ensures proportionate pay outcomes that do not reward poor performance; and
- alignment to culture – we want our executives to make decisions for the long-term performance and health of the business. This informs our approach to target setting, operation of discretion and personal performance measures.

Remuneration report

Proposed changes to Directors' Remuneration Policy and to Shareholding Requirements

	Revised policy	Rationale
Fixed Pay Pension	No changes to pension provision for incumbent executives, whose current arrangements reflect market practice and pensions practice elsewhere in the group at the time that their employment contracts were put in place. Pension contributions and/or cash allowance for new executive directors aligned with contribution rates at the time of appointment for other UK-based employees. This would currently cap company contributions at 10% of salary.	The group has a wide variety of pension arrangements and a strong history of honouring commitments we make to individuals at appointment. For example, our defined benefit (DB) pension scheme remains open to future accrual for members that joined the group before it closed. We believe it is right to honour the pensions offered to incumbent executive directors when they signed their employment contracts. We recognise that going forward it is right for the rate of pension contribution for new joiners at the top of the organisation to align with what is offered to our wider UK population.
Variable Pay LTIP – Up to 200% of salary	Conditional share awards with performance measured on: • 200% of salary – Group EPS with the impact of Sugar removed • Modified 80%-100% – by Group ROCE with the impact of Sugar removed • Modified a further 80%-100% – by Sugar ROCE with the book value of goodwill added to the denominator	We felt that the LTIP structure and performance measures could be improved to create an even stronger alignment with our strategy and performance drivers. The reasoning is detailed in the committee Chair's statement. We have not changed the LTIP quantum, the requirement for executive directors to hold net vested LTIP shares for two years from the vesting date or the scope of discretion available to the Committee.
Shareholding requirement – 250% of salary (beneficially-owned)	Conditional awards do not count. Shares that have vested and are subject to a holding period do count. At least 50% of net shares vested under STIP and LTIP must be held until the shareholding requirement is met. Executive directors will be required to retain, for two years post leaving the Company, a holding of shares at a level equal to the lower of the shareholding requirement or their actual shareholding on departure.	Both of our current executives have holdings considerably in excess of our required holding level. This reflects the culture of the group and the commitment of our leaders to the long-term stewardship of the business. In light of this, we have not increased the level of holding required of our executives. Recognising corporate governance requirements, we have introduced a post-departure holding requirement that is in line with Investment Association (IA) guidance.

Further investor feedback

Further to our initial shareholder discussions, we engaged with a broader group of shareholders and with proxy agencies to seek their feedback on the revised remuneration policy outlined above. We have listened closely to their feedback, which is summarised below.

- There was recognition that we had listened to shareholder concerns and thought about how to make the LTIP targets meaningful. The strong consensus was that the new approach is better than the current model which was already an improvement on the pre-2016 approach.
- There was appreciation for the proposed pension changes for new joiners. The feedback on our approach for existing executives was mixed. Most investors recognised that unlike many organisations we have a strong track record of honouring our pensions commitments, as detailed in the table above, and that this integrity is part of our culture and is important to us. We appreciated the supportive yet challenging approach from our investors and will keep this matter under consideration.
- There was also appreciation for our decision to adopt the IA guidelines in relation to post-employment shareholding. Some of our investors challenged the current level of shareholding requirement for our executives. We have discussed this feedback as a committee. As an organisation we are driven by values and principles. Many of our executives have shareholdings that are in excess of any requirement because they want to invest in the Company, share in its success and demonstrate their commitment to the organisation. We view this as a strength. We feel that the current level of holding requirement remains appropriate and we are confident that our long-serving executives will continue to show their commitment to the Company by holding shares. As we know that this is an area of concern for investors, we will keep this position under review.
- In addition to these policy changes, we consulted investors on a proposed change of focus for the personal performance element of STIP to encompass both drivers of long-term business performance and business health. This approach was supported by investors.

Remuneration structures at a glance

The table below outlines the remuneration structure that will apply in 2019/20, subject to approval of the new remuneration policy.

Remuneration element	Purpose	Proposed implementation in 2019/20 (subject to approval of new remuneration policy)
Fixed Pay		
Base salary	Provides core reward for the role. Enables the Company to attract and retain executives of the calibre required to deliver our strategy.	In December 2019, salaries will not be increased.
Pension	Provides a competitive retirement benefit.	George Weston will accrue benefits under the Company's DB scheme and/or EFRBS. John Bason will have a pension allowance of 25% of salary.
Benefits	Provides a competitive and cost-effective benefits package appropriate to the role.	No changes to benefits offered are anticipated in the year.
Variable Pay		
STIP – Up to 200% of salary in cash and shares	Encourages and rewards attainment of challenging performance targets over a one-year period. Shares element facilitates operation of malus and clawback, aligns the interests of executives and shareholders and promotes executive retention.	Up to 20% of salary in cash based on personal performance objectives linked to key long-term business performance and business health goals. Up to 180% of salary based on financial performance (currently adjusted operating profit with a working capital multiplier), up to 130% of salary in cash and up to 50% of salary in shares.
LTIP – Up to 200% of salary	Rewards long-term business growth, facilitates the operation of malus and clawback, aligns the interests of executives and shareholders and promotes executive retention.	Conditional share awards will be allocated on or after 9 December using the new performance measures, subject to the policy being approved. • The LTIP targets for 2019–22 are shown on page 105. • A two-year post-vesting holding period applies to net of tax shares.
Shareholding requirement	To demonstrate commitment to the Company's success and align executives' and shareholders' interests.	A shareholding requirement of 250% of salary, as detailed on the previous page.
Fees for non-executive directors and the Chairman	To attract and retain a high-calibre Chairman and non-executives by providing a competitive core reward for the role.	In December 2019, the fees will remain unchanged.

Illustration of incentive model

The chart below shows the approach that we are planning to apply to incentives in 2019/20, subject to shareholder approval of our new remuneration policy.

	Performance measures	% of base	Incentives performance and release timing					
			2019/20	2020/21	2021/22	2022/23	2023/24	
Personal STIP	Objectives	20%	Performance	Cash payment (subject to malus and clawback)				
Financial STIP	Adjusted operating profit x working capital modifier	130%	Performance	Cash payment (subject to malus and clawback)				
		50%	Performance	Deferral	Deferral	Paid in shares. Release of shares (subject to malus and clawback)		
			Absolute TSR alignment on shares – granted at start of performance period					
LTIP	Adjusted EPS excluding Sugar x moderator based on three-year average ROCE excluding Sugar x moderator based on three-year average Sugar returns	200%	Performance Vests at end of year three			Holding	Holding	Release of shares (subject to malus and clawback)
			Absolute TSR alignment on shares – granted at start of performance period					
Shareholding requirement		250%	Absolute TSR alignment					

Remuneration policy for executive directors

This report sets out our remuneration policy which will apply, subject to approval, from the close of the AGM on 6 December 2019. For unvested share awards only, the provisions of the remuneration policy presented in the 2016 Remuneration report will continue to apply until such time as all long-term incentive awards granted under that policy have vested or lapsed.

	Operation and link to business strategy	Maximum opportunity
Base salary (100% cash)	Base salaries are normally reviewed on an annual basis. Factors taken into account include market pay movements, the level of increases awarded to UK employees across the group and the impact of any increase on the total remuneration package. If there is a significant change in role scope, remuneration will be adjusted to reflect this.	Increases will be aligned with the range of increases available for other UK employees.
Benefits (excluding relocation)	Benefits are restricted to typical UK market levels for executive directors and include, but are not limited to, death in service payment, permanent health insurance, company car plus private fuel, family healthcare and, where relevant, fees to maintain professional memberships.	The cost of benefits is capped at 10% of salary.
Pension	Defined benefit (DB) pension arrangements – closed to new members The current executive directors were members of the Company's DB pension scheme. The scheme is designed to provide retirement benefits of around two-thirds of final pensionable pay at age 65. Both executive directors opted out of the scheme on 5 April 2006 but retain their accrued benefits. Since then the Chief Executive has earned benefits in an EFRBS. The Finance Director accrued benefits in an EFRBS until April 2019. The EFRBS is designed broadly to mirror the DB scheme. Defined contribution pension arrangements/cash alternative Since April 2019 the Finance Director has received a cash pension allowance of 25% of salary, in lieu of a DC contribution. Future executive directors, who are not already entitled to DB pension arrangements at the time of appointment, will benefit from a defined contribution arrangement. Where a UK-based pension arrangement is not possible, or is not tax-efficient, a cash supplement equivalent to the normal pension contribution may be paid in lieu of pension contributions.	For the Chief Executive, a retirement benefit target of circa two-thirds of final pensionable pay is payable at normal retirement age. For the Finance Director the maximum company contribution (or cash equivalent) is 25% of salary. Future executives may receive Company contributions (or cash equivalent) up to a maximum rate aligned to that for other employees, currently 10% of base salary.
Short term incentive plan (STIP)	Performance measures and target-setting Group financial performance targets can apply to up to the full amount of the STIP and are assessed against prime financial and strategic measures used across the group to drive performance. Personal performance measures can apply to up to 20% of the STIP and are based on personal targets aligned to key business health and business performance goals. The on-target performance level is set at the start of each financial year considering budgeted performance and any early re-forecasts. A range is set around the target to incentivise delivery of stretching performance. Annual allocations of conditional shares vest based on performance in year one and a further service period of two years. Shares vest three years after the start of the relevant STIP performance period. A cash or shares dividend equivalent payment is made, pro rata to the number of shares vesting, at the release date.	STIP cash of 150% of base salary and STIP shares of 50% of base salary. In exceptional circumstances, such as the appointment of a new Chief Executive, this could be increased to 300% of base salary to correct any shortfall against market. Any increase would consider adjustments in other elements of the package to ensure that the total was not excessive. At maximum, 100% of the allocated shares vest; at target 50% vest; at threshold 10% vest; and below threshold awards lapse.

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	Operation and link to business strategy	Maximum opportunity
Short term incentive plan (STIP) continued	Retrospective disclosure of targets Achievement against targets will be disclosed at the end of the financial year in that year's Remuneration report and further detail, including the performance range that applied to financial targets, will be disclosed one year later. Discretion, clawback and malus Please refer to the notes that follow this table.	
Long term incentive plan (LTIP)	Growth in adjusted EPS with the adjusted operating profit, tax and interest of Sugar removed. The calculated outcome may then be moderated downwards to reflect average ROCE performance over three years with the profit and average capital employed of Sugar removed. The calculated outcome may then be further moderated downwards to reflect average Sugar ROCE performance with the book value of goodwill added to the denominator over three or more years. These measures reflect our strategy and feedback from investors. They are well understood both by participants and shareholders. Targets are set for each allocation, taking into account the shape of the portfolio, market expectations and internal forecasts for the next few years, and the scale of investments made. Vesting period Annual allocations of conditional shares will be free of restrictions after a five-year period, comprising a three-year performance period and a two-year holding period for the net of tax award. Discretion, clawback and malus Please refer to the notes that follow this table. Dividend equivalents A cash or shares dividend equivalent payment will be made, pro rata to the number of shares vesting, at the release date.	200% of base salary at allocation. In exceptional circumstances, such as the appointment of a new Chief Executive, this could be increased to 300% of base salary to correct any shortfall against market. Any increase would consider adjustments in other elements of the package to ensure that the total was not excessive. At maximum, 100% of the allocated shares vest; at target 50% vest; at threshold 10% vest; and below threshold awards lapse.
Shareholding requirement	Executives are required to build a holding of beneficially owned shares in the company. Conditional awards under our incentive plans do not count towards this limit. Shares that have vested and are subject to a holding period do count. At least 50% of net shares vested under STIP and LTIP must be held until the shareholding requirement is met.	During employment 250% of salary to be held in the form of shares. Post-employment Executive directors will be required to retain, for two years post leaving the Company, a holding of shares at a level equal to the lower of the shareholding requirement or their actual shareholding on departure.
Non-executive directors' fees	The Chairman and executive directors review non-executive directors' fees in light of fees payable in comparable companies and by reference to the time commitment, responsibility and technical skills required to make a valuable contribution to an effective board. Fees are paid in cash on a quarterly basis except for the Chairman whose fee is paid monthly and are not varied for the number of days worked. Non-executive directors receive no other benefits and take no part in any discussion concerning their own fees. We pay additional fees to reflect extra duties and time commitments, including to the Senior Independent Director, committee Chairs and individuals taking on other projects and responsibilities at the request of the Company. As the Chair of the Nomination committee is currently the Company Chairman, no fee is paid for this role at present. Chairman The Remuneration committee reviews the Chairman's fees. No other benefits are paid to the Chairman. Shareholding We encourage our non-executive directors to build up a shareholding of at least 100% of their annual fee. Expenses We reimburse reasonable expenses incurred in travelling on behalf of the business. As HMRC regards travel to the head office as a benefit in kind, we pay any tax due on such expenses on a grossed-up basis.	

Notes to the remuneration policy table

Malus and clawback

The committee may, at any time within two years of an LTIP vesting or STIP being paid, determine that clawback shall apply if the committee determines that performance outcomes were misstated or an erroneous calculation was made in assessing the extent to which performance targets were met. LTIP and STIP payments can be clawed back if the participant is found at any time prior to vesting/payment, including prior to grant, to have committed an act or omission which, in the opinion of the committee, would have justified summary dismissal.

As a condition of participating in the STIP and LTIP, all participants are required to agree that the committee may cause any STIP or LTIP award in which they participate to lapse (in whole or in part); and/or operate clawback under any LTIP or STIP in which they participate; and/or reduce any amounts otherwise payable to them; and/or require the participant immediately to transfer shares or cash back to the Company.

Discretion

The committee will apply discretion, where necessary and by exception, to ensure that there are no unintended consequences from the operation of the remuneration policy. The committee applies a robust set of principles to ensure that incentive outcomes are consistent with business performance and aligned with shareholder interests. Any material exercises of discretion by the committee in relation to the STIP and LTIP will be in line with scheme rules, or other applicable contractual documentation, and will be fully disclosed and explained in the relevant year's annual implementation report.

Approach to recruitment remuneration

Area	Policy and operation
Overall	As we may need to recruit future executive directors from outside the UK or from companies with more aggressive incentive policies than our own, the arrangements below are intended to provide the necessary flexibility to recruit the right individuals. For internal appointments, awards in respect of the prior role may be allowed to vest according to the terms of the scheme, adjusted as relevant to take account of the new appointment. In addition, ongoing prior remuneration obligations may continue. The rationale for the package offered will be explained in the subsequent annual implementation report. We apply the same policy for new joiners as for existing executive directors.
Base salary	Base salary would be set at an appropriate level to recruit the best candidate, based on their skills, experience and current remuneration, taking into account market data and internal salary relativities.
Relocation	If a new executive director needs to relocate, the Company may pay: • actual relocation costs and other reasonable expenses relating to moving house, including temporary accommodation if required; • disturbance allowance of up to 5% of salary, some of which may be tax-free for qualifying expenditure; • school fees for dependent children where there are cultural or language considerations; • medical costs for the overseas family, where relevant; • one business class return fare per annum each for the executive, his/her partner and dependent children in order to maintain family or other links where an executive is recruited from outside the UK; • reasonable fees and taxes for buying and/or selling a family home and/or appropriate rental costs; • reasonable fees for consultancy advice related to relocation, including, but not limited to, school/home finding advice and support with tax returns as required; • tax equalisation costs for an agreed period; and • any tax due, grossed up, on any relocation-related payments listed above.
Buy-out awards	In addition to normal incentive awards, buy-out awards may be made to reflect value forfeited through an individual leaving their current employer. If required, the committee would aim to reflect the nature, timing and value of awards foregone in any replacement award, taking into account the performance conditions achieved/likely to be achieved and the proportion remaining of the performance period. Awards may be made in cash or shares. In establishing the appropriate value of any buy-out, the committee would also have regard to the value of the other elements of the new remuneration package. The committee would aim to minimise the cost to the Company, however, buy-out awards are not subject to a formal maximum. Any awards would be broadly no more valuable than those being replaced. Where possible, we would specify that at least 50% of any vested buy-out awards should be retained until the shareholding requirement is met.
Other elements	Benefits, pension, STIP, LTIP and shareholding requirements will operate in line with the remuneration policy.
Non-executives	Fees would be in line with the remuneration policy. We would not pay to relocate a non-executive director.

How pay and conditions of employees were considered when setting the directors' remuneration policy

The group is geographically dispersed and therefore subject to very different pay markets. As a result, it is difficult to make sensible comparisons with all employees across the group. However, the Remuneration committee is mindful of our reward practices across the group when setting and implementing the remuneration policy for the executive directors. We have engaged with our divisional HR Directors when reviewing executive remuneration policy but have not consulted employees.

The structure and principles of incentives further down the organisation are consistent with the approach taken for the Chief Executive and Finance Director. The committee is provided with data on the remuneration structure for two tiers of senior management below the executive directors and uses this information to work with the Company to ensure consistency of approach. In addition, the committee approves all share-based LTIP awards across the group.

The executive directors have a greater proportion of their total reward package at risk than other employees. This means that in years of very good performance, the Chief Executive's package increases proportionately more than that of other employees and conversely in years of lower performance it may be proportionately less. We believe that this is the right model for our business and drives an appropriate performance focus. Salary increases for executive directors are limited to the range of increases available to UK-based employees except in a change of role.

Statement of consideration of shareholders' views

The committee Chair is available to discuss any remuneration matters with shareholders, to help shape our policy and practice. Each year we invite our larger institutional shareholders to share their views on the group's remuneration, strategy and governance. The feedback received, and our response, is detailed in the committee Chair's statement and the policy review section at the start of this report.

Executive directors serving as non-executive directors

To encourage self-development and external insight, the committee has determined that, with the consent of both the Chairman and the Chief Executive, executive directors may serve as non-executive directors of other companies in an individual capacity, retaining any fees earned.

Service contracts and policy on payment for loss of office

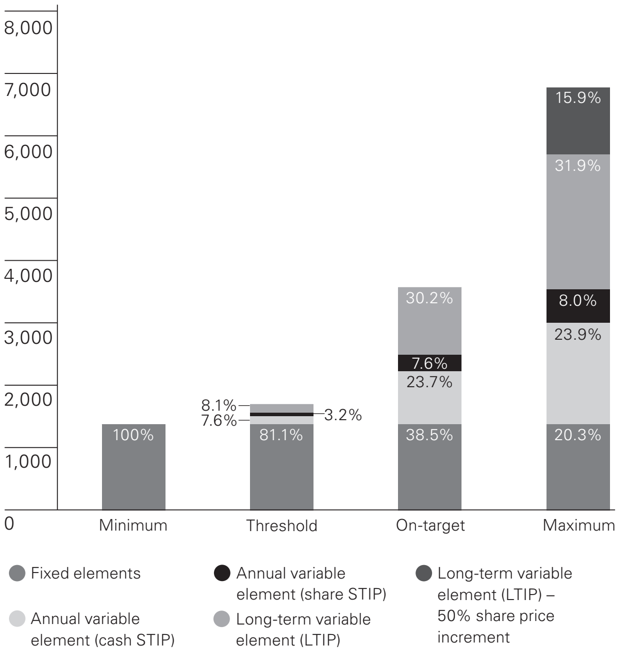
Provision	Policy and operation
Notice period	12 months' notice by either the director or the Company. Contracts are available for inspection at the Company's offices. Contracts and service agreements are not reissued when base salaries or fees are changed.
Non-compete	During employment and for 12 months thereafter.
Executive directors – contractual termination payments	Resignation No payments on departure, even if, by mutual agreement, the notice period is cut short. Departure not in the case of resignation Service contracts allow for the Company to terminate employment by paying the director in lieu of some or all of their notice period. The Company may determine that such a payment is made in monthly instalments or as a lump sum. A payment in lieu of notice will comprise the salary, benefits and pension provision that the director would otherwise have received during the relevant period. The Company is committed to the principle of mitigation and would reduce monthly instalments to take account of amounts received from alternative employment. By exception, the Company may permit an executive director to work for us as a contractor or employee after the end of their notice period for a limited period to ensure an effective hand-over and/or to allow time for a successor to be appointed. Settlement agreement The committee may agree reasonable payments in settlement of legal claims. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. The committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements. The committee may make payments in respect of outplacement and/or provide other ancillary or non-material benefits linked with departure (including for a defined period after departure) not exceeding £10,000 in aggregate for those leaving the business under an agreement or for other reasons excluding resignation.
Relocation support	Good leaver* If an executive was relocated to the UK at the start of his/her employment, his/her repatriation may be paid. Leaver due to resignation/misconduct/poor performance No payment is made.

Provision	Policy and operation
STIP cash	Good leaver* The committee will consider making a payment pro rata for time and performance, for the financial year in which the termination/death took place. Any agreed payment will be made in the December following the year end. In the case of death, payment may be accelerated. This is consistent with the approach for other STIP participants. Resignation If an executive director ceases to be employed before, or is under notice when, full year results are published, no STIP is paid. Leaver due to misconduct/poor performance No payment is made.
LTIP and STIP shares	Good leaver* Where the performance condition on STIP shares has already been achieved and the award is subject to a service condition, it will vest at the usual vesting date. For other allocations, the committee will decide the extent to which they vest, having regard to the extent to which any performance condition is satisfied and, unless the committee determines otherwise, pro-rating to reflect the period from the start of the performance period until the date of cessation. Such awards will vest on the normal vesting date or at such other date as the committee determines. In the case of death, vesting may be accelerated. Awards or portions of awards that do not vest will lapse. Leaver due to resignation/misconduct/poor performance All conditional awards lapse. Change of control of the Company In the event of a change of control, all unvested awards under the LTIP would vest, subject to the committee considering the extent that any performance conditions attached to the relevant awards have been achieved and, unless the committee determines otherwise, the proportion of the performance period worked by the director prior to the change of control. For STIP shares, all will vest on the event of a change of control.
Non-executive directors – contractual termination payments	Appointment is for three years unless terminated by either party on six months' notice. Continuation of appointment depends on performance and re-election. Non-executive directors typically serve two or three three-year terms. Our Articles of Association require directors to retire from office if they have not retired at either of the preceding two annual general meetings. At this year's annual general meeting, all directors are standing for election or re-election in compliance with the UK Corporate Governance Code. Where an individual does not stand for re-election, they are not paid in lieu of notice.

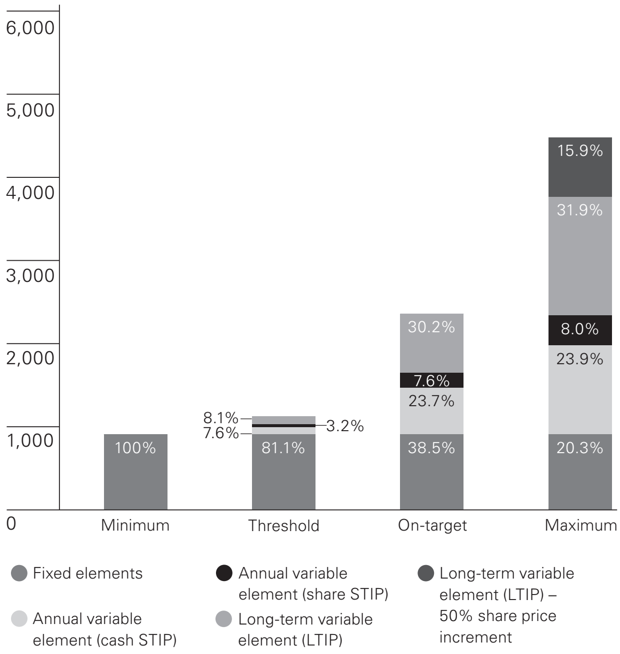
* Good leavers are those leaving because of ill health/injury/disability/death, redundancy, retirement or because their employing company is being transferred outside the group or for any other reason determined by the committee.

Executive directors' reward potential

George Weston (£000)



John Bason (£000)



Notes 2019/20 Policy

1 Fixed elements for George Weston comprise salary (net of pension-related salary sacrifice) of £1,065,205 benefits of £16,250 and pension of £308,756 and applies to minimum, threshold, on-target and maximum performance.

2 Fixed elements for John Bason comprise salary of £720,000 benefits of £20,467 and a cash allowance in lieu of DC pension contributions of £180,000 and applies to minimum, threshold, on-target and maximum performance.

3 Cash STIP is calculated on base salary at the end of the financial year and both the deferred awards and LTIP share values are calculated on base salary at the date of allocation and exclude share price movement and dividend equivalents.

4 Minimum: No cash STIP, deferred awards or LTIP vesting for not achieving threshold performance.

5 Threshold: Cash STIP of 12% of base salary (12% of base salary for threshold financial performance and 0% for not achieving threshold personal performance). Deferred awards vesting at 10% of maximum (i.e. 5% of grant date base salary). LTIP vesting at 6.4% of maximum (i.e. 20% x 80% x 80% of grant date base salary) following achievement of the threshold EPS performance target modified downwards twice for returns at the bottom of the performance range.

6 On-target: Cash STIP of 78.33% of base salary (65% for target financial performance and 13.33% for target personal performance). Deferred awards vesting at 50% of maximum (i.e. 25% of grant date base salary). LTIP vesting at 50% of maximum (i.e. 100% of grant date base salary).

7 Maximum: Cash STIP of 150% of base salary (130% for maximum financial performance and 20% for achieving maximum personal performance). Deferred awards vesting at 100% of maximum (i.e. 50% of grant date base salary). LTIP vesting at 100% of maximum (i.e. 200% of grant date base salary).

Annual implementation report on directors' remuneration – single total figure (audited)

- Sets out the elements of remuneration paid to directors in respect of the financial year 2018/19.
- Sets out performance outcomes for the financial year 2018/19
- Sets out the performance range that applied for the STIP in 2017/18
- Details how we expect to implement the remuneration policy in 2019/20.

This report is subject to an advisory vote at the 2019 AGM.

Single total figure of remuneration for executive directors

		George Weston		John Bason	
		2019 £'000s	2018 £'000s	**2019 £'000s**	2018 £'000s
Fixed Pay	**Base salary[1]**	**1,063**	1,060	**703**	692
	Benefits[2]	**16**	16	**91**	23
	Pension[3,4]	**309**	247	**211**	337
	Total Fixed Pay	**1,388**	1,323	**1,005**	1,052
Variable Pay	**STIP (inc Deferred Shares)[5]**	**1,599**	1,039	**1,062**	698
	LTIP[6,7]	**1,159**	1,481	**763**	976
	Total Variable Pay	**2,758**	2,520	**1,825**	1,674
Total Single Figure of Remuneration		**4,146**	3,843	**2,830**	2,726

1 For executive directors, the salary in the year is not the same as a weighted average of the headline salaries, since salary actually paid is reduced for pension related salary sacrifices. The benefit of these salary sacrifices is captured in the increase in pension entitlements for which a remuneration value is shown in the pensions row.
2 The value of George Weston's benefits comprised £14,161 taken in cash and £2,090 taxed as benefits-in-kind and the value of John Bason's benefits comprised a pension cash allowance of £70,409, £14,161 taken in cash and £6,306 taxed as benefits-in-kind.
3 While the nature of George Weston's pension benefits has not changed during the year, the pensions number for the purposes of this disclosure has increased. This year's amount is higher than last year due to a reduction in the Consumer Price Index to 2.4% at the start of this year from 3% at the start of last year.
4 John Bason's pension benefits continued on the same basis as last year until 24 April 2019. Further accrual under the EFRBS ceased at that date. Since that date he has been paid a pension cash allowance of 25% of salary, which is reported in this table as a taxable benefit.
5 The STIP values shown include a cash amount, which is paid in December in respect of the preceding financial year, and the value of deferred share awards that are based on performance over the relevant financial year. The shares value is calculated based on the average mid-market closing price over the last quarter of the financial year. For 2017/18 the relevant share price was 2465.31p and for 2018/19 it was 2359.23p. The shares in these awards are subject to a two-year deferral period and remain conditional. For George Weston the amount shown for 2019 comprises a cash element of £1,195,403 and a deferred award value of £378,656 plus £1.245 per share dividend equivalent payment of £25,422. For John Bason this comprises a cash element of £794,664 and a deferred award value of £250,126 plus £1.245 per share dividend equivalent payment of £16,743.
6 67.21% of the shares under the LTIP for 2016–19 would normally vest in November 2019. After a reduction of 15% of the calculated vesting amount the actual vesting is 57.13% of the award. George Weston will receive 46,661 shares and John Bason will receive 30,730 shares. As required by UK regulations, the vesting value for 2016–19 has been estimated using the mid-market closing price over the last quarter of 2018/19 of 2359.23p. Vesting will be on 25 November 2019 and a figure recalculated for the share price on that date will be presented in the 2020 report. This value also includes the value of a cash payment in lieu of dividends paid on the vested shares over the performance period of £1.245 per share. The dividend equivalent values included in the numbers are £58,093 for George Weston and £38,259 for John Bason.
7 100% of the shares under the LTIP for 2015–18 vested in November 2018 at a share price of 2494.509p. George Weston received 59,388 shares and John Bason received 39,110 shares. As required by UK regulations, the value disclosed for this award in 2018 was estimated using the average mid-market closing price over the last quarter of the 2017/18 financial year of 2465.31p. This figure has now been recalculated for the actual share price on the vesting date.

This section, which provides more information on executive directors' salaries and benefits in the last year, forms part of the annual implementation report on directors' remuneration, which is subject to an advisory vote at the 2019 AGM.

Single total figure – base salary

Executive directors' salaries were reviewed on 1 December 2018 and the Remuneration committee determined that they should remain unchanged from salaries in the previous year.

	Dec 2017	Increase in Dec 2018	**Dec 2018**
George Weston	£1,090,000	0%	**£1,090,000**
John Bason	£720,000	0%	**£720,000**

Single total figure – taxable benefits

The taxable values of a fully-expensed company car, family private medical insurance, permanent health insurance, life assurance and an annual medical check-up are included in the table of directors' remuneration.

Pensions

Both directors opted out of the Associated British Foods Pension Scheme, a defined benefit scheme, on 5 April 2006. Since then George Weston has earned benefits in an Employer Funded Retirement Benefit Scheme (EFRBS). From 5 April 2006 until 24 April 2019, John Bason also earned benefits in an EFRBS. On 24 April 2019 his EFRBS entitlement ceased and, as disclosed in our 2018 annual report, his previous contract of employment with the Company ended. As such, on 24 April 2019, John Bason entered into a new contract of employment with the Company and, consistent with other new joiners at executive level under the 2016 remuneration policy, was offered participation in our defined contribution scheme or a cash alternative payment. We consulted our largest shareholders in late 2018 and they were supportive of this approach, which was significantly more cost effective for the Company than extending the previous contract and EFRBS membership.

George Weston
In this financial year George Weston had an overall benefit promise of 1/45th of final pensionable pay for each year of pensionable service up to 5 April 2016 and 1/50th of final pensionable pay for each year of pensionable service thereafter, subject to a maximum of 2/3rds of final pensionable pay. He opted out of the Associated British Foods Pension Scheme on 5 April 2006 and has a deferred benefit in the Scheme; the balance of the promise is provided under an EFRBS. His pension benefits are payable from age 65. There is no additional benefit entitlement for members if they take early retirement. His accrued pension at 14 September 2019 was £644,247.

John Bason
In the period to 24 April 2019, John Bason had an overall benefit promise at age 62 of 2/3rds of final pensionable pay, less an allowance for retained benefits from his previous employment. He opted out of the Associated British Foods Pension Scheme on 5 April 2006 and has a deferred benefit in the Scheme; the balance of the promise was provided under an EFRBS. His pension benefits were payable from age 62. There is no additional benefit entitlement for members if they take early retirement. His accrued pension at 24 April 2019 was £413,300.

From 24 April 2019 onwards John Bason has been in receipt of a cash allowance in lieu of pension contributions of 25% of salary.

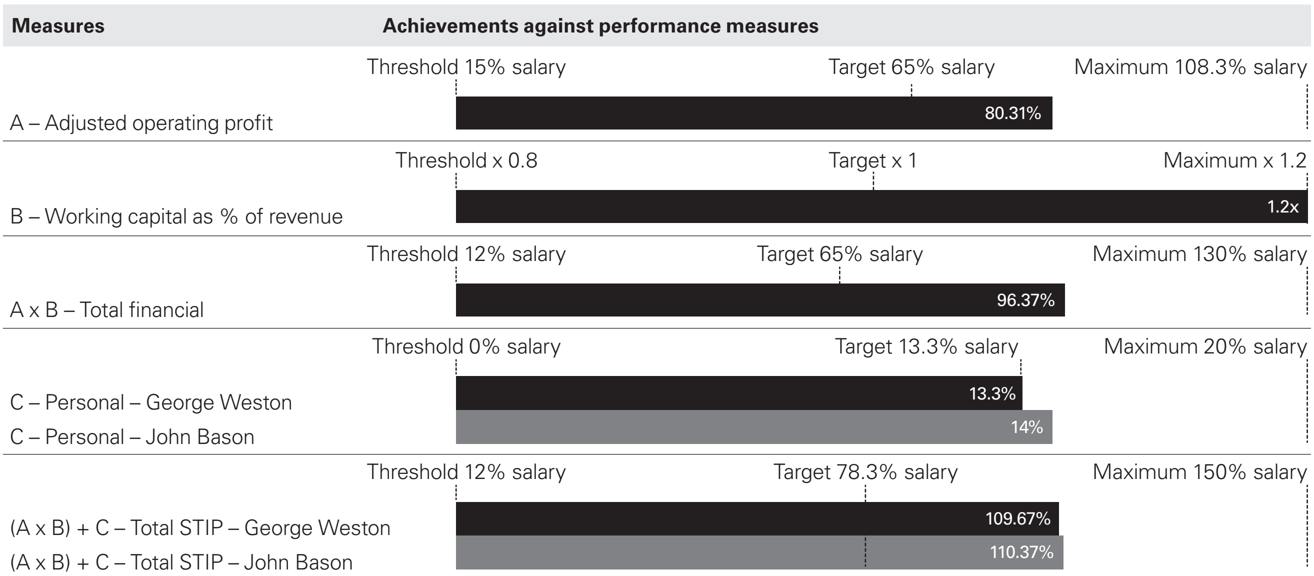
Short Term Incentive Plan – 2018/19 – Cash and Shares

The committee felt that the budget for 2018/19 was a very demanding one, reflecting, in particular, the expected further weakness in world and European sugar prices and the fact that the resulting decline in Sugar profitability was to be offset by significant growth in the other businesses. As expected, Sugar profit was well below the previous year but slightly ahead of the target set due to strong mitigation actions through an ongoing focus on cost reduction. In the event, financial performance in the year was ahead of target driven by strong performance in Primark and the international grocery businesses.

Primark delivered margins above expectations as a result of better buying and lower mark-downs. There was also good growth in Spain, France and Italy. We have continued to learn from our experience in retail in the US and there has been a focus on strengthening our performance in Germany by optimising our cost base, listening to customer feedback and better communicating our ethics to our customers there.

Our grocery businesses delivered a profit improvement of 10% at constant currency and launched some exciting new products in the year. However, we lost our largest UK own label bread contract with a major retailer. As a result, and as noted in the committee Chair's statement, we recognised a £65m impairment charge at the half year in respect of the UK bakeries. Consequently, the depreciation that would otherwise have been charged on these assets in the second half of the year did not arise, which benefited adjusted operating profit and was not reflected in the budget for the year. We have therefore adjusted the STIP target by the same amount as this depreciation upside so that executives do not enjoy a windfall benefit from this.

The table below shows outcomes against the specific measures in the year. We will disclose the target ranges that applied to the 2018/19 STIP in November 2020.



The individual performance ratings for both executive directors were around on-target. For the Finance Director, in particular, this reflected a significant focus on a higher volume of M&A activity, much of which remains commercially confidential at this time. As outlined above, this was a year where focus was put on improving performance in some key areas of our business. Whilst progress has been made, for example in Primark Germany and in Allied Bakeries, driving through the implementation of performance improvement plans remains a focus for the coming year.

This was also a year where we progressed our commitment to the ESG agenda, identifying for each operating division the key priorities for them to address and developing our methodology for assessing progress in this area. We have published a new responsibility report this year, which showcases the steps that we are taking. We have also appointed a non-executive director, Richard Reid, to take a lead on ensuring that the board hears the employee voice and good progress has been made in developing methodologies to support this. We will provide more detailed disclosure in relation to the STIP performance range and personal performance objectives that applied for the executive directors for 2018/19 in next year's annual report.

Whilst we recognise that it is helpful for investors to have sight of the performance range in place to be able to determine whether the STIP range was set at a stretching level, we believe that making this disclosure a year after the end of the financial year enables us to share more information that might remain commercially confidential immediately after year end. We trust that the narrative and graphics above enable investors to gain a broad understanding of how performance was positioned against the range.

In keeping with this approach, the following section is a disclosure of performance outcomes in 2017/18 against the performance range that was in place in that financial year.

Short Term Incentive Plan – 2017/18 – Cash

The table below details the financial performance ranges that applied in 2017/18 and the calculated outcome for the cash element of STIP.

		Cash Element			
		Threshold	Target	Maximum	2017/18 STIP Outcome
A = Adjusted Operating Profit £m		1,351	1,421	1,491	1,403.62
STIP for this level of profit (as % of salary)		15%	65%	108.3%	52.59%
B = Working Capital as a % of sales		15.73	14.73	13.73	13.29
Working Capital modifier		0.8	1.0	1.2	1.2
A x B = STIP financial element (as % of salary)		12%	65%	130%	63.1%
Personal element (as % of salary)	George Weston	0%	13.3%	20%	13.3%
	John Bason	0%	13.3%	20%	15%
Total STIP Cash (as % of salary)	George Weston	12%	78.3%	150%	76.4%
	John Bason	12%	78.3%	150%	78.1%

The STIP targets for 2017/18 anticipated the benefits of growth in Primark selling space, lower sugar prices and further progress in Grocery, Ingredients and Agriculture. When the targets were set we did not anticipate the extent of decline in EU sugar prices during the year. While the margin in Primark was better than expected and performance was good in the other businesses, the impact of sugar prices resulted in overall adjusted operating profit below the on-target level. Good working capital performance brought the overall STIP financial outcome up to 48.54% of maximum. As usual, we considered whether any discretion should be applied and concluded that this outcome was a fair reflection of performance.

Key achievements on personal performance were as shown below. With our operating model, some of the key deliverables are shared between the Chief Executive and Finance Director while others are individual:

	George Weston	John Bason
Divisional financial and operational objectives	Good financial performance across most of our businesses though Sugar profit was impacted by adverse world and EU sugar prices. Primark saw strong trading in key markets. The repositioning of Ingredients continued.	
Development and delivery of strategies, including special projects and transactions	Good work on a number of potential acquisitions in the year with the Acetum acquisition completed and integrated well. Strong learning from early retail experience in the USA, right-sizing certain stores and establishing a strong foundation for future growth.	
People and organisation	Change of leadership of the Agriculture division and ongoing strengthening of recently formed teams in the US grocery business and in the Ingredients business.	Strengthening of the central finance team, including a review of the team structure and appointments into key roles.
Developing long-term business health	Ongoing strong engagement with government and industry bodies as part of our Brexit preparations. Identification of key mitigation strategies for implementation ahead of March 2019. Further improvements in health and safety, particularly in our Ingredients and Australian businesses.	Ongoing strong engagement with government and industry bodies as part of our Brexit preparations. Identification of key mitigation strategies for implementation ahead of March 2019. IT security improved.

Taking into account a detailed assessment of performance against these objectives, the calculated outcome of personal performance for the CEO was on-target at 13.3% and for the Finance Director was 15%. This resulted in a bonus payment of 76.4% of salary out of a maximum 130% of salary for the Chief Executive and 78.1% of salary for the Finance Director.

LTIP – 2016–19

The share allocation in 2016 was the first made under the remuneration policy that was approved in 2016. When the 2016–19 performance range was set in 2016, we were in a period of uncertainty following the Brexit vote. We anticipated foreign exchange rate volatility over the performance period and this is reflected in the EPS performance range that was set.

This period has seen strong performance across most of our portfolio, particularly in Retail, Ingredients and international grocery. As a result, vesting of the LTIP element with the impact of Sugar removed is above target. The poorer outcome for the EPS measure including Sugar reflects the challenging environment following the end of the EU sugar regime in 2017. Low European sugar prices, reflecting the end of the regime and a regional over-supply, has reduced group profits.

		Cut In	Target	Maximum	Outcome	Implications
40% of award – Group	2016–19 EPS[1]	115.06p	133.06p	152.06p	137.5p	24.675%
	ROCE modifier[2]	12%	15%	–	20.0%	X100%
	Total Group element					24.675%
60% of award – Group without Sugar	2016–19 EPS[1]	114.06p	132.06p	151.06p	140.0p	42.535%
	ROCE modifier[2]	13.5%	16.5%	–	24.0%	X100%
	Total Group without Sugar element					42.535%
	Calculated vesting % of maximum allocation					67.21%
	Discretionary adjustment (15% of calculated outcome)					(10.08)%
	Total vesting as a % of maximum allocation					57.13%

1 The EPS range was reduced by 0.94p to reflect an accounting adjustment for the treatment of hyperinflation in Argentina. This adjustment made the performance range no easier or harder to achieve than the range originally set and recognised a change in treatment of the numbers included in the EPS for the year.
2 The ROCE measure is defined as the three-year average of annual average return on capital employed.

As shown above and discussed in the committee Chair's statement, the committee has applied its discretion this year to reduce the calculated vesting outcome downwards by 15% of the pre-adjustment vesting amount in recognition of an impairment that was recognised below the line of operating profit in the course of the year. We believe that this is an appropriate response to this situation.

These LTIP awards were allocated at a price of £26.25. As noted in the committee Chair's statement at the start of this report, our executive directors have very significant shareholdings and their personal wealth has been impacted by the change in share price over the performance period. We do not believe it is appropriate to adjust the number of shares vesting to reflect this share price movement.

Scheme interests (audited information)

The tables below detail the conditional share interests awarded to the executive directors in respect of the LTIP and STIP. The awards made were in line with the existing remuneration policy. LTIP awards are subject to performance conditions over the vesting period; the value of deferred STIP shares is calculated by reference to the achievement of the STIP performance conditions for the award.

Long Term Incentive Plan

			Maximum award				Shares vesting			
Executive directors	Scheme name	Award date	% of salary	Face value at grant £000	Market price at grant[2]	End of performance period	Maximum	Target (50% of maximum)	Threshold (10% of maximum)	Release date
George Weston	LTIP[1]	12/12/16	200%	2,144	2625.0p	14/09/19	81,676	40,838	8,168	25/11/19
		20/11/17	200%	2,144	3076.2p	12/09/20	69,696	34,848	6,970	20/11/20
		19/11/18	200%	2,180	2517.2p	18/09/21	86,604	43,302	8,660	19/11/21
John Bason	LTIP[1]	12/12/16	200%	1,412	2625.0p	14/09/19	53,790	26,895	5,379	25/11/19
		20/11/17	200%	1,412	3076.2p	12/09/20	45,901	22,951	4,590	20/11/20
		19/11/18	200%	1,440	2517.2p	18/09/21	57,206	28,603	5,721	19/11/21

1 A further two-year holding period is in place for the net of tax LTIP shares after vesting.
2 The share price used to determine the number of shares in allocations is the average of the closing share prices on the five trading days immediately preceding the award date.

Short Term Incentive Plan – shares

			Maximum award					Deferred awards		
Executive directors	Scheme name	Award date	% of salary	Face value at grant £000	Market price at grant[1]	End of performance period	Maximum shares	Shares lapsed for performance	Shares subject to service condition	Release date
George Weston	Deferred Awards	12/12/16	50%	536	2625.0p	16/09/17	20,419	0	20,419	25/11/19
		20/11/17	50%	536	3076.2p	15/09/18	17,424	9,046	8,378	20/11/20
		19/11/18	50%	545	2517.2p	14/09/19	21,651	5,601	16,050	19/11/21
John Bason	Deferred Awards	12/12/16	50%	353	2625.0p	16/09/17	13,448	0	13,448	25/11/19
		20/11/17	50%	353	3076.2p	15/09/18	11,475	5,957	5,518	20/11/20
		19/11/18	50%	360	2517.2p	14/09/19	14,302	3,700	10,602	19/11/21

1 The share price used to determine the number of shares in allocations is the average of the closing share prices on the five trading days immediately preceding the award date.

Executive directors' shareholding requirements (audited information)

The executive directors are required to build up a beneficially-owned shareholding of 250% of salary. This requirement has been met. The interests below remained the same at 30 October 2019.

Executive directors	Holding requirement	Beneficial 14 September 2019	Beneficial as % of salary[1]	LTIP awards subject to performance condition 14 September 2019	Deferred awards subject to service condition 14 September 2019	Total 14 September 2019	Total 15 September 2018
George Weston[2]							
Wittington Investments Limited, ordinary shares of 50p	n/a	2,660	n/a	n/a	n/a	2,660	2,660
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	250% of salary	3,610,753	7,761%	237,976	59,494	3,908,223	3,827,965
John Bason							
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	250% of salary	157,446	512%	156,897	39,225	353,568	297,889

1 Calculated using share price as at 13 September 2019 of 2343p and base salary as at 14 September 2019.
2 George Weston is a director of Wittington Investments Limited which, together with its subsidiary Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 14 September 2019.

Non-executive directors' fees (audited information)

	Fees		Total Fixed Pay		Total Variable Pay		Single total figure	
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Non-executive directors	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Michael McLintock[1]	**409**	209	**409**	209	**–**	–	**409**	209
Javier Ferrán[2]	**22**	90	**22**	90	**–**	–	**22**	90
Ruth Cairnie[3]	**111**	83	**111**	83	**–**	–	**111**	83
Richard Reid[4]	**111**	95	**111**	95	**–**	–	**111**	95
Emma Adamo	**74**	74	**74**	74	**–**	–	**74**	74
Wolfhart Hauser	**74**	74	**74**	74	**–**	–	**74**	74
Graham Allan[5]	**74**	2	**74**	2	**–**	–	**74**	2
Charles Sinclair[6]	**–**	238	**–**	238	**–**	–	**–**	238
Tim Clarke[7]	**–**	19	**–**	19	**–**	–	**–**	19

1 Michael McLintock joined the board on 1 November 2017 as a non-executive director. He was made Company Chairman on 11 April 2018 and was paid a chairman fee, from that date, consistent with our remuneration policy.
2 Javier Ferrán stepped down as a director on 7 December 2018.
3 Ruth Cairnie was made Chair of the Remuneration committee with effect from 11 April 2018 and was paid a committee chair fee from that date. She was made Senior Independent Director on 7 December 2018 and was paid an additional fee from that date.
4 Richard Reid was given responsibility for representing the voice of our employees to the board with effect from 7 December 2018. In recognition of the additional time commitment that this entails, which we estimate to be consistent with that of chairing a committee, an additional fee was paid to Richard from that date, consistent with our remuneration policy.
5 Graham Allan joined the board on 5 September 2018 as a non-executive director.
6 Charles Sinclair retired from the board on 11 April 2018.
7 Tim Clarke retired from the board on 30 November 2017.

Non-executive directors' shareholding and share interests (audited information)

Non-executive directors are encouraged to hold shares to a value equal to their annual fees. The following shareholdings are ordinary shares of Associated British Foods plc unless stated otherwise. The interests below remained the same at 30 October 2019.

	Total 14 September 2019	Total 15 September 2018	**2019 total holding as a % of annual fee[4]**
Michael McLintock[1]	**15,000**	15,000	**86%**
Ruth Cairnie	**5,223**	3,000	**105%**
Richard Reid	**3,347**	3,347	**68%**
Emma Adamo[2]			
Wittington Investments Limited, ordinary shares of 50p	**1,322**	1,322	**N/A**
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	**504,465**	504,465	**15,972%**
Wolfhart Hauser	**3,918**	3,918	**124%**
Graham Allan[3]	**3,000**	Nil	**95%**

1 Michael McLintock was appointed a non-executive director on 1 November 2017 and Chairman on 11 April 2018.
2 Emma Adamo is a director of Wittington Investments Limited which, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 14 September 2019.
3 Graham Allan was appointed a non-executive director on 5 September 2018.
4 Calculated using share price as at 13 September 2019 of 2343p and fee rate as at 14 September 2019.

Payments to past directors (audited information)

No payments were made to past directors in the year.

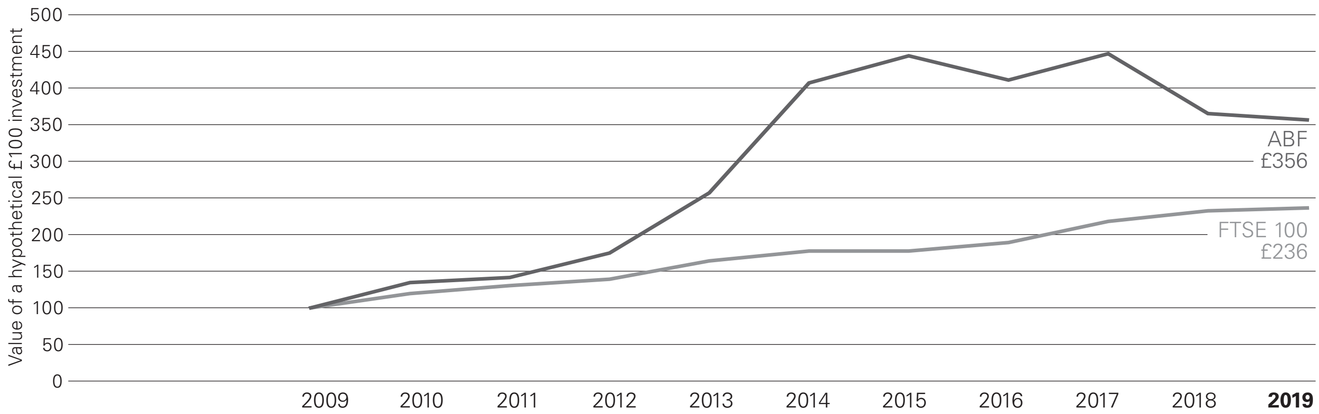
Payments for loss of office (audited information)

No payments were made for loss of office in the year.

TSR performance and Chief Executive's pay

The performance graph below illustrates the performance of the Company over the ten years from September 2009 to September 2019, in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. This index has been selected because it represents a cross-section of leading UK companies.

In addition, the table below the graph provides a summary of the total remuneration of the Chief Executive over the same period. For the purpose of calculating the value of the remuneration of the Chief Executive, data has been collated on a basis consistent with the 'single figure' methodology as defined in the applicable UK directors' reporting regulations.



Source: DataStream Return Index

	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2019**
Single total figure remuneration (£000)	3,886	3,182	3,859	5,832	7,470	3,056	3,133	4,849	3,843	**4,146**
Annual variable element (£000)	1,266	438	864	1,219	894	686	1,368	2,179	1,039	**1,599**
Potential maximum annual variable element (£000)	1,310	1,373	1,425	1,466	1,503	1,542	1,577	2,144	2,180	**2,180**
Annual variable element (% of maximum)	96.68%	31.91%	60.63%	83.15%	59.49%	44.46%	86.75%	101.63%[1]	47.66%	**73.35%**
Long-term variable element – shares vesting as % of maximum	99.12%	83.80%	97.42%	85.00%	100.00%	18.54%	0%	51.02%	100.00%	**57.13%**

1 In the annual variable element, shares are valued at the average mid-market closing price over the last quarter of the financial year. In the potential maximum annual variable element STIP shares are valued at the start of the year. If the share price increases over the year and performance against targets is strong, the actual payment may appear to be above maximum. We do not allow more than the maximum number of shares to vest.

At close of business on 13 September 2019, the last trading day before the end of the financial year, the market value of the Company's ordinary shares was 2343p. During the previous 12 months, the market value ranged from 2041p to 2638p.

Executive directors serving as non-executive directors

During the year, George Weston served as a non-executive director of Wittington Investments Limited, for which he received no compensation.

John Bason is a non-executive director and chairman of the audit committee of Compass Group PLC, for which he received a fee of £138,650 in the 2018/19 financial year. He also served as chairman of the charity FareShare but received no compensation in respect of this role.

Executive pay in the context of the group's wider pay practices, dividends and taxes paid

CEO Pay Ratio

	Year	Methodology used	Lower quartile	Median	Upper Quartile
Ratio of CEO pay to employee pay	2018/19	Option B	253:1	238:1	169:1

The Company has chosen to disclose the above pay ratio data a year earlier than it is required to under the regulations. Our pay ratio will vary significantly year-to-year due to the high proportion of variable pay in the Chief Executive's total reward.

We have chosen to use Option B of the available methodologies to calculate the CEO pay ratio. This methodology is based on the data collected as part of gender pay reporting. Given the complexity of our de-centralised group, which operates multiple HR information systems, Option B enabled us accurately to identify the hourly rates at each quartile of our Great Britain employees from the 5 April 2019 snapshot used in gender pay reporting. From these hourly rates, it is possible to identify the individuals at each rate and calculate the average quartile (as each quartile point represents multiple individuals) single figure of total remuneration. Where relevant we have pro-rated the data for individuals to reflect full-time equivalent remuneration as the CEO role is a full-time role and we needed to compare like with like. Please note that gender pay data is not collected for Northern Ireland, so this data is not for the whole UK population.

The above data is particularly informed by the pay and reward policies for our colleagues in Primark. As our businesses are diverse and are run in a decentralised manner, each operates their own approach to remuneration, within guidelines from the group. The pay ratio for our non-retail employees would be lower than the pay ratios shown in the table above as we have a greater number of specialised roles that require specific skills and training. Market pay levels for such roles are higher than for less skilled roles.

Percentage change in remuneration of the Chief Executive

We operate a diverse portfolio of businesses in 52 countries across the world. Our businesses operate close to local markets and under local consumer and employment brands. Within an umbrella expectation that our organisations treat our employees fairly and pay them competitively, we give our businesses considerable flexibility to determine remuneration approaches that are appropriate for their business and that align with their individual organisational and local cultures. This means that in some parts of our organisation remuneration is more focused on fixed pay whilst in others, such as in France, all employees participate in profit sharing or other incentive arrangements.

Across our operating divisions and businesses, the most senior roles participate in a similar reward model to that used for the executive directors. Our business leadership teams understand and can explain to employees across the group how our remuneration approach works.

In December 2018, the increase in the Chief Executive's salary was 0% and the average increase for our UK employees was 2%–3%. The CEO's total remuneration this year was 7.9% higher than last year, reflecting good performance in our non-Sugar business. We believe that it is appropriate that the remuneration of our directors should be closely aligned to the underlying performance of the Company, which means their remuneration will be much more variable than that of other employees, depending on performance outcomes compared with targets.

The overall increase in expenditure on reward for all employees was 3%. This number is based on aggregate data presented in the table below, which include increases in headcount, as it is neither practical nor worthwhile, in a decentralised group of our size, to separate the increase in expenditure on incentives and taxable benefits.

Relative importance of spend on pay

A year-on-year comparison of the relative importance of pay with significant distributions to shareholders and others is shown below.

Expenditure	**2019 £m**	2018 £m	Change %
Pay spend for the group	**2,758**	2,668	3%
Dividends relating to the period	**366**	356	3%
Taxes paid	**269**	297	-9%

Implementation of policy 2019/20

Base salary

Executive directors' salaries are subject to review on 1 December 2019. The committee has determined not to increase salaries this year.

	Dec 2018	Increase in Dec 2019 %	Increase in Dec 2019 £	**Dec 2019**
George Weston	£1,090,000	0%	£0	**£1,090,000**
John Bason	£720,000	0%	£0	**£720,000**

Benefits and pensions

We do not currently anticipate any changes being made to benefits and pensions for executives in 2019/20.

STIP 2019/20 – Cash and Shares

If approved by shareholders, the STIP will be operated in line with the revised remuneration policy.

For 2019/20, up to 50% of salary can be earned under the shares element of the STIP, and up to 150% of salary can be earned under the cash element. The STIP shares are allocated at the start of the financial year and lapse at the end of the year to the extent to which performance conditions have not been met. The balance of the shares remain conditional, subject to the executive remaining with the company, for a further two years and will vest in 2022.

The split between financial and personal performance measures will be as shown in the table below.

	Shares Element – Allocation date value of shares as % of salary			**Cash Element – Opportunity as a % of salary**				
	Based on operating profit only	Modification based on average working capital	Overall shares element	Based on operating profit only	Modification based on average working capital	Overall financial element	Personal element	Overall cash element
Maximum	41.67%	x1.2	50%	108.33%	x1.2	130.00%	20.00%	150.00%
On-target (budget)	25%	x1.0	25%	65.00%	x1.0	65.00%	13.33%	78.33%
Threshold	6.25%	x0.8	5%	15.00%	x0.8	12.00%	0.00%	12.00%
Below threshold	0%	x0.8	0%	0.00%	x0.8	0.00%	0.00%	0.00%

The targets used for our 2019/20 STIP will be disclosed in the 2021 annual report. Achievement against financial targets will be disclosed in our 2020 Remuneration report.

LTIP – 2019/20 awards (vesting in 2022)

If approved by shareholders, the LTIP will be operated in line with the revised remuneration policy with the performance targets below.

	Group EPS without Sugar in FY2021/22			**Modifier – Average Group ROCE without Sugar over 3 years**		**Modifier – Average Sugar ROCE[1] over 3 years**	
	Threshold	**Target**	**Maximum**	**Threshold**	**Maximum**	**Threshold**	**Maximum**
A - Shares vesting as % of award	10%	50%	100%				
B - Modifier that then applies				80%	100%	80%	100%
Performance Range	159p	173p	188p	10%	12%	5%	8%

[1] The Sugar ROCE measure has the book value of goodwill added to the denominator.

The earnings per share performance range is set on an IFRS 16 basis and is intended to be stretching. The committee conducted an analysis of the growth potential and challenges facing each of the divisions over the performance period. These ranges were then tested to ensure that they were sufficiently stretching.

As detailed in our remuneration policy section, the Group ROCE without Sugar modifier is set at a level that is intended to guard against poor investment decisions. It is not set at a level that is intended to drive growth in returns and acts only as a downward modifier to the calculated incentive outcomes.

As detailed in the Remuneration committee Chair's statement, the Sugar return range is set to be stretching in the current context of low world sugar prices and the relatively recent end of the European sugar regime in 2017. The bottom end of this return range is broadly in line with market expectations of performance in the first year of the performance cycle. This modifier acts only as a downward modifier to the calculated incentive outcomes and with this performance range, the executive directors will need to improve returns to avoid the LTIP based on EPS being reduced.

Service contracts

	Date of appointment	Date of current contract/letter of appointment	Notice from Company	Notice from individual	Unexpired period of service contract
Executive directors					
George Weston	19/04/99	01/06/05	12 months	12 months	Rolling contract
John Bason	04/05/99	24/04/19	12 months	12 months	Rolling contract
Non-executive directors					
Michael McLintock	01/11/17	11/04/18	6 months	6 months	Rolling contract
Emma Adamo	09/12/11	09/12/11	6 months	6 months	Rolling contract
Ruth Cairnie	01/05/14	11/04/18	6 months	6 months	Rolling contract
Wolfhart Hauser	14/01/15	14/01/15	6 months	6 months	Rolling contract
Richard Reid	14/04/16	13/04/16	6 months	6 months	Rolling contract
Graham Allan	05/09/18	05/09/18	6 months	6 months	Rolling contract

Copies of service contracts are available for inspection at the Company's head office.

Remuneration report

Non-executive directors' fees

	Dec 2018	Increase in Dec 2019	**Dec 2019**
Chairman	£410,000	£0	**£410,000**
Additional fee for Senior Independent Director responsibilities	£21,000	£0	**£21,000**
Additional fee for committee Chair (Audit/Remuneration only)	£21,000	£0	**£21,000**
Additional fee for responsibility for employee voice (equivalent time commitment to committee Chair)[1]	£21,000	£0	**£21,000**
Director	£74,000	£0	**£74,000**

[1] Note that additional fees reflect the additional time commitment and responsibilities taken on by an individual at the request of the Company.

The above fees were reviewed in 2019 and it was determined that the increases above were appropriate to reflect the scope and responsibilities of these roles.

Statement on shareholder voting

At the last AGM in December 2018 the voting results on resolution 2, to receive and approve the Remuneration report for the year ended 15 September 2018, were as follows: the percentage 'for' was 96.25% and the percentage 'against' was 3.75%.

At the AGM in December 2017, the voting result on resolution 2, to receive and approve the Remuneration policy were as follows: the percentage 'for' was 96.91% and the percentage 'against' was 3.09%.

Compliance

Where information in this report has been audited by Ernst & Young LLP it has been clearly indicated. The report has been prepared in line with the requirements of The Large and Medium-sized Companies Regulations (as amended), the recommendations of the UK Corporate Governance Code (April 2016) and the requirements of the UKLA Listing Rules.

Remuneration committee advisers and fees

Following a competitive tender in 2003, Willis Towers Watson (WTW, then Towers Perrin) was selected to provide independent advice to the committee. The committee has retained WTW in this role because it values the robust data and continuity of advice provided over the long term. The committee remains satisfied that the advice from WTW is independent, thoughtful and challenging and so has not put this out to tender. The committee will keep this position under review.

WTW is a member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting. The only other advice that WTW provides to the Company is in survey provision, job evaluation and remuneration benchmarking. The fees paid to WTW for committee assistance over the past financial year totalled £77,630.

Herbert Smith Freehills LLP provide the Company with legal advice. Advice from Herbert Smith Freehills is made available to the committee, where it relates to matters within its remit.

By order of the board
Paul Lister
Company Secretary
5 November 2019