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.

	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

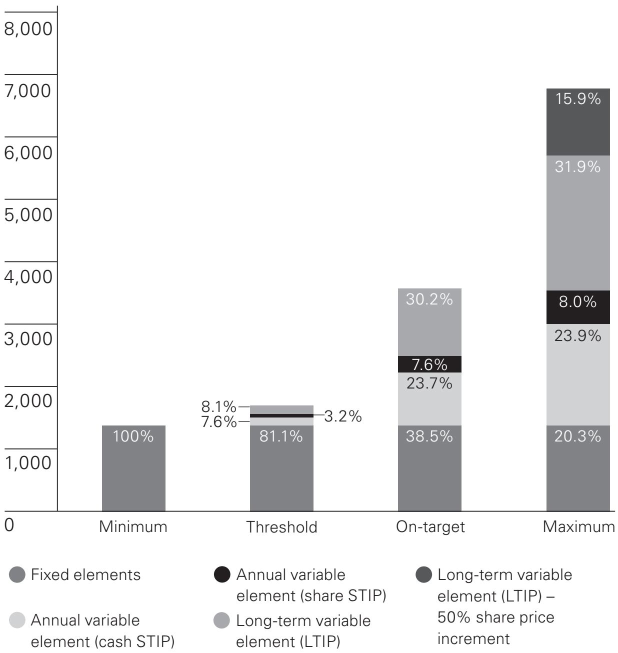
Provision	Policy and operation
Notice period	12 months' notice by either the director or the Company. Contracts are available for inspection at the Company's offices. Contracts and service agreements are not reissued when base salaries or fees are changed.
Non-compete	During employment and for 12 months 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.

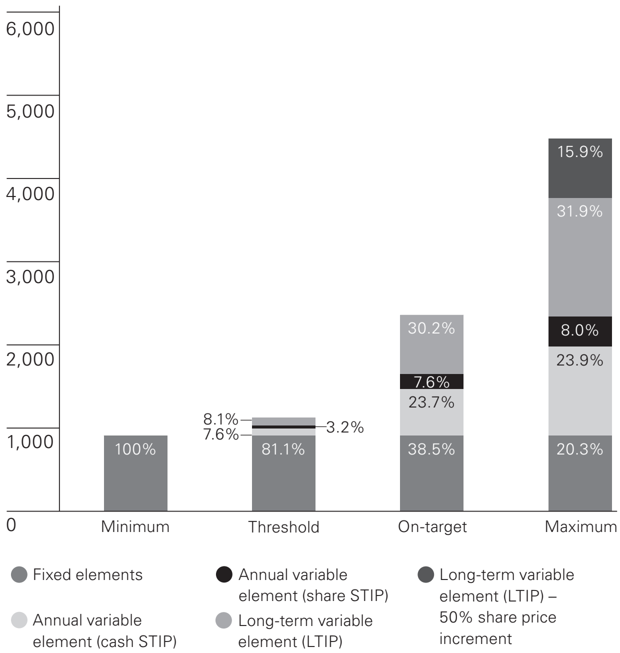
* Good leavers are those leaving because of ill health/injury/disability/death, redundancy, retirement or because their employing company is being transferred outside the group or for any other reason determined by the committee.

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).