

2023 Director's Remuneration Policy review and arrangements for FY23/24

Our Directors' Remuneration Policy is due to be put to a binding shareholder vote at this year's AGM. Since our current Policy was approved at the 2020 AGM, we have made significant progress with the turnaround of the business, the completion of the transformational agreement for our legacy pension schemes, the sale of our 49% investment in the Hovis business, and the issue of new £330m Fixed Rate Bonds due in October 2026. The business now has a far stronger balance sheet, with Net debt in FY22/23 of £274.3m which is 36% lower than three years ago. At the same time, we have continued to make strong strategic progress, with sustained revenue and profit growth ahead of market expectations.

The last three years have seen us strengthen our category-leading brands, including growing market share and building on their strong brand equities. We have also grown our international business through the application of our brand-building capabilities and executional focus in our priority markets. The strong operational and strategic performance, over the last three years, has seen the Group become an established member of the FTSE 250 index, with a current market capitalisation of over £1bn, which is more than three times larger than the start of FY20/21 when we last reviewed our Policy.

Over the course of the year, the Committee has carefully reviewed the current Policy and is satisfied that the overall structure (fixed pay, annual bonus and LTIP) remains appropriate for Premier Foods, and that it continues to support the delivery of our strategy and the generation of long-term sustainable shareholder value. Therefore, no changes are proposed to the structure of pay.

While the Committee believes that the overall Policy framework remains appropriate, we are proposing to increase the annual bonus and LTIP opportunities to ensure that our incentive levels are suitable, given the significant progress the business has made, as highlighted above. The Committee, therefore, proposes to:

- Increase maximum annual bonus opportunities by 25% of salary for each of the executive directors for FY23/24 onwards. The CEO's maximum bonus opportunity will increase from 125% to 150% of salary, and the CFO's bonus opportunity will increase from 100% to 125% of salary; and

- Increase maximum annual LTIP opportunities by 50% of salary for each of the executive directors for FY23/24 onwards. The CEO's LTIP opportunity will increase from 150% to 200% of salary, and the CFO's LTIP opportunity will increase from 100% to 150% of salary.

The Committee recognises that these increases are material. However, the current opportunities have fallen behind market practice for the size and scope of our organisation, and these increases, therefore, bring the incentive opportunities more in line with FTSE 250 norms. The Committee believes that these incentive opportunities are a fairer reflection of our organisational size and the complexity of the executives' roles, and will better incentivise the continued growth of the business and the delivery of the strategy going forward. The targets for the annual bonus and the LTIP have been set to be appropriately stretching, recognising the increased opportunities for FY23/24.

In line with the UK Corporate Governance Code, the Committee proposes to introduce a formal post-employment shareholding guideline under the 2023 Directors' Remuneration Policy. This guideline will require departing executive directors to hold 100% of their in-employment shareholding guideline (or their actual shareholding at the date of departure, if lower) for the first year post-cessation, and 50% in the second year. This guideline will apply to any shares vesting following the introduction of the Policy.

In early 2023, as Committee Chair, I consulted with our major shareholders and the main institutional voting agencies on the proposed 2023 Directors' Remuneration Policy. We had constructive conversations about our approach to remuneration, and the majority of our major shareholders were supportive of the proposals. Feedback from the consultation was shared with the Committee and the Board, and taken into consideration when approving the final proposals for the 2023 Directors' Remuneration Policy.

Relationship between ESG matters and remuneration arrangements

The Committee is aware of the increasing importance of ESG matters for both the Group and its stakeholders. An element of ESG has been included in the executive directors' annual bonus goals since FY20/21, with the weighting of this element aligned for both executives' annual bonus goals for FY22/23. ESG will form part of the executives'

annual bonus goals for FY23/24, with these goals directly linked to the delivery of the Group's ESG strategy, the Enriching Life Plan. In addition, as part of the Committee's overall review of the Group's remuneration strategy, it ensures that arrangements do not encourage behaviour that is not aligned with the Group's ESG strategy. Further information regarding the Group's Enriching Life Plan is set out on pages 26 to 37.

Wider workforce

This year, the management team has been conscious of the impact of the cost of living crisis on the workforce as a whole and, as a result, two payments were made to factory-based colleagues over the course of FY22/23. In addition, reflecting the Group's strong performance in FY22/23, a discretionary bonus was paid to all colleagues who are not part of the annual bonus scheme.

During the year, as Workforce Engagement NED, I have provided updates to the Remuneration Committee on meetings held with colleagues across the business, which covered a range of topics including engagement on executive remuneration and how it aligns with pay for the wider workforce. The Committee also reviewed information on broader workforce pay policies and practices, which provided important context for the decisions on executive pay taken during the year. The pension levels for the executive directors are aligned with that available to the majority of the workforce. The operation of the annual bonus scheme is consistent for all participants and any financial measures are aligned with the overall Group targets. The executive directors have other additional constraints on their remuneration package, which are not applicable to the wider management population, such as bonus deferral and the LTIP holding period.

The Group also operates an all-employee Sharesave Plan, which allows all colleagues to share in the success of the Group. The colleague participation rate in this scheme is currently 34%.

I look forward to receiving your support for the 2023 Directors' Remuneration Policy and the Annual Report on Remuneration at the 2023 AGM.

On behalf of the Board

Helen Jones
Remuneration Committee Chair

18 May 2023

Directors' remuneration report

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Overall approach to remuneration

At Premier Foods, the Remuneration Policy is designed to attract, retain and motivate a high-calibre management team. Focus is placed on driving exceptional performance and creating shareholder value in a sustainable way, as well as aligning the interests of the executive directors with key stakeholders.

The Committee follows the following broad principles when considering the design, implementation and assessment of remuneration, in line with the recommendations set out in Provision 40 of the 2018 UK Corporate Governance Code:

Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce

The Company's Remuneration Policy is designed to support the delivery of the Group's strategic objectives, which are aligned with the long-term interests of both shareholders and key stakeholders, including employees. The Committee is committed to being transparent in respect of the elements of remuneration, quantum, the rationale for targets set and performance outcomes. The work of the Workforce Engagement NED provides an opportunity for engagement with colleagues on executive remuneration. The Committee engages with shareholders and is keen to understand their views and priorities. Recent engagement has included discussion to understand shareholder views on the 2023 Directors' Remuneration Policy, which is submitted for shareholder approval at the AGM in July 2023 (further information is set out on pages 93 to 100).

Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand

The Committee believes the current arrangements for executive directors to be simple. These consist of the following elements:

- A fixed element that comprises salary, pension and taxable benefits.
- A variable element that is subject to performance conditions and comprises:
 - short-term goals via the annual bonus plan; and
 - long-term goals via the Long-Term Incentive Plan.

The Committee considers that the current arrangements are clear, easy to understand and provide an appropriate balance between fixed and variable remuneration. During the year, the Committee reviewed the annual bonus and LTIP measures for the executive directors and believes that they remained aligned to the delivery of the Group's strategy and that they were suitably stretching.

Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated

Targets are reviewed to ensure they reflect the overall risk appetite set by the Board and that they do not encourage inappropriate behaviours or excessive risk taking.

Mitigation is provided through the recovery provisions that apply to both the annual bonus and LTIP. Malus and clawback provisions apply in line with current best practice expectations. In addition, holding periods are in place for awards under the Deferred Bonus Plan and LTIP.

Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy

The Committee assesses the potential outcome of future reward by reference to potential pay-outs that can be received at a range of outcomes (minimum, mid-point and maximum), as set out in the proposed 2023 Directors' Remuneration Policy on page 93 to 100. In addition, the effect of future share price growth under the LTIP is also considered based on a 50% increase in share price over the period.

Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance

The Committee seeks to ensure that targets for the annual bonus and long-term incentives are aligned with the Group's strategy and the long-term sustainable development of the business.

The focus of our remuneration strategy is on rewarding performance – the majority of executive remuneration (over 70% at maximum) is variable and only payable if demanding performance targets are met. As set out in the Remuneration Committee

Chair's letter, recognising the increased opportunities for FY23/24, the targets for the annual bonus and the LTIP have been set to be appropriately stretching. The majority of variable pay is payable in the form of shares.

When setting targets for variable elements of pay, the Committee carefully considers the targets to minimise the risk of excessive reward.

When assessing performance against the annual bonus and LTIP, the Committee also considers:

- the overall performance of the business;
- the experience of key stakeholders including shareholders, employees, suppliers and customers;
- the quality of earnings when assessing the achievement of financial targets; and
- the market in which the Company operates.

The Committee retains discretion to override formulaic outcomes produced by the performance conditions where, in the Committee's view, they do not reflect the performance of the business over the period or individual performance, or where events happen that cause the Committee to determine that the conditions are unable to fulfil their original intended role.

Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy

As part of the preparation of the 2023 Directors' Remuneration Policy, the Committee reviewed the overall design of the Group's remuneration strategy and believes that it is consistent with the Company's purpose, values and strategy, and is aligned with the Group's culture. When setting the goals for the annual bonus and LTIP award, the Committee considers a range of different potential measures, in order to select those which it believes are most likely to drive the successful delivery of the Group's strategy and are aligned with shareholders' interests to deliver earnings growth and improved shareholder value in the medium-term (further details are set out on pages 93 to 100).

2023 Directors' Remuneration Policy

Set out below is the 2023 Directors' Remuneration Policy. This Policy will be put forward to shareholders for their binding approval at the AGM on 20 July 2023, and will apply to payments made from this date. Further details regarding the operation of the Policy for FY23/24 can be found on pages 112 and 113.

Total remuneration is made up of fixed and performance-linked elements, with each element supporting different strategic objectives.

Base salary

Link to strategy

To provide an appropriate level of fixed income.

Set at levels to attract and retain talented individuals with reference to the Committee's assessment of:

- the specific needs of the Group by reference to the size and complexity of the business;
- the specific experience, skills, responsibilities and performance of the individual; and
- the market rates for companies of comparable size and complexity and internal Company relativities.

Operation

Normally reviewed annually (currently with effect from 1 July) in conjunction with the review for the wider workforce, although increases may be effective at other times if considered appropriate.

Maximum opportunity

Whilst the Company does not have a cap on salaries, increases are normally expected to be no more than the wider workforce increase (in percentage terms). However, increases may be above this level in certain circumstances, including (but not limited to):

- where an executive director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, subject to performance, their salary may be increased to move it to typical market levels as the executive director gains experience;
- where an executive director has been promoted, or there has been a change in scope of the role/responsibilities;
- where there has been a change in market practice;
- where there has been a change in the size and complexity of the organisation; and
- other exceptional circumstances.

Performance

Performance measures: Group performance is taken into consideration when determining an appropriate level of base salary increase for the Group as a whole, and personal performance is taken into account when determining an appropriate level of base salary increase for the executive.

Performance period: N/A

Benefits

Link to strategy

To provide a competitive level of employment benefits.

Operation

The Company typically provides the following benefits (including the settlement of any tax thereon):

- cash allowance in lieu of company car;
- fully expensed fuel;
- private health insurance;
- life insurance;
- permanent incapacity benefit;
- IT services;
- professional memberships; and
- other benefits, including allowance for personal tax and financial planning (as required).

The Committee may introduce other benefits if it is considered appropriate to do so.

Executive directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred.

Where an executive director is required to relocate to perform their role, appropriate one-off or ongoing benefits may be provided (e.g. housing, schooling, etc.).

Maximum opportunity

There is currently no maximum level of benefit provision. However, when determining benefits, the Company considers the overall cost and the provision of benefits for the wider workforce.

Performance

Performance measures: N/A

Performance period: N/A

Pension

Link to strategy

To offer a level of retirement benefit in line with that offered to other UK employees.

Operation

Executive directors may participate in the Group's defined contribution scheme on the same basis as all other new UK employees, or receive an equivalent cash allowance in lieu of pension provision.

Executive directors may also pay additional amounts into this scheme by way of salary sacrifice, but will not receive any additional contribution from the Group. Only basic pay is pensionable.

Maximum opportunity

The maximum contribution or allowance for executive directors will be in line with that available to the majority of other UK employees or, if outside of the UK, a participant's pension plan in the relevant country. Currently, this is either a contribution, or a salary supplement, of 7.5% of basic pay up to an earnings cap. This is subject to change if the approach is also changed for the wider employee population.

Performance

Performance measures: N/A

Performance period: N/A

Directors' remuneration report

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Annual bonus

Link to strategy

Designed to incentivise delivery of the Group's goals and reward executive directors for the delivery of the Group's strategy.

Operation

An annual bonus is subject to performance against measures that are linked to the Group's strategy. A maximum of two-thirds of the bonus is ordinarily paid in cash and a minimum of one-third is ordinarily deferred into an award of shares under the Premier Foods Deferred Bonus Plan ('DBP'), which normally vests after three years.

The rules of the DBP contain a dividend equivalent provision enabling additional payments to be made as soon as practicable after vested shares have been delivered to the participant of an amount equivalent to the dividends that would have been paid on the participant's vested shares between the date of grant of the relevant award and the date of vesting. Any dividend equivalents will normally be paid in shares.

Clawback and malus provisions apply to the annual bonus (both the cash and share elements).

The Committee may, in its discretion, adjust annual bonus pay-outs if it considers that the outcome does not reflect the underlying financial or non-financial performance of the Company or the individual performance of the participant over the relevant period, or that such a pay-out level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement, the Committee may take into account such factors as it deems relevant.

Maximum opportunity

Maximum (as a percentage of salary): 150%

2023/24 financial year maximum levels:

- CEO: 150%
- Other directors: 125%

Performance

Performance measures: The Committee shall determine performance measures for the bonus each year. Performance measures are designed to promote the delivery of the Group's strategy and can be made up of a range of:

- financial targets (such as revenue, Trading profit and cash flow), representing not less than 50% of the total bonus opportunity, with the remainder being based on:
 - non-financial and/or personal targets.

The Committee has the discretion to adjust the performance targets, or set different performance measures, if events occur where the Committee considers this appropriate.

No more than 25% of the bonus will pay-out for threshold performance, with full pay-out taking place for equalling or exceeding the maximum target.

Specific details of the performance measures for the relevant year can be found in the Annual Report on Remuneration, to the extent that they are not considered commercially sensitive.

Performance period: Normally one year.

Long-Term Incentive Plan

Link to strategy

The Premier Foods Long-Term Incentive Plan ('LTIP') provides a clear link to our strategic goal of delivering profitable growth with sustainable share price growth over the medium to long-term.

Operation

Under the LTIP, awards may be granted in respect of each financial year. Awards can be in the form of conditional shares or nil cost options, or in such other form that the Committee determines has the same economic effect. Where awards are in the form of nil cost options, participants may have up to 10 years from grant to exercise awards.

Awards under the LTIP normally vest following the end of a performance period of three years, subject to performance conditions. They will normally be subject to a post vesting holding period for two years following the end of the performance period.

Awards under the LTIP, including the determination of any relevant performance conditions, will be considered and determined, on an annual basis, at the discretion of the Committee.

The rules contain a dividend equivalent provision, enabling payments to be made as soon as reasonably practicable after vested shares have been delivered to the participant in an amount equivalent to the dividends which would have been paid on the participant's vested shares between the date of grant of the relevant award, and the date of vesting. For nil-cost options, subject to a holding period, dividend equivalent payments may be made in respect of the period from the date of grant until the earlier of the expiry of the holding period, or the day on which the nil cost option is exercised. Any dividend equivalents will normally be paid in shares.

Clawback and malus provisions apply.

The Committee may, in its discretion, adjust vesting levels if it considers that such a vesting level is not appropriate, taking into account such factors as it deems relevant (which may include the overall performance of the Company, any Group Member or the relevant participant).

Maximum opportunity

Maximum (as a percentage of salary): 200%

2023/24 financial year LTIP award levels:

- CEO: 200%
- Other directors: 150%

Performance

Performance measures: The Committee shall determine performance measures for awards granted each year. The majority of the LTIP will normally be based on financial and/or share price related measures, with the remainder, if any, based on other measures including, but not limited to, those linked to the delivery of the business or ESG strategies.

Awards granted in 2023 will be subject to a combination of total shareholder return and adjusted earnings per share.

The Committee has the discretion to amend the performance targets if events occur which cause the Committee to reasonably consider that it would be appropriate, and, if the altered performance or target measure is not materially less challenging to satisfy.

No more than 25% of the LTIP award will vest for threshold performance, with full vesting taking place for equalling or exceeding the maximum target.

Performance period: Normally three years.

Holding period: Normally two years.

Sharesave Plan

Link to strategy

To offer all employees the opportunity to build a shareholding in a simple and tax-efficient manner.

Operation

Executive directors are entitled to participate in any all-employee plans on the same basis as other employees. The Company currently operates the HMRC compliant Sharesave Plan for UK employees. The key terms of the plan will only be changed to reflect HMRC changes.

Maximum opportunity

Participants in the Sharesave Plan may save up to the statutory limit (currently £500 per month, but subject to any lower limit set by the Committee) over a three-year period, following which they have the opportunity to buy Company shares at a price set at the beginning of the savings period. The limits for any other all-employee plans will be on the same basis as for other employees.

Performance

Performance measures: None, other than continued employment.

Performance period: Three years.

Shareholding requirements

Link to strategy

To align executives' interests with shareholders, and encourage long-term shareholding and commitment to the Company both during and post-employment.

Operation

Executive directors are expected to retain 50% of shares from vested awards under the DBP and the LTIP (other than sales to settle any tax or NICs due) until they reach their required multiple of salary in shares (which is currently 200% of salary). The Committee will normally review progress against the requirements (which are set out in the Annual Report on Remuneration) on an annual basis.

Following stepping down from the Board, executive directors will normally be expected to maintain 100% of the in-employment shareholding guideline (or the actual shareholding if lower) for the first 12 months following departure from the Board, and 50% of the in-employment shareholding guideline (or the actual shareholding if lower) for the following 12 months.

The Committee retains the discretion to adjust or waive the shareholding requirements if it is considered to be appropriate in specific circumstances (e.g. ill-health).

Maximum opportunity

N/A

Performance

Performance measures: N/A

Performance period: N/A

Non-executive director fees

Link to strategy

Provides an appropriate level of fee to recruit and retain individuals with a broad range of experience and skill to support the Board in the delivery of its duties.

Operation

Fees are normally reviewed annually.

The remuneration of non-executive directors is determined by the Company Chair and executive directors. The remuneration of the Company Chair is determined by the Remuneration Committee.

This includes a Chair's fee and standard non-executive fee. Additional fees may be payable for other responsibilities assumed, or to reflect additional time commitments, for example the roles of Committee Chairs and the Senior Independent Director. Fees are set taking into account the time commitment required to fulfil the role and similar practice at other companies.

Any reasonable business-related expenses (including tax thereon) can be reimbursed.

Benefits may be introduced if appropriate.

Maximum opportunity

Increases are normally expected to be in line with the market, taking into account increases across the Group, as a whole, subject to particular circumstances such as a significant change in role, responsibilities or organisation.

The aggregate maximum opportunity is in line with the Company's Articles of Association (currently £1,000,000 per annum).

Performance

Performance measures: N/A

Performance period: N/A

Directors' remuneration report

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1. Notes to the policy table

Notwithstanding the restrictions laid out in the Policy, where the Company has made a commitment to a director, which:

- was in accordance with the prevailing remuneration policy at the time that the commitment was made; and/or
- was made before the director became a director and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a director of the Company;

the Company will continue to give effect to it, even if it is inconsistent with the Remuneration Policy of the Company, which is in effect at that time.

The Committee operates the Annual Bonus plan, DBP and LTIP according to their respective rules, which include flexibility in a number of areas. These include:

- the timing of awards and payments;
- the size of an award, within the maximum limits;
- the participants of the plan;
- the performance measures, targets and weightings to be used for the annual bonus plan and long-term incentive plans from year-to-year;
- the assessment of whether performance conditions have been met;
- the treatment to be applied for a change of control or significant restructuring of the Group;
- the determination of a good/bad leaver status and the treatment of awards thereof;
- the ability to settle share awards or dividend equivalents (in whole or in part) in cash, if it considers that circumstances apply where it is appropriate to do so, for example, where there is a regulatory restriction on the delivery of shares; and
- the adjustments, if any, required in certain circumstances (e.g. rights issues, corporate restructuring, corporate events and special dividends).

Choice of performance measures and approach to target setting

The Committee reviews the performance measures used in the incentive arrangements, on an annual basis, to ensure that they remain appropriate and aligned to the delivery of the annual business plan and Group strategy. Currently the annual bonus measures consist of financial (70%) and non-financial (30%) targets. This approach is adopted in order to link pay to the delivery of overall Group performance measured across a balance of key strategic aims. The targets are set by reference to internal budgeting and strategic plans.

The 2023/24 LTIP grant will continue to use a combination of adjusted earnings per share and relative total shareholder return-based measures to reflect both an internal measure of Group performance and the delivery of shareholder value. Targets are set taking into account both internal and external assessments of future performance and what constitutes good and superior returns for shareholders. The Committee also retains the discretion within the policy to adjust the targets and/or set different measures and/or alter weightings for future awards.

In addition, the Committee also retains the discretion, within the Policy, to amend the existing performance if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose.

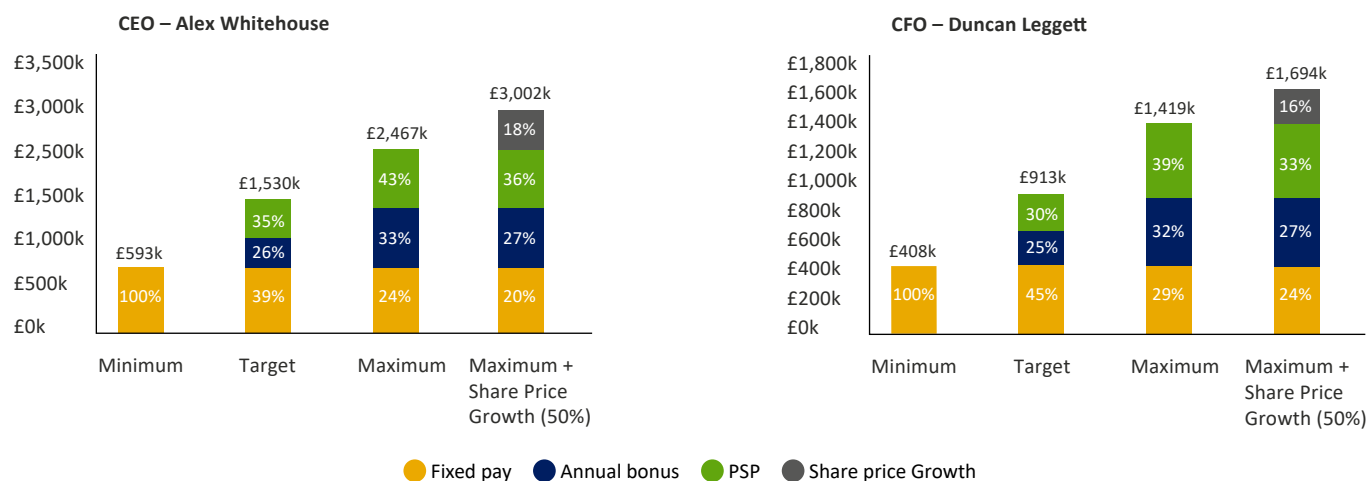
Malus and clawback

Annual bonus payments may be clawed back for a period of three years, from the date of payment, and DBP share awards have malus and clawback provisions that apply for a period of three years from the grant date. Malus and clawback provisions apply under the LTIP, until the third anniversary of the date on which the award vests. The circumstances in which malus and clawback may apply are:

- a material misstatement of financial results;
- an error in assessing performance or in the information/assumptions used;
- serious misconduct by the participant;
- corporate failure; or
- serious reputational damage.

2. Remuneration scenarios and weighting

This chart indicates the level of remuneration that could be earned by the current executive directors at minimum, target, maximum and maximum +50% share price growth under the Company's current Directors' Remuneration Policy.



Notes:

- As the DBP is a portion of annual bonus, it is included within this segment.
- The executive directors can participate in the Sharesave Plan on the same basis as other employees. For simplicity, the value that may be received from participating in the Sharesave Plan has been excluded from the scenario charts.
- Assumptions when compiling the charts are:
 - Minimum = fixed pay only (base salary, benefits and pension).
 - Target = fixed pay plus 50% of the maximum annual bonus opportunity and 50% of the maximum LTIP opportunity.
 - Maximum = fixed pay plus 100% of the maximum annual bonus opportunity and 100% of the maximum LTIP opportunity.
 - Maximum +50% growth = fixed pay plus 100% of the maximum annual bonus opportunity and 100% of the maximum LTIP opportunity plus assumed share price growth of 50% over the three-year performance period.

3. Service contracts

The executive directors have rolling service contracts. The executive directors' service contracts contain the key terms shown in the table below. In the event that any additional executive directors are appointed, it is likely that their service contracts will contain broadly similar terms.

Provision	Detailed items
Remuneration	Salary, benefits, pension, annual bonus and share incentives entitlements in line with the above Directors' Remuneration Policy table.
Change of control	The service agreement does not provide for any enhanced payment in the event of a change of control of the Company. In the event of the Company serving notice, within 12 months, following a change of control, employment will terminate immediately and the Company will make a payment in lieu of notice.
Notice period	Whilst the Board has the discretion to set a notice period of up to 12 months, the standard notice period is six months.

The terms and conditions for the Chair and non-executive directors are set out in their letters of appointment, which are available for inspection at the Company's registered office and will be available at the AGM, as with the executive service contracts. The letters of appointment entitle the non-executive directors and the Chair to receive fees, but do not have provisions on payment for early termination. The appointment of non-executive directors is for a fixed term of up to three years, which may be terminated by three months' notice from either party, with the exception of Mr Kogo, whose appointment is governed by the Relationship Agreement between the Company and Nissin Foods Holdings Co., Ltd.

Directors' remuneration report

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4. External directorships

The Company recognises that its executive directors may be invited to become non-executive directors of companies outside the Company and that exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the Company. Any external appointments are subject to Board approval (which would not be given if the proposed appointment was with a competing company, would lead to a material conflict of interest or could have a detrimental effect on a director's performance). At the discretion of the Board, the executive director may be able to retain any fees received.

5. Policy on payment for loss of office

The Committee aims to deal fairly with cases of termination, honouring contractual remuneration entitlements, while attempting to limit excess compensation. The principles that would be followed are:

- The executive directors have rolling contracts. Whilst the Board has the discretion to set a notice period of up to 12 months, the standard notice period is six months.
- The Company may elect to terminate employment immediately, in circumstances where it considers it to be appropriate, by making a payment in lieu of notice equivalent to the executive director's salary, pension and benefits for the notice period. The Committee retains the discretion to make a payment in lieu of notice as a single lump sum, or in such instalments as are considered appropriate. These payments are subject to the executive director's duty to mitigate their loss by finding alternative employment. If the executive director finds an alternative position, future payments will normally be reduced by the amount of remuneration received by the executive director pursuant to that alternative remunerated position. Any unused holiday entitlement may also be paid.
- The Company may terminate an executive director's employment without notice (or payment in lieu) in certain circumstances, including where they are guilty of gross misconduct or a serious or persistent breach of their service agreement.
- A bonus (where relevant in respect of that bonus year) may be payable where a director's employment terminates for a 'good leaver' reason. Any bonus payable will normally be pro-rated for time served and will be determined at the discretion of the Committee taking into account performance. Any unpaid bonus for the preceding completed bonus year may also be payable to a 'good leaver'. Any bonus payable will normally be subject to the deferral requirements set out earlier, but could, at the discretion of the Remuneration Committee, be paid entirely in cash and not subject to deferral. There is no entitlement to any bonus (in respect of that or any previous bonus year) following notice of termination (or cessation of employment) for 'bad leavers'.
- Any share-based awards, granted to an executive director under the Company's share plans, will be determined based on the relevant plan rules or award agreement. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, injury, transfer of the employing company or business out of the Group, or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), 'good leaver' status will be applied. 'Good leaver' treatment under the various plans is as follows:
 - DBP and LTIP awards will vest on the normal vesting date (unless the Remuneration Committee decides that the awards should vest on the date of cessation) subject to, in the case of LTIP awards, performance conditions (measured over the original time period or a shorter period where the LTIP awards vest on cessation of employment), and are normally reduced pro-rata to reflect the proportion of the performance period actually served. The Remuneration Committee has the discretion to disapply time pro-rating if it considers it appropriate to do so. However, it is envisaged that for the LTIP awards, this would only be applied in exceptional circumstances. LTIP awards will normally continue to be subject to the two-year holding period.
- The Remuneration Committee may agree that the Company will pay for the provision of outplacement support and reasonable fees for a departing executive director to obtain independent legal advice in relation to their termination arrangements.
- Where it is necessary to discharge an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment, or by way of correcting any error or oversight by the Company, the participant or any third party, in respect of their remuneration, the Committee may make a payment to a departing executive director, or to an executive director who has left the business.

6. Recruitment policy

On the recruitment of an executive director, the Committee will aim to align the executive's remuneration package with the approved Directors' Remuneration Policy. In addition, the Committee has discretion to include any other remuneration component or award that it feels is appropriate, taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out in the table below. The key terms and rationale for any such component would be disclosed as appropriate in the Remuneration Report for the relevant year.

In arriving at a remuneration package, the Committee will take into account the skills and experience of the individual and the market rate for a candidate. The package should be market competitive, to facilitate the recruitment of individuals of sufficient calibre to lead the business, but the Committee would intend to pay no more than it believes is necessary to secure the required talent.

The details of the recruitment policy are set out below:

Reward element	Detailed terms
Base salary	In line with the above Directors' Remuneration Policy table. This includes discretion to pay lower base salary with incremental increases, as new appointee becomes established in the role, as well as discretion to pay a higher base salary to attract the desired calibre of candidate.
Pension and benefits	In line with the above Directors' Remuneration Policy table. Where necessary, the Remuneration Committee may approve the payment of relocation costs (including any tax thereon) to facilitate recruitment. Flexibility is retained for the Company to pay legal fees and other costs incurred by the individual in relation to their appointment.
Performance based pay	Executive directors are entitled to participate in the Company's Annual Bonus, DBP and Long-Term Incentive Plans in line with the above Directors' Remuneration Policy table. The maximum variable pay (excluding buy outs as referred to below) will be 350% of the base salary. In its discretion, the Committee may set different performance measures to apply to awards, made in the year of appointment, if it considers that to be appropriate.
Notice period	Whilst the Board has the discretion to set a notice period of up to 12 months, the standard notice period is six months.
Buy outs	In order to facilitate external recruitment of executive directors, it may be necessary for the Committee to consider buying out existing remuneration or contractual entitlements, that would be forfeited on the individual leaving their current employment. The Committee would seek, where possible, to provide a buy-out structure which was consistent with the forfeited awards in terms of the form of awards, quantum, vesting period and performance conditions. To facilitate any buy-out awards outlined above, in the event of recruitment, the Committee may grant awards to a new executive director relying on the provision in the Listing Rules, which would allow for the grant of awards to facilitate the recruitment of an executive director.

Other elements may be included in the following circumstances: i) an interim appointment being made to fill an executive director role on a short-term basis; and ii) if circumstances require that the Chair or a non-executive director takes on an executive function on a short-term basis.

The remuneration for a newly appointed Chair or non-executive director would normally be in line with the structure set out in the policy table for Chairs and non-executive directors on page 95.

Notes:

- Should an executive appointment be made for an internal candidate, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards.

7. Consideration of employees/wider Group

The remit of the Committee includes the oversight of remuneration for senior management (who are defined as the Group's Executive Leadership Team and Senior Leadership Team) as well as reviewing workforce remuneration and related policies, and the alignment of incentives and rewards with culture. The Group HR Director is a regular attendee at meetings of the Remuneration Committee and is able to brief the Committee on remuneration levels for the wider workforce and meetings that have been held with employee representative bodies. The Committee reviews workforce remuneration, salary increases within the Group, and the level of annual bonus awards, as well as overseeing participation in long-term incentives for below Board level senior management. The Company engages with the wider workforce on a range of issues, including executive remuneration, through the work of the Workforce Engagement NED, who attends site-based employee meetings and provides feedback to the Board and Committee, so that the views of the wider workforce can be taken into consideration. As a result, the Committee is aware of how typical employee total remuneration compares to the potential total remuneration packages of executive directors and takes this into account when setting policy for executive director remuneration.

Differences in Remuneration Policy for executive directors compared to other employees

The executive directors' remuneration policy is set within the context of the Group's remuneration policy for the wider workforce.

The key differences of quantum and structure in pay arrangements between the CEO and the majority of colleagues reflect the different levels of overall accountability, responsibilities, skill and experience required for the role. The CEO's pay has a much greater emphasis on performance-based pay, through the annual bonus and the LTIP. Salaries for management grades are normally reviewed annually (currently in July each year) and take account of both business and personal performance. Specific arrangements are in place at each site and these may be annual arrangements or form part of a longer-term arrangement.

Directors' remuneration report

CONTINUED

The majority of management grades participate in the Annual Bonus Plan to ensure alignment with the Group's strategic priorities. Senior management participate in long-term incentive arrangements, reflecting their contribution to Group performance and enhancing shareholder value. All employees are encouraged to own shares in the Company via the Sharesave Plan and, for executive directors, through the shareholding guideline.

8. Consideration of shareholders' views

The Remuneration Committee and the Board consider shareholder feedback received in relation to the AGM each year at a meeting immediately following the AGM and any action required is incorporated into the Remuneration Committee's action plan for the ensuing period. This, and any additional feedback received from shareholders from time to time, is then considered by the Committee and as part of its annual review of remuneration arrangements.

Specific engagement with major shareholders may be undertaken when a significant change in remuneration policy is proposed or if a specific item of remuneration is considered to be potentially contentious. During the design of the new policy, the Committee consulted with the major shareholders and the feedback received from the majority of shareholders was supportive.

9. Summary of the decision-making process and key changes to the Remuneration Policy

During the year, the Committee undertook a review of the Directors' Remuneration Policy and its implementation to ensure that the Policy supports the execution of strategy and the delivery of sustainable long-term shareholder value. The Committee discussed the content of the Policy at four Remuneration Committee meetings throughout the year. Throughout the review process, the Committee took into account the 2018 UK Corporate Governance Code, wider workforce remuneration and emerging best practice in relation to executive director remuneration. The Committee also considered input from management and our independent advisors, ensuring that conflicts of interest were appropriately managed (for example, executive directors were not present for the discussions directly related to their remuneration). The Committee considers that the overall remuneration framework – based on an annual bonus plan plus a performance share plan – remains appropriate to continue to incentivise management to drive long-term sustainable performance for shareholders. The proposed policy does, however, differ from the policy that was approved by shareholders at the 2020 AGM in the following areas:

Annual bonus	Maximum (as a percentage of salary) has been increased to 150%. Further context is provided in the Remuneration Committee Chair's letter.
Long-Term Incentive Plan (LTIP)	Maximum (as a percentage of salary) has been increased to 200%. Further context is provided in the Remuneration Committee Chair's letter.
Shareholding	Formal post-employment shareholding guideline introduced whereby, following stepping down from the Board, executive directors will normally be expected to maintain 100% of the in-employment shareholding guideline (or the actual shareholding if lower) for the first 12 months following departure from the Board, and 50% of the in-employment shareholding guideline (or the actual shareholding if lower) for the following 12 months.

Other minor changes have been made to the wording of the Policy to aid operation and increase clarity.

The Committee believes that the proposed Policy is clear and transparent and aligned with our culture. The Committee has taken into account provision 40 of the UK Corporate Governance Code and considers we comply as described below.

We operate a simple incentive framework, with award levels capped and pay outs linked to performance against a limited number of measures that are well linked to our strategy. Stretching, but fair, targets are set. This ensures that potential reward outcomes are clear and aligned with performance achieved, with the Committee having the discretion to adjust pay-outs where this is not considered to be the case.

Pay levels are set, taking into account external market levels, as well as internal practice to ensure pay remains competitive, whilst being equitable within the Company. Malus and clawback and discretion provisions, LTIP holding periods and shareholding guidelines, including post-employment, are in place to mitigate reputational and other risk.