Set out below is the Company's new policy on remuneration for Executive and Non-Executive Directors (the 'New Policy'), to be approved by shareholders at the Annual General Meeting on 24 March 2021. Once approved, the New Policy may operate for up to three years.

The New Policy has been prepared in accordance with the requirements of the UK's Companies Act 2006 (the 'Act') and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code.

The primary objective of the Directors' remuneration policy is to motivate and retain the Company's leaders in order to promote the long-term success of the business, whilst ensuring that the Company does not pay more than is necessary. In seeking to achieve this objective, the Committee is mindful of the views of a range of stakeholders both in the business and across broader society and, accordingly, takes account of a number of factors when setting remuneration policy including market conditions, pay and benefits in relevant comparator organisations, terms and conditions of employment across the Group, the Company's risk appetite, the expectations of institutional investors and feedback from shareholders and other stakeholders. The Committee considers a range of reference points when determining policy and pay levels; these include external market benchmarks as well as internal reference points. Any such reference points are set in an appropriate context and are not considered in isolation. To avoid conflicts of interest, no executive director or employee participates in decisions determining their own remuneration.

CHANGES TO THE CURRENT POLICY

Element	Change to policy	Rationale
Long Term Incentives	Replacement of the existing, long-term incentive plan with a Restricted Share Plan (the 'RSP').	Ensures Executives are motivated and retained so that they can focus on making appropriate and timely decisions aimed at delivering a return to strong, sustainable business performance.
Pension	Align the company pension contributions for new and existing Executive Directors with the wider workforce pension contribution rate.	Brings arrangements in line with corporate governance best practice.
Shareholding Requirements	Increase the shareholding requirement for all executive directors.	Provides a greater alignment between management and shareholders.
Post-cessation shareholding requirements	Introduce a post-cessation shareholding requirement ('PCSR') for all Executive Directors.	Ensures Executives focus on long-term sustainable performance and extends the length of alignment between management and shareholders.
Malus and clawback provisions	Extend our malus and clawback trigger events to include conduct resulting in reputational damage, and corporate failure.	To bring the provisions further in line with best practice.

POLICY TABLE

The table below summarises each element of the remuneration policy applicable to Executive Directors.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery and withholding
Base salary				
Provides a sound basis on which to attract and retain Executives of appropriate calibre to deliver the strategic objectives of the Group. To reflect the market value of the role, personal contribution, experience and competence.	Salaries are normally subject to annual review, typically effective from 1 January. Salary levels may be influenced by: • role, experience or performance; • Group profitability and prevailing market conditions; and • periodic external benchmarking of similar roles at comparable companies by size and sector. Payable four-weekly throughout the year. Pensionable.	The general policy is to set salaries broadly around mid-market levels with increases (in percentage terms) typically in line with that of the Company's UK workforce. Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances such as when there is a change in the individual's role or responsibilities or where there has been a fundamental change in the scale or nature of the Company. In addition, a higher increase may be made where an individual had been appointed to a new role at below market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than for the wider workforce.	Executive Directors' performance is a factor considered when determining salaries. Performance is reviewed in line with the established performance review process in place across the Group.	No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery and withholding
		There may also be circumstances where the Committee agrees to pay above mid-market levels to secure or retain an individual who is considered, in the judgement of the Committee, to possess significant and relevant experience which is required to enable the delivery of the Company's strategy.		
Annual Performance Bonus (cash and shares)				
Provides a direct link between annual performance and reward. Incentivises the achievement of key measures linked to Company strategy. Deferred bonus, awarded in shares, provides a retention element and additional alignment of interests to shareholders.	The Committee determines the bonus payment level after the year-end by reference to performance targets previously set by the Committee. Up to half of any bonus award is payable in cash. At least half of any bonus award is deferred as shares under the terms of the Short Term Deferred Incentive Plan ('STDIP') below. Key terms of the STDIP are: • Deferred bonus share awards are normally released in two equal amounts 12 and 24 months after deferral subject to continued employment (or good leaver status). • At the discretion of the Committee, dividends paid between grant and vesting may accrue on vested shares. • Shares which vest, after the settlement of income tax and national insurance, must be retained until the relevant shareholding guideline has been met. Non-pensionable.	Currently the normal maximum payment is 100% of salary. At the discretion of the Committee, the maximum earnings potential may be increased in line with the plan rules up to 150% of salary.	At least 50% of the bonus will be based on financial measures. This may be a single measure or a mix of metrics as determined by the Committee. The remainder may be based on non-financial measures or personal business objectives. The bonus measures are reviewed annually and the Committee has the discretion to vary the mix of measures, introduce new measures taking into account the strategic focus of the Company or to align the measurement of any measure to a specific performance period within the year. No bonus is payable under the financial element(s) unless a demanding threshold level of performance is achieved. As the bonus is subject to performance conditions, any deferred bonus is not subject to further performance conditions but remains subject to recovery and withholding provisions. The Committee may alter the bonus outcome if it considers that the payout is inconsistent with the Company's overall performance taking account of any factors it considers relevant. This will help ensure that payouts reflect overall Company performance during the period. The Committee will consult with leading investors if appropriate before any exercise of its discretion to increase the bonus outcome.	Recovery and withholding provisions apply where there has been a material misstatement or restatement of any audited financial accounts or other data, or the Committee determines that there has occurred at any time a serious misdemeanour or serious misconduct by the Participant, or the Committee determines that the Participant has engaged in conduct that has resulted in, or could reasonably result in, reputational damage to the Company and/or the Group, or there is a corporate failure of the Company or any company within the Group which the Committee reasonably considers to be material in the context of the Group.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery and withholding
Restricted Share Plan				
Incentivises participants over the long term to implement the Company's strategy and deliver long term sustained performance. To align the interests of senior Executives with those of shareholders by providing executives with a material shareholding. To provide an element of retention through and beyond the vesting period.	Awards are granted annually to Executive Directors in the form of restricted shares. Restricted shares normally vest at the end of a three year period subject to: • the Executive Director's continued employment at the date of vesting; and • the satisfaction of an underpin as determined by the Remuneration Committee whereby the Committee can adjust vesting for business, individual and wider Company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the Executive Directors. Upon vesting, sufficient shares may be sold to pay tax and National Insurance on the shares. At the discretion of the Committee vested options may attract Dividend Accrued Shares between award and the end of the vesting or holding period.	Currently the normal maximum annual award is up to 100% of salary. The RSP rules include an annual award limit of 125% of salary. Any increase to the normal maximum of 100% of salary, other than in exceptional circumstances such as recruitment, would be subject to prior consultation with leading investors, if appropriate.	No specific performance conditions are required for the vesting of Awards but there will be an underpin in that the Remuneration Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance.	Recovery and withholding provisions apply where there has been a material misstatement or restatement of any audited financial accounts or other data, or the Committee determines that there has occurred at any time a serious misdemeanour or serious misconduct by the Participant, or the Committee determines that the Participant has engaged in conduct that has resulted in, or could reasonably result in, reputational damage to the Company and/or the Group, or there is a corporate failure of the Company or any company within the Group which the Committee reasonably considers to be material in the context of the Group.
Elements of the previous Long Term Incentive Plan Policy which will continue to apply at all times including until the final award is due to vest in 2022.				
To align the interests of senior Executives with sustained long-term value creation. Incentivises participants to grow the business for the long term in line with the Company's strategy. To provide an element of retention through and beyond the performance period.	**<u>No future awards will be granted to the Executive Directors under the LTIP.</u>** Awards have a three year performance and vesting period. Options may attract Dividend Accrued Shares between award and the end of the vesting or holding period. A two year post-vesting holding period applies which requires awards to be retained for a period of two years from the end of the vesting period, except for shares sold to pay income tax and National Insurance upon exercise/ vesting. Shares which vest after the settlement of income tax and National Insurance, must be retained until the relevant shareholding policy is met.	200% of base salary for the Chief Executive. 140% of base salary for the CFO.	Adjusted Operating Cash Flow – 75% weighting. Relative TSR – 25% weighting.	Recovery and withholding provisions apply where there has been a misstatement of the accounts, or other data, or a serious misdemeanour or serious misconduct by the participant has occurred prior to payment or vesting or within two years of vesting of shares.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery and withholding
Pension (or cash allowance)				
To provide a market-aligned retirement benefit.	Contribution towards a Company or personal pension scheme and/or a cash allowance in lieu of Company pension contributions, or a combination of both.	The Company contribution is 4% or any future higher percentage agreed, of base salary, in line with the wider workforce. Existing Executive Directors will have their Company pension contribution (currently 14.2%) reduced to align with the wider workforce by no later than the end of the 2024 financial year.	No performance metrics apply.	No recovery or withholding provisions apply.
Other benefits				
To provide competitive and market-aligned benefits to assist in retaining and attracting Executives.	Benefits normally include (but are not limited to) private healthcare, life assurance, annual health check, employee assistance programme, use of a Company vehicle or cash equivalent, and discounts on food and associated drinks purchased in our businesses. Private healthcare is provided for the Executive, spouse or partner and dependent children. Discount vouchers are provided on the same basis to all employees and can be redeemed in any of our managed businesses provided the purchase is a personal, not a business, expense. Executive Directors may participate in any of the Company's all-employee share schemes (e.g. Sharesave and SIP) on the same basis as all other employees and in line with prevailing HMRC limits. Relocation or the temporary provision of accommodation may be offered where the Company requires a Director to relocate. Expatriate allowances may be offered where required. Travel and, if relevant, related expenses such as accommodation may be reimbursed on a gross of tax basis. Executive Directors may become eligible for any new benefits introduced to a wider set of other Group employees.	In line with market practice, the value of benefits may vary from year to year depending on the cost to the Company from third-party suppliers.	No performance metrics apply.	No recovery or withholding provisions apply other than if relocation costs were provided. A proportion of any relocation costs may be recovered where a Director leaves the employment of the Group within two years of appointment or date of relocation.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery and withholding
Shareholding policy				
To align the interests of the Executive Directors with shareholders and promote a long-term approach to risk management.	The Chief Executive is expected to hold and maintain Mitchells & Butlers' shares to the value of a minimum of 250% of base salary. Other Executive Directors are expected to hold and maintain Mitchells & Butlers' shares to the value of a minimum of 200% of base salary. Except for those sold to cover the acquisition cost together with the associated income tax and National Insurance contributions, Executive Directors will be required to retain shares arising from share schemes until the minimum level of ownership required has been achieved. Only shares owned outright by the Executive Director or a connected person are included. Shares or share options which are subject to a performance condition are not included. Deferred shares and options which are vested but unexercised, are included. Post-cessation shareholding requirement equal to the shareholding guideline for two years post-departure. In the event that a leaver has not met the relevant shareholding requirement at the point of cessation of employment, they would be required to retain their full pre-cessation shareholding for two years. These post-cessation requirements are subject to transitional arrangements for existing Executive Directors. Only those shares vesting from the date of the policy approval, including unvested awards under incentive plans and deferred shares, are included in the post cessation holding requirement. Shares purchased by Executives from their own resources will not be covered by the post-cessation policy.	n/a	n/a	n/a

CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery and withholding
Fees				
To attract and retain Non-Executive Directors of appropriate calibre and experience.	Payable in cash, four-weekly throughout the year. Fees are normally reviewed annually with any increase usually taking effect from 1 January each year. The Chairman's fee is reviewed annually by the Committee (without the Chairman present). Fee levels for the Non-Executive Directors are determined by the Company Chairman and Executive Directors by reference to companies of similar size and sector as well as time commitment and responsibilities. Non-Executive Directors receive an additional fee for chairing a committee. Where a Non-Executive Director undertakes additional responsibilities, other than the chairing of a committee, additional fees may be set. Travel, accommodation and other related expenses incurred in carrying out the role will be paid by the Company including, if relevant, any gross-up for tax.	Current fee levels are shown in the annual report on remuneration. Fee levels may be increased, taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees to recognise the additional workload.	No performance metrics apply.	No recovery or withholding applies.

Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes, benefit schemes (other than the all-employee discount voucher scheme) or pension plans.

NOTES TO THE POLICY TABLE

Selection of performance measures and targets.

The choice of performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of key financial targets and individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The Committee will review the calibration of targets applicable to the bonus scheme annually to ensure they remain appropriate and sufficiently challenging, taking into account the Company's strategic objectives and the interests of shareholders.

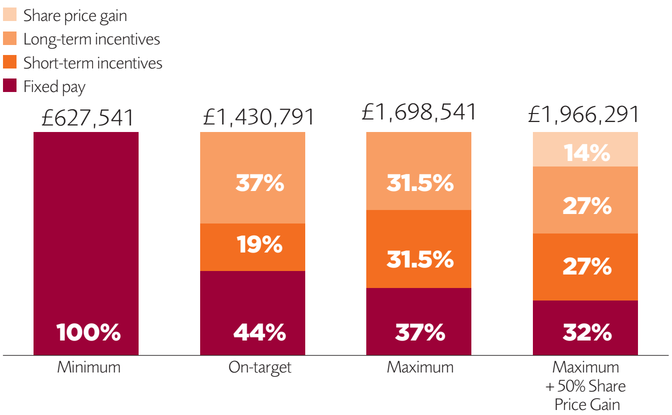
The RSP is not subject to performance conditions as its intended purpose is to incentivise participants over the long term to implement the Company's strategy and deliver long term sustained performance whilst also providing an element of retention through and beyond the vesting period. However, the Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:

- Whether any adjustments have been made to annual bonus outcomes for each of the three years covered by the vesting period for the restricted shares. The Committee undertakes a thorough 'quality of earnings' assessment every year prior to the finalisation of any annual bonus outcomes and these will also be used to inform the assessment of awards under the RSP. The annual quality of earnings assessment takes into account financial performance as well as guest experience and employee engagement along with a broader-based holistic assessment of business performance and KPIs;
- Whether there has been material damage to the reputation of the Company (in such circumstances, responsibility and hence any adjustments to the level of vesting may be allocated collectively or individually to participants); and
- That the business has a stable and appropriate capital structure in place following the cessation of restrictions on trade due to the Covid-19 pandemic that enables the recovery of the business and execution of our strategic priorities.

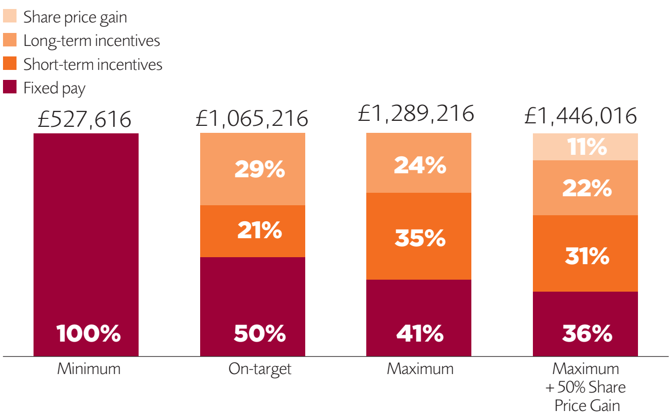
ILLUSTRATIONS OF REMUNERATION POLICY

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the proposed new policy. The charts also show the impact of a 50% increase in share price on the LTIP outcome.

Chief Executive



Chief Financial Officer



The performance scenarios demonstrate the proportion of maximum remuneration which would be payable in respect of each remuneration element at each of the performance levels. In developing these scenarios, the following assumptions have been made:

MINIMUM
Only the fixed elements of remuneration are payable. The fixed element consists of base salary, benefits and pension. Base salary is the salary effective from 1 January 2021. Benefits are based on actual FY 2020 figures and include company car, healthcare and taxable expenses. Pension is the cash allowance and/or Company pension contribution payable from 1 January 2021.

ON-TARGET
In addition to the minimum, this reflects the amount payable for on-target performance under the short- and long-term incentive plans:

- 50% of maximum (50% of base salary for the Chief Executive and Chief Financial Officer) is payable under the short-term incentive plan; and
- 100% of the award (100% of base salary for the Chief Executive and 70% of base salary for the Chief Financial Officer) is payable under the RSP.

MAXIMUM
In addition to the minimum, maximum payment is achieved under both the short-term and long-term incentive plans such that:

- 100% of base salary is payable under the short-term incentive plan for the Chief Executive and Chief Financial Officer; and
- 100% of the award (100% of base salary for the Chief Executive and 70% of base salary for the Chief Financial Officer) is payable under the RSP.

SHARE PRICE GAIN
This shows the impact a 50% increase in the share price would have on the RSP outcome.

DIFFERENCES IN REMUNERATION POLICY BETWEEN EXECUTIVE DIRECTORS AND OTHER EMPLOYEES
The overall approach to reward for employees across the workforce is a key reference point when setting the remuneration of the Executive Directors and the Committee are updated on a regular basis by the Group HR Director on a wide range of people-related matters, including pay policies. When reviewing the salaries of the Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce and in normal circumstances the increase for Executive Directors will be no higher than the average increase for the general workforce. Whilst the Company does not directly consult with employees as part of the process of reviewing Executive Director pay and formulating the remuneration policy, the Company does receive an update and feedback from the broader employee population on an bi-annual basis using an engagement survey which includes a number of questions relating to remuneration. Employees also have the opportunity to raise questions through elected representatives who sit on our employee forum which is normally held twice a year and is attended by the Chief Executive and other members of the Executive team, along with the Non-Executive Director responsible for employee voice.

The key difference between the remuneration of Executive Directors and that of our other employees is that, overall, at senior levels, remuneration is increasingly long term. In particular, long-term incentives (via the RSP) are provided only to the most senior Executives to align the interests of senior executives with those of shareholders, by providing a material shareholding.

The Company operates HMRC-approved all-employee share plans (Sharesave and SIP) enabling all our employees to become shareholders in the Company.

CONSIDERATION OF SHAREHOLDER VIEWS
The Committee takes the views of the shareholders seriously and these views are a key factor in determining remuneration policy and its implementation. The Committee consulted its major shareholders and the main shareholder representative bodies, the IA, ISS and Glass Lewis on the proposed new policy and held a number of virtual meetings during the consultation process. The Committee is grateful for the time taken to consider the Committee proposals and provide feedback and was pleased that the majority of shareholders were supportive of the new policy.

LEGACY ARRANGEMENTS
For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this remuneration policy, for example, those outstanding and unvested incentive awards which have been disclosed to shareholders in previous remuneration reports. The Committee may also approve payments outside of this remuneration policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board of Directors.

All historic awards that were granted but remain outstanding, remain eligible to vest based on their original award terms.

INCENTIVE PLAN DISCRETIONS

The Committee will operate the incentive plans described in the policy table according to their respective rules, the policy set out above and in accordance with the Listing Rules, applicable legislation and HMRC guidance where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of award and/or payment, subject to policy limits;
- the choice of (and adjustment of) performance measures, targets and underpins for each incentive plan taking into account the specific circumstances at the time and the rules of each plan;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends).

Any use of the above discretions would, where relevant, be explained in the annual report on Directors' remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

SERVICE CONTRACTS

Executive Directors' contracts

The table below summarises key elements of the service contracts applicable to Executive Directors:

Notice period	• Executive Directors are employed under service contracts that may be terminated at any time on up to one year's notice from the Company and on a minimum of six months' notice from the Executive Director. • Any payment made in lieu of notice would comprise base salary only[a] and may be payable in instalments in line with the established salary payment dates until the expiry of the notice period or, if earlier, may be the date on which alternative employment or other engagement is secured with the same or higher base salary. If employment is secured at a lower rate of base salary, subsequent instalments of the payment in lieu of notice may be reduced by the value of alternative income. A payment may be made in lieu of unused holiday entitlement. • Service contracts contain a provision enabling the Company to put the Executive Director on garden leave after notice to terminate the service contract has been given by either party. During this period, the Executive will be entitled to base salary only. • There is no enhanced provision on a change of control.
Termination	• If an Executive Director's employment with the Group ends during the financial year, normally any entitlement to bonus for that year is forfeited. However, if the individual leaves by reason of ill-health, injury, disability, retirement, redundancy, death or sale of the employing business or company or if the Committee so decides in any other case, at the Committee's discretion the Executive Director may receive a bonus pro-rated to time employed in the year or to such later date as the Committee may decide. In such circumstances, at least half of any bonus awarded will normally be deferred as shares under the terms of the STDIP. • If an Executive Director ceases employment following the end of the financial year but before payment of the bonus in respect of that year, there is no entitlement to a bonus but the Committee may, at its discretion, pay a bonus for that year. Any such bonus, will normally be deferred as shares under the terms of the STDIP. • If an Executive Director ceases employment prior to the release of Bonus Award Shares under the STDIP for the same specified good leaver reasons as are set out above, the Committee, at its discretion, may release the Bonus Award Shares (and associated Dividend Accrued Shares) at the date of termination. Otherwise, the shares will be released on the normal release date. If the Director leaves for any other reason, their entitlement to Bonus Award Shares (and associated Dividend Accrued Shares) is forfeited, unless the Committee decides otherwise. • If an Executive Director dies before an Award under the PRSP or RSP has vested, vesting of the award (and associated Dividend Accrued Shares) will occur as soon as practicable based on performance and on a time pro-rated basis. • If the Executive Director ceases employment for the same defined good leaver reasons as are specified above, the PRSP Award (and associated Dividend Accrued Shares) will vest following the end of the normal performance period and on a time pro-rated basis. If employment ceases for any other reason, the Award will normally lapse, unless the Committee decides otherwise (except that if employment ceases by reason of gross misconduct the PRSP Award (and associated Dividend Accrued Shares) must lapse). • If an Executive Director ceases employment as a good leaver under the RSP, their award will normally vest at the normal vesting date subject to consideration of the underpins on a time pro-rated basis. Unless the Committee decides otherwise, the shares will be subject to a holding period of two years after vesting. If employment ceases for any other reason, the Award will normally lapse. • The Committee has no discretion in relation to shares or options held under the all-employee share plans (SIP and Sharesave); on termination these will vest, become exercisable or lapse in accordance with the legislation.

a. This arrangement applies to Phil Urban and any future Executive Director appointments. Any payments in lieu of notice in respect of Tim Jones, who is employed on a legacy contract, will comprise base salary and contractual benefits only.

In the event that the Company terminates an Executive Director's service contract other than in accordance with the terms of his contract, the Committee will act in the best interests of the Company and ensure there is no reward for failure. When determining what compensation, if any, is to be paid to the departing Executive Director, the Committee will give full consideration to the circumstances of the termination, the Executive Director's performance, the terms of the service contract relating to notice and payments in lieu of notice, and the obligation of that Executive Director to mitigate any loss which may be suffered as a result.

Although the Company would seek to minimise termination costs, the Committee may in appropriate circumstances provide other elements in a leaving Director's termination package, including (without limitation): compensation for the waiver of statutory rights in exchange for the Director executing a settlement agreement; payment of the leaving Director's legal fees in connection with his termination arrangements; and payment of outplacement fees. In addition, the Committee may determine that the Director should continue to be engaged by the Company on consultancy or other terms following cessation of his directorship.

EXTERNAL DIRECTORSHIPS

Executive Directors may accept one external Non-Executive appointment with the Company's prior approval, as long as this is not likely to lead to conflicts of interest.

NON-EXECUTIVE DIRECTORS

Non-Executive Directors, including the Company Chairman, do not have service contracts but serve under letters of appointment. Non-Executive Directors' appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination.

Ron Robson and Josh Levy were appointed to the Board pursuant to the terms of the Piedmont Deed of Appointment, information on which is set out on page 53 of the 2020 Annual Report.

Copies of both the individual letters of appointment for Non-Executive Directors and the service contracts for Executive Directors are available at the Registered Office of the Company during normal business hours and on our website.

RECRUITMENT OF EXECUTIVE DIRECTORS

Where it is necessary to appoint a replacement or additional Executive Director, the Committee will set a base salary appropriate to the calibre, experience and responsibilities of the new appointee and in line with our policy.

The maximum level of variable pay is 275% of base salary (150% in relation to annual cash bonus/STDIP and 125% in relation to the RSP).

Depending on the timing and responsibilities of the appointment, it may be necessary to set different annual bonus/STDIP performance measures and targets than those applicable to other Executive Directors.

Benefits (including pension, Company vehicle or cash allowance, healthcare, life assurance, health check and, where applicable, relocation assistance) would be consistent with the principles of the policy as set out above.

For an internal appointment, existing pension arrangements may continue to operate but any Company contribution to the defined contribution scheme or payment in lieu of Company contributions to the defined contribution scheme would be expected to align with policy on appointment. Employees may continue as employee deferred members of the defined benefit plan, which is closed to future accrual. Any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on Directors' remuneration. Similarly, if an Executive Director is appointed following a merger or an acquisition of a company, legacy terms and conditions may be honoured.

In addition to the above, the Committee may offer additional cash and/or share-based elements in order to 'buy-out' remuneration relinquished on leaving a former employer. In the event that such a buy-out is necessary to secure the services of an Executive Director then the structure of any award or payment will mirror, as far as is possible, the arrangements in place at the incoming Executive Director's previous employer. Any share awards made in this regard may have no performance conditions, or different performance conditions, or a shorter vesting period compared to the Company's existing plans, as appropriate. Shareholders will be informed of any buy-out arrangements at the time of the Executive Director's appointment.

RECRUITMENT OF NON-EXECUTIVE DIRECTORS

Non-Executive Directors' fees are set by the Chairman and Executive Directors, and the Chairman's fee is set by the Remuneration Committee.

Chairman

The Committee will recommend to the Board a fee appropriate to the calibre, experience and responsibilities of the new appointee.

Other Non-Executive Directors

The fee will be set in line with the fee structure for Non-Executive Directors in place at the date of appointment.

Alignment to the Corporate Governance Code

The proposed policy takes account of the UK Corporate Governance Code (the 'Code'). Specifically, the pension contributions for existing and new Executive Directors will be, over the term of this policy, aligned to the contribution rate available to the majority of the workforce, malus and clawback provisions have been extended and post-cessation shareholding requirements introduced.

In addition, when setting the new policy, the Remuneration Committee addressed each of the factors set out under Provision 40 of the Code. The RSP is simple in its operation and provides clarity by aligning the interests of management and shareholders. The terms and conditions of the plan provide for a three-year vesting period followed by a two-year holding period. It also increases the predictability of the rewards received by Executive Directors whilst the underpin will ensure that poor performance is not rewarded. This is in addition to the discretion to override formulaic outcomes at vesting. The recovery provisions in both the annual bonus plan and RSP and the introduction of post-cessation holding periods enables the Committee to have appropriate regard to risk considerations.

The Committee believes that overall, the policy drives behaviours consistent with the Company's purpose and values which are focused on the long-term future of the Company throughout the business cycle.