

## Directors' remuneration report continued

### REMUNERATION AT A GLANCE: HOW EXECUTIVES WILL BE PAID IN FUTURE YEARS

We are seeking shareholder approval for a revised Policy at the 2024 AGM. An overview of our Policy and how it is proposed to apply in 2024/5 is set out below:

#### FIXED PAY: TO RECRUIT AND REWARD EXECUTIVES OF A HIGH CALIBRE

##### Remuneration for the year ending 31 March 2025

<b>Salary</b>	CEO: £700,000 COO: £391,500 CFO: £435,000	As outlined above in the Chair's statement, recognising the growth of Auto Trader since IPO, the Committee decided it was appropriate to increase salaries 11.7% for the CEO, 19.5% for the CFO and 12.7% for the COO. This is above the planned average Company-wide increase of c.4.5%. The salary review date is 1 July 2024. The COO's salary has been pro-rated to reflect that she works 4.5 days per week. Her full-time equivalent salary is £435,000, in line with that of the CFO.
<b>Pension</b>	7% of salary	Aligned with the maximum pension opportunity for the wider workforce.
<b>Benefits</b>	Includes private medical cover, life assurance and income protection insurance.	

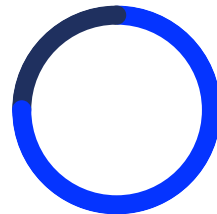
#### ANNUAL BONUS

To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.

50% of bonus paid in cash

50% of bonus deferred into shares for two years

##### FY25 bonus metrics



- 75% Operating profit
- 25% Strategic: milestones linked to our digital retailing strategic priority

**Maximum opportunity**  
CEO: 150% of salary  
COO and CFO: 130% of salary

Malus and clawback provisions apply.

#### PERFORMANCE SHARE PLAN

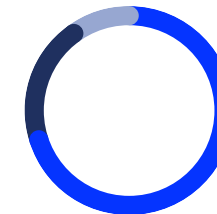
To incentivise and recognise successful execution of the business strategy over the longer term. To align the long-term interests of Executive Directors with those of shareholders.

3-year performance period

2-year holding period

##### 2024 PSP metrics

To incentivise and reward the achievement of long-term financial and ESG objectives which are aligned to our corporate strategy and our ESG ambitions.



- 70% Earnings Per Share (EPS) growth<sup>1</sup>
- 20% Revenue growth<sup>2</sup>
- 10% Carbon reduction

Awards subject to a diversity underpin.

**Maximum opportunity**  
CEO: 250% of salary  
COO and CFO: 200% of salary

Malus and clawback provisions apply.

#### GUIDELINES APPLY IN-POST, AND EXTEND BEYOND TENURE IN-POST GUIDELINES

200% of salary.

#### POST-EMPLOYMENT GUIDELINES

100% of in-post shareholding guideline (or actual shareholding if lower) for a period of two years following departure.

1. Compound annual growth rate targets have been set as three-year growth targets with reference to performance for 31 March 2024 as the base year. Earnings Per Share will be based on Group Earnings Per Share, but excluding the impact of the deferred consideration charges in relation to the acquisition of Autorama, which are being spread over FY23 and FY24. This approach provides a like-for-like comparison for assessing performance across the three-year performance period.
2. Revenue will be based on Group revenue, but excluding Vehicle & Accessory Sales attributable to Autorama, as this revenue does not generate any profit.

## Directors' remuneration report continued

### Directors' Remuneration Policy

This Remuneration Policy will be put to shareholders for approval in a binding vote at the AGM on 19 September 2024 and if approved will be effective from this date.

#### POLICY OVERVIEW

As outlined in the Remuneration Committee Chair's statement, in light of the requirement to seek shareholder approval for a new Remuneration Policy, the Committee undertook a thorough review of the current remuneration arrangements for Executive Directors, considering a range of potential approaches. The findings of our review which also considered current market positioning indicated our current Executive Director remuneration levels considerably lag market practice. Given this market context, the significant growth in scale of the business since the IPO, and the Committee's commitment to good practice principles, the Committee concluded that the following changes are necessary to the previous policy approved at the 2021 AGM:

- Under the Policy, the PSP maximum award will be increased to 250% of base salary (up to 300% of base salary in exceptional circumstances).
- Other minor changes have been made to the Policy to simplify and/or align with typical market practice.

The Policy is structured so as to ensure that the main elements of remuneration are linked to Company strategy, in line with best practice and aligned with shareholders' interests. The Policy is designed to reward Executive Directors by offering competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability.

In promoting these objectives, the Policy aims to be simple in design, transparent and structured so as to adhere to the principles of good corporate governance and appropriate risk management.

This Policy has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) and the UKLA's Listing Rules. This Policy is subject to a binding shareholder vote at the AGM on 19 September 2024.

In reaching its decisions, the Committee also considered the following principles as recommended in the revised 2018 UK Corporate Governance Code.

**Clarity:** The Policy is designed to allow our remuneration arrangements to be structured such that they clearly support, in a sustainable way, the financial and strategic objectives of the Company. The Committee remains committed to reporting on its remuneration practices in a transparent, balanced and understandable way.

**Simplicity:** The Policy consists of three main elements: fixed pay (salary, benefits and pension), an annual bonus and a long-term incentive award. The metrics used in our incentive plans directly link back to our key strategic ambitions and values and provide a clear link to the shareholder experience. The Committee may change measures for future years to ensure they continue to be aligned with our strategy.

**Risk:** The Policy is in line with our risk appetite. A robust malus and clawback policy is in place, and the Committee has the discretion to reduce pay outcomes where these are not considered to represent overall Company performance or the shareholder experience. Furthermore, our bonus deferral, post-cessation shareholding requirement and PSP holding period ensure that Executive Directors are motivated to deliver sustainable performance.

**Predictability:** The Committee considers the impact of various performance outcomes on incentive levels when determining quantum. These can be seen in the scenario charts on page 90.

**Proportionality:** A substantial portion of the package comprises performance-based reward, which is linked to our strategic priorities and underpinned by a robust target-setting process. We are mindful of the alignment with our workforce, the shareholder experience and our values and culture when considering the right and proportional approach to pay.

**Alignment to culture:** When developing our Policy, the Committee reviewed our approach to remuneration throughout the organisation to ensure that arrangements are appropriate in the context of the wider workforce. The themes considered include workforce demographics, engagement levels and diversity to ensure that executive remuneration is appropriate from a cultural perspective. Our FY25 PSP award includes carbon reduction objectives with the vesting of the award subject to a diversity underpin.

#### HOW THE VIEWS OF SHAREHOLDERS AND EMPLOYEES ARE TAKEN INTO ACCOUNT

The Committee engages with the wider workforce through a Board Engagement Guild, which all Non-Executive Directors attend. This is the primary mechanism through which our Board engages with employees, creating a platform for employees to share their experiences, views, and questions directly with Non-Executive Directors. The Board Engagement Guild has representatives from across different parts of the business and canvasses views and opinions from colleagues to share with the Board, covering topics including potential changes to the executive Remuneration Policy, as well as gender and ethnicity pay gap, navigating the cost-of-living crisis, Connected Working and our annual employee engagement survey results.

Additionally, the Company regularly undertakes an employee engagement survey which includes questions to understand employees' views on their own remuneration and benefits, which the Committee also reviews. The Committee aims to understand job satisfaction, measure opinion, and identify where changes may be necessary. In our most recent survey in April 2024 we are pleased that 97% of our employees are proud to work at Auto Trader (2023: 91%).

As demonstrated in our decision-making process behind our Policy review this year, the Committee is committed to a constructive dialogue with shareholders in order to ensure that our Remuneration Policy is aligned with their views. The Committee consulted with shareholders in advance of submitting our revised Policy to the shareholder vote, and carefully considered the feedback received from each shareholder ahead of time. In conjunction with any additional feedback received from time to time, this will be considered as part of the Committee's annual review of how we intend to implement our Remuneration Policy.

## Directors' remuneration report continued

### REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Our Policy is designed to offer competitive but not excessive remuneration, so that there is a significant weighting towards performance-based elements. A significant proportion of our variable pay is delivered in shares with deferral and holding periods being mandatory, and with appropriate recovery and withholding provisions in place to safeguard against any overpayments in the event of certain negative events occurring. The table below provides a full summary of the Policy elements for the Executive Directors.

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
<b>Salary</b>	<p>To recruit and reward executives of high calibre.</p> <p>Recognises individual's experience, responsibility and performance.</p>	<p>Salaries are normally reviewed annually with changes effective from 1 July but may be reviewed at other times if considered appropriate.</p> <p>Salary reviews will consider:</p> <ul style="list-style-type: none"> <li>• personal performance;</li> <li>• Group performance;</li> <li>• the nature and scope of the role;</li> <li>• the individual's experience;</li> <li>• increases elsewhere in the Company; and</li> <li>• market practice at other companies of a similar size and complexity.</li> </ul> <p>Periodic reviews of market practice (for example, in comparable companies in terms of size and complexity) will also be undertaken.</p> <p>The Committee considers the impact of any salary increase on the total remuneration package.</p>	<p>There is no prescribed maximum salary level or salary increase; however, any base salary increases will normally be in line with the percentage increases awarded to other employees of the Group.</p> <p>However, increases may be made outside of this policy in appropriate circumstances, such as:</p> <ul style="list-style-type: none"> <li>• Where a Director is appointed on a salary that is at the lower end of the market practice range, larger increases may be awarded as the executive gains experience to move the salary closer to a more typical market level.</li> <li>• Where there has been a change in the nature and scope of the role.</li> <li>• Where there has been a significant and sustained change in the size and complexity of the business.</li> <li>• Where there has been a significant change in market practice.</li> </ul>	<p>The Committee reviews the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates.</p>
<b>Benefits</b>	<p>To provide competitive benefits to ensure the wellbeing of employees.</p>	<p>Executive Directors are entitled to the following benefits:</p> <ul style="list-style-type: none"> <li>• life assurance;</li> <li>• income protection insurance; and</li> <li>• private medical insurance.</li> </ul> <p>The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, taking into account typical market practice and practice throughout the Group.</p> <p>Executive Directors may be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these.</p> <p>Where an Executive Director is required to relocate to perform their role, they may be provided with reasonable benefits as determined by the Committee in connection with this relocation (on either a one-off or ongoing basis), including any benefits such as housing, travel or education allowances.</p>	<p>The value of benefits is not capped as it is determined by the cost to the Company, which may vary.</p>	<p>N/A</p>
<b>Pension</b>	<p>To provide retirement benefits for employees.</p>	<p>Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan), a salary supplement in lieu of pension benefits (or combination of the above) or similar arrangement.</p>	<p>Maximum contribution in line with the contribution of other employees in the Group, currently 7% of salary.</p>	<p>N/A</p>

## Directors' remuneration report continued

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
<b>Annual bonus</b>	To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.	<p>The annual bonus is based predominantly on stretching financial and operational objectives set at the beginning of the year and assessed by the Committee following the year end.</p> <p>Half of any bonus earned is normally subject to deferral into shares, typically for a period of two years from the date of award. The deferred shares will vest subject to continued employment, but there are no further performance targets.</p> <p>A dividend equivalent provision applies, as described below.</p> <p>Recovery and withholding provisions apply, as described on page 89.</p> <p>Participation in the bonus plan, and all bonus payments, are at the discretion of the Committee.</p>	Maximum of 150% of salary as determined by the Committee.	<p>Financial measures will normally represent the majority of bonus measures, with strategic or operational or personal non-financial targets representing the balance (if any).</p> <p>Not more than 20% of each part of the bonus will be payable for achieving the relevant threshold hurdle.</p> <p>Measures and weightings may change each year to reflect any year-on-year changes to business priorities.</p> <p>The Committee has the discretion to adjust targets in appropriate circumstances for any exceptional events (including acquisitions or disposals) that may arise during the year.</p> <p>The Committee also has the discretion to adjust the bonus outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.</p>
<b>Performance Share Plan ('PSP')</b>	<p>To incentivise and recognise successful execution of the business strategy over the longer term.</p> <p>To align the long-term interests of Executive Directors with those of shareholders.</p>	<p>Awards will normally be made annually under the PSP, and will take the form of nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the Policy.</p> <p>Awards normally vest after three years subject to the extent to which the performance conditions specified for the awards are satisfied, and continued service.</p> <p>Recovery and withholding provisions apply, as described on page 89.</p> <p>Executive Directors are required to retain vested shares delivered under the PSP for at least two years from the point of vesting, subject to the terms of the holding period described below.</p> <p>A dividend equivalent provision applies, as described below.</p>	<p>Normal: maximum of 250% of salary as determined by the Committee.</p> <p>Exceptional circumstances: maximum of 300% of salary as determined by the Committee.</p>	<p>The vesting of awards will be subject to the achievement of performance metrics which may be financial, share price or strategic in nature.</p> <p>The metrics and weightings for each award will be set out in the Annual Report on Remuneration. Any strategic measure(s) will account for no more than 25% of the award.</p> <p>No more than 25% of the award vests for achieving threshold performance.</p> <p>The Committee has the discretion to adjust targets in appropriate circumstances for any exceptional events (including acquisitions and disposals) that arise during the performance period.</p> <p>The Committee retains the discretion to adjust the vesting outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.</p>
<b>All-employee Share Plans</b>	To encourage Group-wide equity ownership across all employees, and create a culture of ownership.	<p>The Company operates two all-employee tax-advantaged plans, namely a Save As You Earn ('SAYE'), and a Share Incentive Plan ('SIP') for the benefit of Group employees.</p> <p>The operation of these plans will be at the discretion of the Committee, and Executive Directors will be eligible to participate on the same basis as other employees.</p>	SAYE and SIP - Maximum permitted based on HMRC limits from time to time.	N/A

## Directors' remuneration report continued

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
<b>Share ownership guidelines</b>	To increase alignment between executives and shareholders.	<p><b>In-post:</b> Executive Directors are expected to build and maintain a holding of shares in the Company. This is expected to be built through retaining a minimum of 50% of the net of tax vested PSP and DABP shares, until the guideline level is met.</p> <p>The minimum share ownership guideline is 200% of salary for current Executive Directors.</p> <p><b>Post-cessation:</b> Following stepping down from the Board, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years. The Committee retains discretion to waive this guideline or disapply the guideline from certain shares (for example purchased shares) if it is not considered to be appropriate in the specific circumstance.</p>	Not applicable.	N/A

### NOTES TO THE POLICY TABLE

#### Share plan rules

Deferred awards have previously been granted under the Deferred Annual Bonus Plan ('DABP') and from the 2024 AGM onwards are intended to be granted under the new Deferred Bonus Plan. In this Policy, where relevant, references to the DABP include the new Deferred Bonus Plan or any similar plan adopted in the future.

PSP awards have previously been granted under the Performance Share Plan. From the 2024 AGM onwards awards are intended to be granted under the new Long Term Incentive Plan. In this Policy, where relevant, references to the PSP include the new Long Term Incentive Plan or any similar plan adopted in the future.

#### Recovery and withholding provisions

Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and PSP awards. For bonuses payable in respect of 2024/25 and PSP awards granted in respect of 2024/25, the provisions may be applied in the circumstances described below for a period of three years from payment of any cash bonus, three years from grant in the case of any DABP award and six years from grant in the case of any PSP award:

- a material misstatement of the audited financial statements;
- an error in assessing a performance condition or in the information or assumptions on which a PSP award or DABP award was granted or vests;
- a material failure of risk management;
- individual gross misconduct;
- serious reputational damage;
- a material corporate failure; or
- any other circumstances which the Committee considers is similar in nature or effect.

Should such an event be suspected, the Committee may extend the timeline to allow for an investigation of the event. Recovery may be satisfied in a variety of ways including through the reduction of outstanding deferred awards, reduction of net bonus or PSP vesting and seeking cash repayment.

#### Dividend equivalents

DABP and PSP awards may, at the Committee's discretion, also include the right to receive an additional benefit (in cash or shares) determined by reference to the value of dividends paid on vested shares, which may assume the reinvestment of dividends on a cumulative basis.

#### Discretion available under the Policy

In order to ensure that the Remuneration Policy is capable of achieving its intended aims, the Committee retains certain discretions over the operation of the variable pay policy. These include the ability to vary the operation of the plans in certain circumstances (such as change of control, rights issue, corporate restructuring event, special dividend or acquisition or disposal) including the timing and determination of pay-outs/ vesting; and making appropriate adjustments to performance measures or targets as necessary to ensure that performance conditions remain appropriate. However, it should be noted that in the event that the measures or targets are varied for outstanding awards in the light of a corporate event, the revised targets would not normally be materially less difficult to satisfy.

In line with best practice and shareholder expectations, the Committee retains the discretion to adjust the vesting outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.

Should these discretions be used, they would be explained in the Annual Report on Remuneration and may be subject to consultation with shareholders as appropriate.

#### Operation of the PSP holding period

Executive Directors are required to retain vested shares delivered under the PSP (on a net of tax basis, where applicable) for at least two years from the point of vesting. In exceptional circumstances, the Committee may at its discretion allow participants to sell, transfer, assign or dispose of some or all of the PSP shares before the end of the holding period.

#### Previously agreed payment

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before 17 September 2015 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

## Directors' remuneration report continued

### SELECTION OF PERFORMANCE MEASURES

Annual bonus performance measures are selected annually to reflect the Group's key strategic initiatives for the year and include both financial and strategic or operational non-financial objectives. A majority weighting will be placed on financial performance, ensuring that pay-outs are closely linked to the Group's performance and the execution of strategy.

PSP awards to be granted in 2024 will be subject to the achievement of Earnings Per Share (EPS) growth, total Group revenue growth and a carbon reduction measure. The Committee believes this combination of measures ensures that rewards are linked to long-term shareholder value creation and the culture and values of the business. The performance metrics used and their weighting may differ for future awards to ensure they continue to support the Company's long-term growth strategy.

### DIFFERENCES IN REMUNERATION POLICY BETWEEN EXECUTIVE DIRECTORS AND OTHER EMPLOYEES

Whilst the Policy described above applies specifically to the Company's Executive Directors, the Policy principles are designed with due regard to employees across the Group.

'At risk, performance-linked pay' is restricted to the most senior employees in the Company, as it is this group that is most influential in driving corporate performance.

The Committee is committed to promoting a culture of widespread share ownership across all levels of the organisation. At senior levels this has predominantly been achieved through participation in performance-based incentive plans, whilst across the rest of the workforce this has been supported via all-employee share plans. In 2023 the Company introduced The One Auto Trader Share Award for the wider workforce under which all employees were granted an award equivalent to 10% of base salary. Executive Directors are not eligible to be granted The One Auto Trader Share Award.

### ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The charts below illustrate how the composition of Executive Directors' remuneration packages varies under three different performance scenarios: threshold, on-target and maximum, both as a percentage of total remuneration opportunity and as a total value. It should be noted that these scenarios are for illustrative purposes only and have been determined using the approach specified in the regulations. They should not be construed as profit forecasts or a prediction of share price movements.



### Assumptions

- Minimum = fixed pay (base salary, benefits and pension).
- Target = fixed pay plus 50% of maximum bonus pay-out, 50% vesting under the PSP.
- Maximum = fixed pay plus 100% of bonus pay-out, 100% vesting under the PSP.
- Maximum + share price growth = fixed pay plus 100% of bonus pay-out, 100% vesting under the PSP with a 50% increase in share price applied to the PSP award.

Salary levels are based on and reflect pay increases applying from 1 July 2024. Annual variable remuneration is based on the salary applying from 1 July 2024. Long-term variable remuneration is based on the salary at expected date of grant. The value of taxable benefits is as disclosed in the single figure for the year ending 31 March 2024.

Aside from the maximum + share price growth scenario, no share price increase is assumed and any dividend equivalents payable are not included.



## Directors' remuneration report continued

### SERVICE CONTRACTS AND POLICY FOR PAYMENTS ON LOSS OF OFFICE

The service contracts for the Executive Directors are terminable by either the Company or the Executive Director on 12 months' notice and make provision for early termination by way of payment of a cash sum equal to 12 months' salary and pension. The Company may continue to provide benefits until the end of the notice period or may make a payment to the value of 12 months' contractual benefits.

Payment in lieu of notice can be paid either as a lump sum or in equal monthly instalments over the notice period and will normally be subject to mitigation. The Committee will consider the particular circumstances of each leaver and retains flexibility as to at what point, and the extent to which, payments are reduced.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge

of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment. In the event of cessation of employment incentive plan awards will be treated in accordance with the relevant plan rules. SAYE options will become exercisable on cessation of employment to the extent permitted in accordance with the rules of the SAYE scheme, which does not provide for the exercise of discretion by the Committee. On cessation, a payment may be made in respect of accrued but untaken holiday.

Relevant details will be provided in the Annual Report on Remuneration should such circumstances apply.

In summary, the contractual provisions on termination where the Company elects to make a payment in lieu of notice are as follows:

Performance measures	Detailed terms
<b>Notice period</b>	12 months by either party.
<b>Termination payments over the notice period</b>	100% of salary and pension contribution for the relevant period. The Company may continue to provide benefits until the end of the notice period or may make a payment to the value of contractual benefits for the relevant period.
<b>Change of control</b>	No enhanced provisions on a change of control.

The Executive Directors are subject to annual re-election at the AGM. Service contracts are available for inspection at the Company's registered office or on request from [ir@autotrader.co.uk](mailto:ir@autotrader.co.uk). The CEO's service contract date is 1 April 2017, the CFO's service contract date is 1 March 2020, and the COO's service contract date is 1 May 2019.

### Annual bonus on termination

There is no automatic or contractual right to bonus payment. At the discretion of the Committee, for certain leavers, a bonus may become payable at the normal payment date based on performance. Such bonus would normally be pro-rated for time in employment unless the Committee determines otherwise. At its discretion the Committee may also pay such bonus at the time of cessation of employment based on performance to that date. Any bonus paid may be paid 100% in cash for the year of departure or preceding financial year if the bonus for that year has not yet been awarded at the date of cessation of employment. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the Annual Report on Remuneration.

### DABP awards on termination

Normally, any existing unvested awards under the DABP will lapse on termination. However, under the rules of the DABP, in certain prescribed circumstances (namely death, sale of employing company from the business or otherwise at the discretion of the Committee), 'good leaver' status applies. In exercising its discretion as to whether an Executive Director should be treated as a good leaver, the Committee will take into account the performance of the individual and the reasons for their departure and, in the event of this determination being made, will set out its rationale in the following Annual Report on Remuneration. Where an award does not lapse it will vest on cessation (or on such later date as the Committee determines). Awards will normally vest in full, unless the Committee determines otherwise.

### PSP on termination

Normally, unvested PSP awards will lapse upon a participant ceasing to hold employment. However, under the rules of the PSP, in certain prescribed circumstances (namely death, sale of employing company from the business or otherwise at the discretion of the Committee), 'good leaver' status applies.

In exercising its discretion as to whether an Executive Director should be treated as a good leaver, the Committee will take into account the performance of the individual and the reasons for their departure and, in the event of this determination being made, will set out its rationale in the following Annual Report on Remuneration. Awards will typically vest on the originally anticipated date, although the Committee has discretion to vest awards sooner (and to assess performance conditions accordingly if vesting occurs before the end of the performance period).

The extent to which PSP awards will vest in good leaver circumstances will depend on:

- (i) the extent to which the performance conditions have been satisfied at the end of the performance period (or such other relevant time as the Committee determines); and
- (ii) unless the Committee determines otherwise, the pro-rating of the award determined by the period of time served in employment during the performance period.

### Change of control

In the event of a change of control of the Company or other relevant event, PSP awards, DABP awards, SIP awards, and options under the SAYE scheme will vest early. Vesting of PSP awards will be determined taking into account any relevant performance condition and, unless the Committee determines otherwise, the pro-rating of the award by reference to the proportion of the performance period that has elapsed at the date of the relevant event. DABP awards shall vest in full. SIP awards and SAYE options will vest in accordance with the rules of the relevant plan on the same basis as for other employees.

## Directors' remuneration report continued

### APPROACH TO RECRUITMENT AND PROMOTIONS

The recruitment package for a new Executive Director would normally be set in accordance with the terms of the Company's approved Remuneration Policy. Currently, this would include an annual bonus opportunity of up to 150% of salary and policy PSP award of up to 250% of salary (other than in exceptional circumstances where up to 300% of salary may be made). The Committee, however, retains discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration of 400% of salary (450% of salary in exceptional circumstances). This limit does not include any payment(s) or award(s) made to 'buy out' remuneration forfeited on leaving a previous employer. The key terms and rationale for any such component would be disclosed as appropriate in that year's Annual Report on Remuneration.

On recruitment, salary will be set so as to reflect the individual's experience and skills. It may be set at a level below the normal market rate, with phased increases greater than those received by others as the Executive Director gains experience.

Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account relevant factors which may include the form of awards, expected

value and vesting timeframe of forfeited opportunities. When determining any such 'buyout', the principle would be that awards would be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate.

Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits).

If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

In the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.

### POLICY ON EXTERNAL APPOINTMENTS

Subject to Board approval, Executive Directors are permitted to take on one non-executive position with another company and to retain their fees in respect of such position. Additional appointments may be undertaken in exceptional circumstances.

### REMUNERATION POLICY FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

The Non-Executive Directors do not have service contracts with the Company, but instead have letters of appointment.

Element	Purpose and link to strategy	Overview of operation	Maximum opportunity
<b>Fees</b>	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level.	Fees are reviewed periodically and approved by the Board with Non-Executive Directors abstaining from any discussion in relation to their fees. Both the Chair and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements, or receive any pension provision or other benefits.  The Chair receives a single fee covering all of their duties.  The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairing the Audit, Remuneration and Corporate Responsibility Committees and for performing the Senior Independent Director role.  Additional fees may be paid to reflect additional Board or Committee responsibilities or an increased time commitment as appropriate.  The Chair and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties. The Company may meet any tax liabilities that may arise on such expenses.  The Board may introduce benefits for the Chairman or Non-Executive Directors if it is considered appropriate to do so.	There is no prescribed maximum annual increase or fee level.  The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels (for example in companies of comparable size and complexity).

### Letters of appointment

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointment is terminable on six months' written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable upon termination of employment. The letters of appointment are available for inspection at the Company's registered office.

### APPROACH TO RECRUITMENT

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.