

Directors' remuneration report



“
Despite facing a number of headwinds and a degree of uncertainty, Bunzl has delivered another exceptional all-round performance in both financial and strategic terms.”

Vanda Murray OBE
Chair of the Remuneration Committee

Introduction from Vanda Murray

I am pleased to present the Directors' remuneration report for the year ended 31 December 2022. It has been another busy year for the Remuneration Committee and I was delighted to welcome Pam Kirby as a member in August 2022.

Context of remuneration

2022 was a very difficult year to plan for. At the beginning of the year we were still managing the impact of the Omicron variant, facing significant supply chain issues, a tightening labour market and managing the deflation of some key Covid-19 related products.

Amidst all these challenges Bunzl's business performance was outstanding. At constant exchange we achieved 9.8% revenue growth, both organic and through acquisition (we announced 12 new acquisitions over the course of the year), and 11.1% growth in adjusted operating profit. We continued to manage cash in a disciplined way and our diversified and essential product portfolio helped us to remain resilient in a high-inflation environment.

Despite all the operational challenges, 2022 was also a year when we were able to make significant progress with our Environmental Social and Governance ('ESG') agenda. Our climate change targets were approved by the SBTi in October, and we expanded the reach of our supplier audit programme beyond Asia. Our ability to supply sustainable alternative products, including newly

launched own brands, to our key customers has become a source of real competitive advantage. We were also able to demonstrate our focus on our people by improving the diversity of our workforce at a leadership level and providing much-needed cost of living support to employees in some parts of the business.

In summary, the Group has delivered another excellent all-round business performance, and this has been rewarded with strong outturns from both the annual bonus scheme and those long term incentive plans which included 2022 as a performance year.

Performance and reward for 2022 Annual bonus

Annual bonus payments were based on a combination of key financial measures comprising adjusted earnings per share, return on average operating capital and operating cash flow, with a minority (30% of the total opportunity) based on personal strategic objectives and, for the second year running, specific ESG targets. In setting our incentive targets, we have regard to the performance potential of the different parts of the business and of the whole Group. The on-target performance level for the financial elements of the bonus for 2022 was set at, or close to, the budgeted level of performance. The personal and ESG objectives selected are closely aligned to the strategic priorities for the business and are clearly measurable.

As outlined above, this was an exceptionally strong all-round performance from the business and

the leadership team, and therefore the variable pay awarded has been deservedly high. The Committee's evaluation of the annual bonus targets resulted in a payment of 98% of maximum for Frank van Zanten and 98% of maximum for Richard Howes. On the financial elements, no discretion was applied by the Committee to adjust the bonus outcomes, as overall payments reflected business performance. The Committee conducted a detailed review of the evidence to support the evaluation of the personal and ESG objectives. In line with the remuneration policy, 50% of the annual bonuses will be delivered in shares, subject to a three year deferral period.

Long Term Incentive Plans ('LTIPs')

The Committee assessed the performance for the LTIP awards with performance conditions linked to performance periods that ended during, or at the end of, the 2022 financial year. The share options were subject to adjusted earnings per share ('eps') growth targets and the performance shares were subject to both eps growth and relative total shareholder return ('TSR') targets. It is worth noting that the share option grants were made in the spring and autumn of 2020, in the midst of the Covid pandemic. Although the performance conditions for the autumn grants were set in the context of the outlook at the time, the spring grants were made under the previously set eps growth targets over a three year period, which were exceptionally stretching. The Committee also considered the potential for windfall gains as a result of granting awards at share prices impacted by Covid-19.

Despite a decline in our share price directly after the outbreak of the pandemic, the share price recovered strongly in the second half of 2020. As a result of granting LTIP awards biannually the average grant prices during 2020 were less than 10% below 2019 prices. Therefore, the Committee is satisfied that there is no windfall gain and that no adjustment is required. In addition, the Committee has not exercised discretion to amend the vesting outcomes for any of these share awards, although it did adjust the eps performance to reflect the impact of the accounting change during 2022 in respect of hyperinflation in Turkey. The 2019 performance share awards vested in April and October 2022 at 45.4% and 73.6% of the maximum respectively, and the 2020 share option awards at 100% and 100% respectively.

Restricted Share Awards have been in place for the senior team since 2021 when the Directors' Remuneration Policy was approved by shareholders. These replaced the previous performance share plan (LTIP B) and share option awards (LTIP A) referred to above. In 2022, awards of shares were therefore granted to approximately 25 of the most senior leaders, with around a further 470 managers continuing to receive share options under the LTIP A in 2022.

Chief Executive Officer pay ratio

As required by the Regulations we have again disclosed in this year's Directors' remuneration report the ratio between the Chief Executive Officer's remuneration and the median, lower quartile and upper quartile of UK employees. The Committee considers the executive remuneration in the context of this and other internal and external reference points.

Implementing the policy for the 2023 financial year

Base salary

The base salaries for the executive directors, Frank van Zanten and Richard Howes, have been increased by 5.9% and 5% respectively, effective from 1 January 2023. Both these increases are broadly in line with those of the leadership populations across the business, which were between 4-6%. In the UK, the average pay awards for the leadership team were slightly higher. The Committee took the decision to award Frank van Zanten a slightly higher percentage

increase because of his excellent performance over his almost seven year tenure as Chief Executive Officer, during which time Bunzl has achieved exceptional growth against all key financial and non-financial metrics. Since 2015, revenue has increased by around 80% and adjusted operating profit has almost doubled at actual exchange rates. 72 new businesses have been acquired, making Bunzl a much larger and more global business than it was when Frank van Zanten was appointed as Chief Executive Officer.

Annual bonus

For the 2023 financial year, the maximum annual bonus opportunity will remain unchanged at 180% of base salary for the Chief Executive Officer and 160% for the Chief Financial Officer, with on-target bonus at 50% of the maximum.

The annual bonus performance measures continue to be a balanced scorecard of key financial metrics – eps, return on average operating capital ('RAOC') and operating cash flow. 20% of the bonus opportunity will be dependent on personal performance linked to certain specified strategic non-financial goals and again, 10% of the opportunity for both directors will be dependent on the achievement of specific ESG objectives. This reflects how central the sustainability agenda is to Bunzl's strategy, around the four key pillars of the transition to Alternative Products, Climate Change, Ethical Sourcing, and Diversity. The objectives agreed for 2023 are a clear build on the 2022 targets and reflect the long-term nature of the roadmap.

50% of any bonus awarded will be deferred into shares for a period of three years.

When setting the target levels, the Committee considers carefully the growth ambitions for the Group and the market challenges which may impact performance. The overall aim is to set targets that are stretching without encouraging inappropriate levels of risk. The range itself varies each year, taking into account the specific opportunities and challenges facing the business. Target setting, year by year, results in stretching ambition, while ensuring that the scale of reward on offer is proportionate and always linked to performance.

LTIP

In March 2023, the Committee expects to make further grants of restricted shares under the 2021 approved policy to the executive directors and other participants. These will be at the same percentages of salary as in 2022, and will vest in March 2026, subject to continued employment and the assessment of the underpin. Vested awards will be subject to a two-year holding period. The Committee may scale back the awards (including to zero) if it is not satisfied that the underpin has been met.

Priorities for 2023

Over the course of 2023, the Committee will be considering possible revisions to the Directors' Remuneration Policy to be presented to shareholders early in 2024. As always, we will take into account the future strategy and growth agenda of Bunzl, as well as considering external market trends and developments in executive pay. I will be very grateful for the feedback of shareholders on our proposals later in the year.

Conclusions

Despite the challenges facing Bunzl at the beginning of the year, the Group has yet again proven the strength of its diversified model, strong local focus on customers and resilient supply chain. Adjusted eps in 2022 at constant exchange rates was 41% higher than in 2019. This is a testament to the quality of the leadership team, who have been able to combine forensic operational focus with strategic vision and a strong appetite for growth. The variable pay outturns are deservedly high.

In the following pages you will find details of:

- the 'at a glance' guide to executive directors' remuneration for 2022;
- the annual report on remuneration for 2022, including our approach to the application of the remuneration policy in 2023; and
- the 2021 directors' remuneration policy.

I hope that you will find this report to be clear and helpful in understanding our remuneration policy and practices.

Vanda Murray OBE

Chair of the Remuneration Committee
27 February 2023

The responsibilities and operation of the Committee

Committee membership role and remit

The Committee comprises all of the independent non-executive directors of the Company. While neither the Chairman nor the Chief Executive Officer are members of the Committee, they attend meetings by invitation. The Director of Group Human Resources, who acts as secretary to the Committee, also attends meetings. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2022, but remain unchanged, are available on the Company's website, www.bunzl.com.

No director plays any part in determining his or her remuneration. During the year ended 31 December 2022, both the Chief Executive Officer and the Chairman were consulted and invited to attend meetings of the Committee but were not present during any part of the meeting when their own remuneration was under consideration.

The independent non-executive directors who were members of the Committee during 2022 are listed on pages 100 and 101.

The primary role of the Committee is to determine the framework and broad policy for the remuneration of the Chairman, the executive directors of the Board and the senior management group directly below Board level. The Committee proposes the directors' remuneration policy for shareholder approval at least every three years. It also governs the implementation of the policy, ensuring that the remuneration of the executive directors and senior management supports the sustainable performance of the business and that it is aligned with the Company's shareholders' interests. The Committee considers market practice, shareholders' views and the Group's broader remuneration arrangements when setting the Group's performance-related incentives and ensures compliance with UK corporate governance good practice.

The key responsibilities of the Committee include:

- ensuring that executive directors and senior executives are properly incentivised to attract, retain and fairly reward them for their individual contribution to the Company, having due regard to the policies and practices applied to the rest of the employees within the Group;
- determining the framework and broad policy for the remuneration of the Chairman and the executive directors of the Board;
- ensuring that remuneration is aligned with and supports the Company's strategy and performance, having due regard to the interests of the shareholders and to the financial and commercial health of the Company, while at the same time not encouraging undue risk taking;
- communicating and discussing any remuneration issues with the Company's stakeholders as and when appropriate;
- setting and reviewing the executive directors' remuneration and benefits including, but not limited to, base salary, bonus, long term incentive plans and retirement benefits;
- ensuring that all remuneration paid to the executive directors is in accordance with the Company's previously approved remuneration policy;
- ensuring all contractual terms on termination, and any payments made, are fair to the individual and the Company;
- monitoring the policies and practices applied in respect of the remuneration of senior executives directly below Board level and making recommendations as appropriate;
- overseeing the Company's long term incentive plans for all employees; and
- ensuring that provisions relating to disclosure of remuneration as set out in the relevant legislation, the Financial Conduct Authority's Listing Rules and the Code are fulfilled.

Committee membership

	Date of appointment to the Committee
Vanda Murray	1 February 2015
Lloyd Pitchford	1 March 2017
Stephan Nanninga	1 May 2017
Vin Murria	1 June 2020
Maria Fernanda Mejía	23 December 2020
Pam Kirby	1 August 2022

Meetings

	Meetings eligible to attend	Meetings attended
Vanda Murray	3	3
Lloyd Pitchford	3	3
Stephan Nanninga	3	3
Vin Murria	3	3
Maria Fernanda Mejía*	-	-
Pam Kirby**	2	2

* Maria Fernanda Mejía stepped down from the Board on 2 February 2022.
 ** Pam Kirby was appointed to the Board on 1 August 2022.

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the 'Regulations'), the Code and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

In accordance with the Regulations, at the 2023 AGM the Company will be asking shareholders to put forward an advisory vote on the Directors' remuneration report, excluding the directors' remuneration policy, as set out on pages 147 to 155. This provides details of the remuneration earned by directors for performance in the year ended 31 December 2022. The directors' remuneration policy was approved by shareholders in a binding vote at the 2021 AGM.

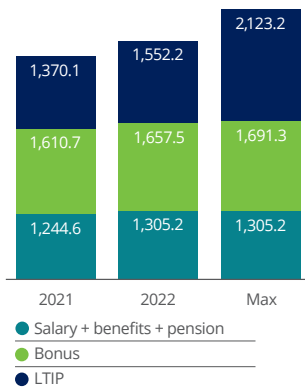
2022 remuneration at a glance

Remuneration principles

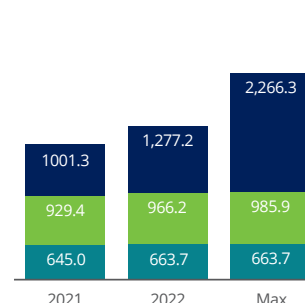
- Materially differentiate reward according to performance.
- Reward competitively to attract and retain the best talent.
- Breakdown of fixed and variable pay to be appropriate to each role.
- Framework to be transparent with clear line of sight from performance to individual outcomes.

Summary of executive directors' remuneration for the year

Chief Executive Officer Frank van Zanten (£000)



Chief Financial Officer Richard Howes (£000)



Alignment of incentive outcomes in 2022

To motivate and reward the achievement of the Company's strategic and operational objectives.

Alignment of performance and remuneration 2022

Annual bonus	Linked financial KPI	Value
To motivate and reward the achievement of the Company's strategic and operational objectives	Eps	35%
	RAOC	10%
	Operating cash flow	25%
	Non-financial strategic goals	Frank van Zanten: 20%, Richard Howes: 20%
	ESG goals	Frank van Zanten: 10%, Richard Howes: 10%
	Total bonus opportunity/result	Frank van Zanten: 100%, Richard Howes: 100%
LTIP	Linked financial KPI	Value
To motivate and reward performance linked to long term success	Eps	LTIP A: 100%, LTIP B: 50%
	TSR	50%
	Total LTIP opportunity/result	100%

- Total opportunity
- Result

Highlights of wider workforce remuneration in 2022

- ↑ 471 leaders across the Group receive share options as part of their remuneration
- ✳ One-off cost of living support payments made to all UK based employees below senior leader level.
- ↑ c.11,600 people benefit from the opportunity to take part in employee share save plans
- ➔ c.12,300 people have an element of performance related pay in their remuneration.

Annual report on directors' remuneration for 2022

This report sets out the elements of remuneration paid to, or earned by, the directors in respect of the financial year 2022.

Single total figure of remuneration 2022 (audited information)

Executive directors

	Salary £000		Taxable benefits £000		Bonus £000		LTIP £000		Pension £000		Total £000		Sub- total of fixed pay £000	Sub- total of variable pay £000
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2022
Frank van Zanten	939.6	913.1	234.1	148.9	1,657.5	1,610.7	1,552.2	1,370.1	131.5	182.6	4,514.9	4,225.4	1,305.2	3,209.7
Richard Howes	616.2	598.8	16.7	16.3	966.2	929.4	1,277.2	1,001.3	30.8	29.9	2,907.1	2,575.7	663.7	2,243.4
Total	1,555.8	1,511.9	250.8	165.2	2,623.7	2,540.1	2,829.4	2,371.4	162.3	212.5	7,422.0	6,801.1	1,968.9	5,453.1

Notes

- a) The figures above represent remuneration earned as directors during the relevant financial year including the bonus of which the cash element, 50% of the bonus, is paid in the year following that in which it is earned. The other 50% of the bonus shown above is deferred and conditionally awarded as shares under the rules of the Deferred Annual Share Bonus Scheme ('DASBS'). Shares relating to the 2021 deferred bonus were awarded in 2022 as shown in the table on page 145 and the shares relating to the 2022 deferred bonus will be awarded in 2023.
- b) The annual bonus for 2022 was determined according to a formulaic calculation in respect of eps, RAOC and operating cash flow measures, while the Committee used its judgement to assess performance of individual objectives (20% of the bonus) and ESG objectives (10% of the bonus). No discretion was applied.
- c) Benefits provided for all executive directors include a car or car allowance and medical insurance coverage for them and their families. Frank van Zanten's benefits are higher in 2022 as he undertook more travel between his home in the Netherlands and the London office. In addition, the Committee introduced a hybrid working allowance to support the more flexible working patterns demanded of a global CEO post-pandemic.
- d) The long term incentives are in the form of awards under the LTIP granted in April, September and October 2019 and March and September 2020. The performance metrics for LTIP A were eps growth and for LTIP B were eps growth and TSR, further details of which are on page 140. The share price used to calculate the value of LTIP A is the three month average share price for the period ending 31 December 2022 (2,888p) and for LTIP B it is the closing mid-market share price on dates of vesting, 3,111p and 2,686p on 8 April 2022 and 7 October 2022 respectively for Frank van Zanten and 3,069p on 11 April 2022 for Richard Howes. There are no dividend equivalents included in the LTIP figures. The portion of total LTIP figures (2022: £2,829,400 2021: £2,371,400) that are attributable to share price growth are £607,003 for Frank van Zanten and £154,264 for Richard Howes in 2021 and £884,951 for Frank van Zanten and £723,641 for Richard Howes in 2022.
- e) The figures shown in relation to 2021 for the LTIP have been restated from those figures shown in the 2021 Annual Report to reflect the difference between the relevant grant price and the estimated value (£375,755, using a three month average to December 2021) and the actual value of the LTIP share option awards on the date of vesting on 28 February 2022 and 12 September 2022 (£528,705) the first working day after the date of vesting, at the closing mid-market share price of 2,969p and 2,921p respectively.

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Taxable payments/ expenses £000		Total £000	
	2022	2021	2022	2021	2022	2021	2022	2021
Peter Ventress – Chairman	386.0	368.0	–	–	0.2	–	386.0	368.2
Vanda Murray	75.0	73.2	41.0	39.0	2.4	1.2	118.4	113.4
Lloyd Pitchford	75.0	73.2	21.0	20.0	–	–	96.0	93.2
Stephan Nanninga	75.0	73.2	–	–	7.9	–	82.9	73.2
Vin Murria	75.0	73.2	–	–	0.6	–	75.6	73.2
Maria Fernanda Mejía	6.1	73.2	–	–	–	–	6.1	73.2
Pam Kirby	31.3	–	–	–	–	–	31.3	–
Total	723.4	734.0	62.0	59.0	10.9	1.4	796.3	794.4

Notes

- a) Taxable payments/expenses for non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings. These costs have been grossed up to include the relevant income tax payable where applicable (e.g. to travel expenses).
- b) Maria Fernanda Mejía stepped down from the Board on 2 February 2022.
- c) Pam Kirby was appointed to the Board on 1 August 2022.

Payments for loss of office (audited information)

No payments were or are to be made to directors in respect of loss of office.

Payments to past directors (audited information)

Brian May was granted share options in 2019 as an executive director of Bunzl plc. During 2022 Brian May exercised 44,039 LTIP A share options at a value of £185,148 on the vesting dates. In addition, in 2022 Brian May exercised 1,490 LTIP B performance shares at a value of £46,354 on the date of vesting.

Executive directors' annual salary

As disclosed last year, executive directors' salaries were reviewed with effect from 1 January 2022 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2022	Salary from 1 January 2021	Increase in salary 2021 to 2022
Frank van Zanten	£939,600	£913,078	2.9%
Richard Howes	£616,193	£598,827	2.9%

Executive directors' salaries were also reviewed with effect from 1 January 2023 and the increases awarded are shown on page 144.

Executive directors' external appointments

During 2022 Frank van Zanten served as a non-executive director of Ahold Delhaize N.V. and Richard Howes served as a non-executive director of Smiths Group plc. During the year, Frank van Zanten retained fees of €152,500 from Ahold Delhaize N.V. and Richard Howes retained fees of £24,800 from Smiths Group plc.

Non-executive directors' fees

The Chairman's fee and non-executive directors' fees were reviewed with effect from 1 January 2022 in accordance with the normal fees policy, which is once every two years for the Chairman's fee and annually for the non-executive directors' fees.

	With effect from 1 January 2022	Fees paid in 2021	Increase in fees 2021 to 2022
Chairman's fee	£386,000	£368,000	4.9%
Non-executive director fee	£75,000	£73,240	2.4%
Supplements:			
Senior Independent Director	£20,000	£19,000	5.3%
Audit Committee Chair	£21,000	£20,000	5.0%
Remuneration Committee Chair	£21,000	£20,000	5.0%

The Chairman and non-executive directors' fees were reviewed again with effect from 1 January 2023 and the increases awarded are shown on page 144.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on page 148. The bonus measures for 2022 were Group eps, RAO, operating cash flow, personal performance on individual objectives and specific objectives related to ESG matters.

The maximum bonus achievable was 180% of salary for Frank van Zanten and 160% for Richard Howes. The results for 2022 reflect another year of excellent performance and were as follows. The Committee did not exercise any discretion over these formulaic outturns.

Group performance

The Committee set the 2022 annual bonus targets early in the year, and the target ranges for all three financial metrics were ahead of the bonus ranges set for 2021. At the time, the Committee was conscious that 2021 was a record year for Bunzl with exceptional performance, in particular from our Healthcare, Safety and Cleaning & Hygiene businesses which were boosted by significant sales of Covid-19 related products. In addition, the Committee recognised the risks of product cost deflation at a time of increasing operating cost inflation.

In this context, the Committee set challenging ranges for 2022 relative to budget and market consensus. To demonstrate this, the 2022 eps consensus (constant currency) when targets were set was 151.5p compared to an eps bonus range of 143.9p to 165.5p. 2022 was another exceptional year with financial performance significantly exceeding expectations. This is further demonstrated by very strong cashflow and returns on capital.

Weighting	Scorecard performance metric	Threshold	Target	Stretch	Actual outturn calculated at constant exchange rates	% of maximum	
35%	eps (p)	143.9	154.7	165.5	169.2		
	% of target	93.0%	100.0%	107.0%	109.4%	100%	
	% payable – Frank van Zanten	15.8%	31.5%	63.0%			
	% payable – Richard Howes	14.0%	28.0%	56.0%			
10%	RAOC %	37.2%	39.2%	41.2%	43.0%		
	% of target	95.0%	100.0%	105.0%	109.7%	100%	
	% payable – Frank van Zanten	4.5%	9.0%	18.0%			
	% payable – Richard Howes	4.0%	8.0%	16.0%			
25%	Operating cash flow (£m)	617.7	650.2	682.7	852.4		
	% of target	95.0%	100.0%	105.0%	131.1%	100%	
	% payable – Frank van Zanten	11.3%	22.5%	45.0%			
	% payable – Richard Howes	10.0%	20.0%	40.0%			
20%	Individual objectives	see details below					
10%	ESG objectives	see details below					

Notes

- The eps outturn for 2021 (169.5p) calculated at the exchange rates used in setting the 2022 target is 161.2p
- The actual outturn calculated at constant exchange rates is the actual result of the relevant measures retranslated at the exchange rates used in setting the target for that measure.
- % payable represents the percentage of base salary payable.
- The eps outturn has not been adjusted for the impact of hyperinflation accounting. The adjusted eps outturn was 180.0p

DIRECTORS' REMUNERATION REPORT CONTINUED

Non-financial strategic goals

Following a review of performance against specific personal objectives for 2022, the Committee determined the bonus percentages payable to the executive directors in relation to the non-financial strategic goals. Performance was considered in the context of the uncertain economic environment. The specific objectives, and the related evaluation of performance, are shown in the table below:

Frank van Zanten – Chief Executive Officer Non-financial objectives	Evaluation
<ul style="list-style-type: none"> Conduct a review of the leadership model for the business in Asia Pacific, recognising the volume of new acquisitions and the multi-sector, multi-geographical focus of the strategy. Specifically, this will include managing a robust process for the replacement of the Managing Director, ensuring a smooth transition to the successor, and determining the most appropriate organisational positioning of the sourcing operation in Shanghai. 	<ul style="list-style-type: none"> The leadership model for the Asia Pacific Region was considered in response to the planned retirement of the current Managing Director, Kim Hetherington. It was determined that the initial focus of the Managing Director role should be on maximising the performance of the Australia and New Zealand businesses. After a very thorough selection process (including interviews, a leadership assessment and projects), Scott Mayne, previously the Managing Director of the Australian Safety Business, was appointed into this role in January 2023, and a smooth transition was achieved. A separate part time role was created to oversee business development and the integration of acquisitions across the region, and also to support the Shanghai sourcing and QA/QC team and the LSH business in Singapore.
<ul style="list-style-type: none"> Deliver evidence of progress made in the digital and technology space (tools, investments, people) by providing more insights into the development of our distribution businesses during 2022. Progress will be supported by data on growth in key areas such as digital orders and supplier invoices handled automatically. 	<ul style="list-style-type: none"> Significant progress made in the digital and technology space. Digital sales orders (as at December 2022) increased from 67% to 69% in 2022, and the increase since 2019 is significantly higher (+10%) if recent acquisitions are excluded. The percentage of digital supplier invoices also increased by a similar margin. New digital tools, such as the materials footprinting tool launched in Bunzl North America, have been developed and the implementation accelerated through greater sharing of learnings and best practice across the Group. For example, the Digital Forum established in Continental Europe has significantly expanded to include other regions.
<ul style="list-style-type: none"> Undertake an independent external investor review during 2022 that will provide the Board with external feedback on how Bunzl is seen, including the evaluation of progress in specific areas of strategic focus, such as sustainability. Ensure that the learnings from the review are fed into a clear action plan to further enhance our investor engagement. 	<ul style="list-style-type: none"> A highly regarded business advisory firm, h2glenfern, undertook an extensive Investor Perception Audit and this was presented to the Board in October 2022. The conclusions were positive with a long-term commitment, and a high degree of confidence in the leadership team from key investors. The specific recommendations, including the continuation of the work to articulate Bunzl's business proposition as clearly and simply as possible, and the creation of more investor insight into individual business areas, have been taken on board and integrated into the Investor Relations plans for the future.
% of base salary awarded	34.2%
% of maximum	95%

Richard Howes – Chief Financial Officer Non-financial objectives	Evaluation
<ul style="list-style-type: none"> Undertake a review of existing adviser relationships ensuring that the ongoing strategic focus of the Group is properly supported. Undertake a robust process to identify and appoint advisers who can demonstrate a real focus on sustainability and wider ESG themes as well as an active approach to enhancing our relationships with existing and prospective investors. Deliver a comprehensive induction programme for new advisers to ensure they can fully support the Group through the 2022 year end process. 	<ul style="list-style-type: none"> An extensive process in H1 2022 assessed potential advisors on the quality of the brokering team and salesforce, the targeting of new investors, an understanding of the Group's equity story and innovative ideas to drive a best in class Investor Relations programme. As a result, a new advisor was selected and supported through a thorough induction programme, to enable them to add value to the half-year results process.
<ul style="list-style-type: none"> Carry out a strategic review of the future provision of pension benefits in the UK. As part of negotiating and finalising the triennial valuation, establish an action plan with trustees including liability management initiatives, investment strategy and future contributions to ensure the ongoing health of the defined benefit scheme. As part of the review, assess the financial and HR considerations in defining a future roadmap for the scheme. 	<ul style="list-style-type: none"> The triennial valuation of the UK defined benefit scheme was completed in 2022 with the scheme in an improved position. A broad roadmap for the scheme has been agreed with the Trustees with the ongoing continuation of company contributions. Ongoing dialogue with the Pension Trustees remains constructive and there is clear alignment in the wish to manage the financial liability to Bunzl whilst protecting the interests of scheme members and ensuring that any change programme is effectively resourced.
<ul style="list-style-type: none"> Deliver the agreed 2022 milestones for the Internal Control Essentials programme by the end of December 2022. 	<ul style="list-style-type: none"> The Internal Controls strategy was agreed with the Audit Committee in February 2022. The broader business has been engaged on the approach which is appropriate for Bunzl's decentralised structure and prioritises the areas of greatest risk. Within the agreed approach, controls matrices and implementation plans have been developed to a consistent format, and a team of dedicated resources, mostly embedded within the business areas, has been recruited to manage the programme. An appropriate technology platform has also been selected to facilitate the implementation and the ongoing monitoring of controls.

- Deliver and complete the agreed 2022 milestones for the information security programme by the end of December 2022.
- Stage 1 controls and governance and operational plans have been created with the appropriate Business Area input. The governance over Information Security has been improved with the creation of a new Group Information Security Risk Committee and the appointment of a new Information Security Officer. A rigorous process has been put into place to track leading and lagging indicators of overall programme health, and continuous improvement workshops have been held to learn from audits and share best practice across the Group.

% of base salary awarded	30.4%
% of maximum	95%

ESG objectives**Evaluation**

- **Climate change** – ensure that our climate change ambitions are accredited by the Science-Based Target Initiative, commencing in July 2022.
 - Our Climate Change Targets were approved by the SBTi in October 2022:
 - Scope 1 and 2 – 50% more carbon efficient (equating to 27.5% absolute reduction) by 2030;
 - Scope 3 – 79% of suppliers by emissions will have science-based targets by 2027;
 - Our long-term target of net-zero emissions by 2050 will be reviewed by SBTi in 2024.
- **Products** – ensure that the senior leadership team in every business area has delivered clear progress in the roll out of material footprint reporting in the retail, foodservice and grocery businesses, as the basis for measurable competitive advantage in our markets.
 - Significant progress made in every business area – notably Bunzl North America launched their first materials footprinting tool with the top 10 grocery customers.
 - 15 operating companies in UK/Ireland and Continental Europe are using similar tools to engage foodservice, retail and grocery customers. Asia Pacific is also well developed in terms of tools, own brand ranges and capabilities.
 - Systems improvements have been made to improve the visibility of new product ranges
 - Own brand ranges of sustainable products have been extended and a new own brand range (Ecosystems) launched in North America.
- **Ethical sourcing** – expand the responsible sourcing programme, with a focus on the high-risk countries outside of Asia, as the first year of the plan to ensure that 90% of our spend on products from all high-risk regions is sourced from assessed and compliant suppliers by 2025. Ensure that there is a robust process in place for the collection and validation of supplier data as the basis for tracking progress against the objective.
 - As of December 2022, 78% of “high risk” spend (using 2022 spend data) has been assessed. This is strong progress towards the 2025 target of 90% of spend, acknowledging that progress may be slower moving forward as we will work with a larger number of small suppliers.
 - The audit programme is being monitored by the recently-created Supplier Data Management System and is being further developed to include “B Risk” suppliers – those based in lower risk countries but in higher risk product groups (e.g. textiles and leather).
- **Diversity** – accelerate the representation of females in leadership roles (currently 19%) by ensuring that, unless there is an obvious and clearly identified successor, female candidate(s) are considered for every leadership role and that high-potential females are offered internal or external mentors.
 - All regional Managing Directors had the improvement of the % of leadership roles occupied by females as a bonusable objective for 2022.
 - The % of leadership roles occupied by females now stands at 21% across the Group (19 last year) and there has been further significant improvement in the UK business.
 - The “Inspiring Women in Bunzl” model has been expanded to North America and Asia Pacific and female leadership events have been held in both regions.
 - Female candidates have been considered for the majority of leadership roles and all high potential females in leadership positions have been offered an internal or external mentor.

% of base salary awarded	Frank van Zanten -16.2%	Richard Howes – 14.4%
% of maximum	90%	90%

When assessing performance and outcomes the Committee was mindful of the Company's broader achievements and stakeholder experience. The outcomes are considered appropriate in light of the Company's exceptional financial and operational performance delivered in challenging conditions, and the Committee also recognised the significant growth in the revenue and profitability of the business since 2019. Accordingly, the total payments under the annual bonus plans were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2022	2021	2020	2019	2018
	%	%	%	%	%
Frank van Zanten	176.4	176.4	180.0	107.1	126.7
Richard Howes	156.8	155.2	160.0	–	–

The monetary values of the bonus payments for 2022 and 2021 are included in the table on page 136. The deferred shares portion of the bonus is required to be held under the DASBS rules for a period of three years and is subject to continued employment.

LTIP grants/awards with performance periods ending in 2022 (audited information)**Executive share options – LTIP Part A**

In 2020 Executive share option awards were granted in two tranches and they are due to vest on 10 March 2023 and 9 September 2023. Between the two grants in 2020, and recognising the significant uncertainty created by the pandemic, the Committee revised the three year performance targets for the September grants. Pleasingly, the Group performed exceptionally well and would have achieved maximum vesting even if the much more stretching targets applied to the March grant had been retained. The Committee assessed the performance of the Company against the relevant performance condition and no discretion was exercised to override the formulaic outcomes including as a result of the share price movement over the performance period. It did, however, agree to adjust the eps performance to reflect the impact of the accounting change in respect of hyperinflation in Turkey.

DIRECTORS' REMUNERATION REPORT CONTINUED

LTIP Part A – 10 March 2020 and 9 September 2020 grants

LTIP Part A – 10 March 2020

Performance measure	Vesting schedule	Threshold target (5% p.a. compounded)	Maximum target (8% p.a. compounded)	Actual eps growth	% vesting (max 100%)
Eps growth (over three year period to 31 December 2022)	25% vesting for threshold performance 100% vesting for maximum performance	15.76%	25.97%	43.72%	100.00%
% payable at target		25%	100%		

LTIP Part A – 9 September 2020

Performance measure	Vesting schedule	Threshold target (0.5% p.a. compounded)	Maximum target (3.5% p.a. compounded)	Actual eps growth	% vesting (max 100%)
Eps growth (over three year period to 31 December 2022)	25% vesting for threshold performance 100% vesting for maximum performance	1.51%	10.87%	43.72%	100.00%
% payable at target		25%	100%		

	Date of grant	Exercise price	Number of awards granted	Vesting outcome	Estimated value of award vesting
Frank van Zanten	10 March 2020	1,840	48,225	100%	£505,398
	9 September 2020	2,392	37,096	100%	£183,996
Richard Howes	10 March 2020	1,840	31,627	100%	£331,451
	9 September 2020	2,392	24,329	100%	£120,672

Note

The estimated values of grants vesting are based on the difference between the exercise price and the average of the Company's closing mid-market share price for the three month period ended 31 December 2022 (2,888p) and are included in the single total figure of remuneration table on page 136.

Performance shares – LTIP Part B

Awards of performance shares were made to Frank van Zanten on 8 April 2019 and 7 October 2019 under the 2014 LTIP and vested during 2022. The Committee assessed the performance of the Company against the relevant performance conditions and no discretion was exercised to override the formulaic outcomes including as a result of the share price movement over the vesting period.

LTIP Part B – 8 April and 7 October 2019 awards

Performance measure	Vesting schedule	Threshold target (6% p.a. compounded)	Maximum target (12% p.a. compounded)	Actual eps growth	% vesting (50% of award)
Eps growth (over three year period to 31 December 2021)	25% vesting for threshold performance 100% vesting for maximum performance	19.10%	40.49%	25.49%*	47.38%
% payable		12.5%	50.0%		

Performance measure	Performance period	Vesting schedule	Threshold target (median)	Maximum target (upper quartile)	Actual TSR	% vesting (50% of award)
TSR relative to comparator group of bespoke peer companies	1 April 2019 to 31 March 2022	25% vesting for threshold performance	17.8% 17 out of 40	47.5% 8.75 out of 40	22.5% 14.96 out of 40	43.58%
	1 October 2019 to 30 September 2022	100% vesting for maximum performance	4.6% 18 out of 45	23.3% 9.24 out of 45	49.2% 2.21 out of 45	100.00%
% payable			12.5%	50.0%		

	Date of grant	Number of shares granted	Vesting outcome – eps	Vesting outcome – TSR	Value of award vesting
Frank van Zanten	8 April 2019	22,072	47.38%	43.58%	£312,251
	7 October 2019	27,817	47.38%	100.00%	£550,549
Richard Howes	11 September 2019	59,112	47.38%	43.58%	£825,039

Notes

a) Included in the single total figure of remuneration on page 136 is the value of these vested awards for Frank van Zanten at the closing mid-market share price on the dates of vesting, 8 April 2022 and 7 October 2022, which were 3,111p and 2,686p respectively and for Richard Howes at the closing mid-market share price on 11 April 2022 which was 3,069p.

b) As detailed on page 109 of the 2019 Annual Report and Accounts, Richard Howes received an award on 11 September 2019 to compensate him for unvested awards under his previous employer's long term incentive scheme.

* The eps growth for the three years to 31 December 2021 has been calculated by (i) restating the eps for the year ended 31 December 2021 on a proforma basis under IAS 17 in order to allow a direct comparison with the eps for the year ended 31 December 2018; and (ii) adjusting the eps growth to exclude two businesses, one in France and one in the UK, that were disposed of during the period of calculation. The Committee approved the adjustment relating to the disposals on the basis that the directors and the other share option recipients should not be penalised for the decision to dispose of non-core businesses.

Total pension entitlements (audited information)

	Value of cash allowance in 2022	Total pension 2022
Frank van Zanten	£131,544	£131,544
Richard Howes	£30,810	£30,810

Note

The Chief Executive Officer Frank van Zanten received a pension allowance of 14% of base salary in 2022. In 2023 this has been reduced to 5%. As Chief Financial Officer, Richard Howes receives a pension allowance of 5% of base salary.

LTIP grants in 2022

In 2022 a single Restricted Share Award was made on 1 March 2022 under the LTIP Part B in accordance with the policy as approved at the 2021 AGM.

LTIP interests awarded during the financial year (audited information)

	Plan	Date of grant	Basis of award	Face value £000	Number of shares	Performance period end date
Frank van Zanten	RSA	1 March 2022	125% of salary	£1,174.5	42,693	31 December 2024
Richard Howes	RSA	1 March 2022	100% of salary	£616.2	22,398	31 December 2024

Notes

- a) The face value of the awards is calculated using the average of the closing mid-market share price on the 60 calendar days prior to the grant of the award. The RSA options were awarded under the LTIP Part B on 1 March 2022 at a value of 2,751p per share.
b) The RSA is subject to an underpin, as detailed in the policy table. On the vesting date if the underpin is met 100% of the award will vest. Alternatively, if significant elements of the underpin are not met the award may be scaled back or lapse in exceptional circumstances.

Performance underpins

Restricted Share Award – LTIP 1 March 2022

The extent to which the Restricted Share Award awarded under the LTIP to the Company's executive directors, Executive Committee members and selected key employees in 2022 may vest is subject to a performance underpin which will be closely reviewed by the Committee before these awards vest in 2025. Further details of the performance underpin are on page 148 in the remuneration policy. Vested awards are then subject to a further two year holding period.

Shareholder dilution

In accordance with The Investment Association's Principles of Remuneration, the Company can satisfy awards to employees under all of its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital (adjusted for share issuance and cancellation) in a rolling 10 year period. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury), 5% of its issued share capital (adjusted for share issuance and cancellation) to satisfy awards under executive (discretionary) plans.

As well as the LTIP, the Company operates various all employee share schemes as described on page 149. Newly issued shares are currently used to satisfy the exercise of options under the Sharesave Scheme and the International and Irish Sharesave Plans. Awards under the LTIP of executive options and performance shares are principally satisfied by shares delivered from the Employee Benefit Trust which buys shares on the market, unless security laws in relevant jurisdictions prevent this.

Cumulative options and performance shares granted as a percentage of issued share capital as at 31 December 2022

Limit on awards	
10% in any rolling 10 year period	1.0%
5% in any rolling 10 year period (executive (discretionary) plans)	0.2%

Statement of directors' shareholding and share interests (audited information)

As at 31 December 2022, each of the executive directors and their connected persons have a shareholding as follows:

	Requirement for share ownership as a percentage of salary (31 December 2022)	Actual share ownership as a percentage of salary at 30 December 2022 at the closing mid-market price (2759p)
Frank van Zanten	300%	663%
Richard Howes	200%	308%

Note

Shares contributing to the share ownership percentage include deferred shares held under the DASBS (net of tax) but not any unvested or vested but unexercised LTIP awards.

Interests in shares and share options (audited disclosure)

The interests of the directors, and their connected persons, in the Company's ordinary shares and share options at 31 December 2022 were:

	Shares (LTIP B and RSA)				Options (LTIP Part A and Sharesave)			Total interests held
	Owned outright	Unvested (DASBS)	Unvested and subject to performance conditions (LTIP Part B)	Unvested and subject to underpin (RSA)	Unvested and subject to performance conditions	Unvested subject to continued employment	Vested but not exercised	
Frank van Zanten	180,751	88,461	69,313	88,552	85,321	1,463	229,779	743,640
Richard Howes	43,996	46,800	36,366	46,458	55,956	1,010		230,586
Peter Ventress	2,608							2,608
Vin Murria	-							-
Vanda Murray	3,000							3,000
Lloyd Pitchford	4,000							4,000
Stephan Nanninga	-							-
Pam Kirby	1,800							1,800

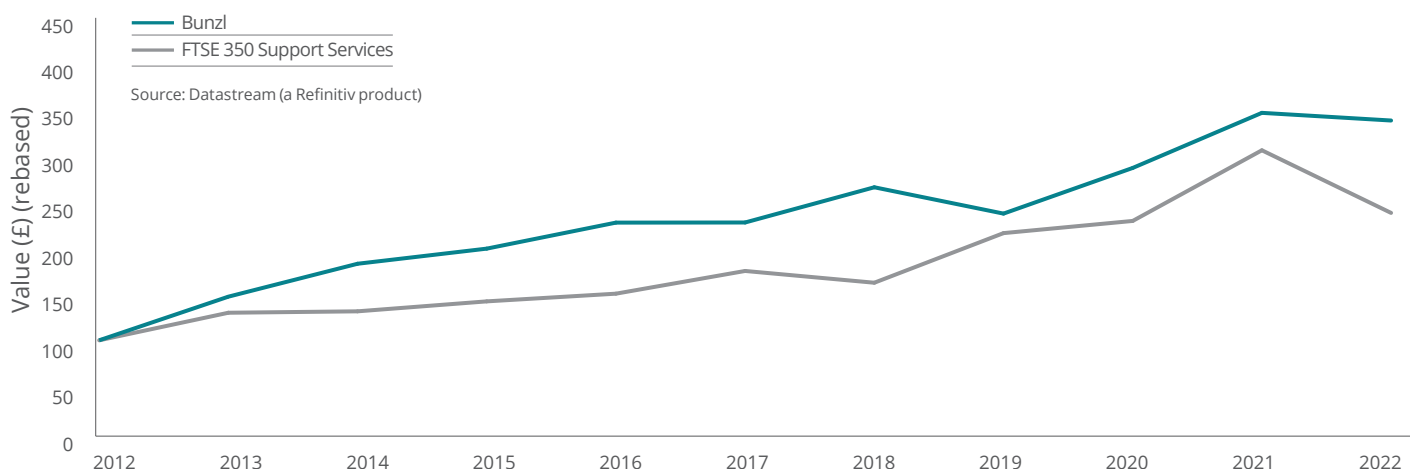
Notes

- a) No changes to the directors' ordinary share interests shown in this remuneration report have taken place between 31 December 2022 and 27 February 2023.
b) LTIP A share options are structured as market value options and LTIP B performance shares are structured as nil-cost options.

DIRECTORS' REMUNERATION REPORT CONTINUED

Performance graph and table

Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that the Company must provide a graph comparing the TSR performance of a hypothetical holding of shares in the Company with a broad equity market index over a 10 year period. The Company's TSR performance against the FTSE 350 Support Services Sector, considered to be the most appropriate comparator group, over a 10 year period commencing on 4 January 2012 is shown below.



Chief Executive Officer's single figure history

The table below summarises the Chief Executive Officer's single total figure of remuneration, annual bonus and long term incentive payout as a percentage of maximum opportunity for 2022 and the previous nine years.

	2013	2014	2015	2016 MR	2016 FvZ	2017	2018	2019	2020	2021	2022
Single total figure of remuneration £000	4,387.6	4,766.8	3,937.9	2,353.3	1,492.0	2,812.0	2,828.8	2,769.4	3,490.3	4,225.4	4,514.9
Annual bonus payment as a percentage of maximum	91%	85%	64%	0%	67%	73%	70%	60%	100%	98%	98%
Long term incentive vesting as a percentage of maximum											
LTIP Part A (options)	100%	100%	100%	100%	0%	100%	100%	100%	100%	96.4%	100%
LTIP Part B (performance shares)	62%	89%	69%	82%	0%	69%	54%	63%	45%	81%	60%

Notes

- a) The data for 2016 includes the amounts relating to Michael Roney ('MR') from 1 January 2016 to 19 April 2016 and also includes the LTIP awards made to him that vested in the period from 20 April to 31 December 2016. There was no bonus award for Michael Roney in relation to 2016.
- b) The data for 2016 also includes the amounts relating to Frank van Zanten ('FvZ') from 20 April to 31 December 2016 including the bonus award for that period and the international relocation package with accommodation benefit support, but excludes the LTIP awards made to him in his previous role that vested during the period from 20 April to 31 December 2016.
- c) All years prior to 2016 relate to Michael Roney.
- d) The single total figure of remuneration in relation to 2021 has been restated from the figure shown in the 2021 Annual Report to reflect the difference between the grant price and the estimated value of vesting using the three month average share price to 31 December 2021 and the value of the relevant LTIP awards on the actual date of vesting as detailed in Note e) to the table of the single total figure of remuneration 2022 on page 136.

Percentage change in each director's remuneration

The table below sets out the change between 2021 and 2022, 2020 and 2021, and 2019 and 2020 in the salary, benefits, and bonus values of all directors and employees of the legal entity which employs the Chief Executive Officer, Bunzl plc. Where it is not possible to compare employees from Bunzl plc between years due to employees joining or leaving the Company or moving role, these employees have been removed from the data to prevent distortion.

	Salary/Fees			Benefits			Bonus		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Chief Executive Officer – Frank van Zanten	3.0%	2.9%	2.9%	(42.0%)	(14.1%)	57.2%	73.0%	0.8%	2.9%
Chief Financial Officer – Richard Howes	3.0%	2.9%	2.9%	n/a	1.2%	2.5%	n/a	(0.2%)	4.0%
Chairman – Peter Ventress	3.1%	0.0%	4.9%	n/a	100.0%	(100.0%)	n/a	n/a	n/a
Non-executive director – Vanda Murray	0.9%	2.2%	3.4%	(100.0%)	100.0%	104.0%	n/a	n/a	n/a
Non-executive director – Lloyd Pitchford	1.1%	1.6%	3.0%	(100.0%)	0.0%	0.0%	n/a	n/a	n/a
Non-executive director – Stephan Nanninga	n/a	2.0%	2.5%	(64.0%)	(100.0%)	100.0%	n/a	n/a	n/a
Non-executive director – Vin Murria	n/a	2.0%	2.5%	n/a	0.0%	100.0%	n/a	n/a	n/a
Non-executive director – Maria Fernanda Mejía	n/a	2.0%	n/a	n/a	0.0%	n/a	n/a	n/a	n/a
Non-executive director – Pam Kirby	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average of employees in Bunzl plc	3.2%	3.1%	4.7%	(25.0%)	33.2%	21.3%	162.0%	(15.9%)	(2.2%)

Notes

- a) Benefits are annualised. See footnote (c) under the table on page 136 for explanation of increase to Frank van Zanten's benefits.
- b) Bunzl plc employees exclude any increases due to a change of role that occurred during either year.
- c) Benefits for the non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings in London.
- d) Benefits for plc are health insurance cover and the increases or decreases are primarily driven by the premium costs.

Chief Executive Officer pay ratio

The table below sets out the comparisons between the 25th, median, and 75th percentile employees in the UK, with reference to 31 December 2022, and the Chief Executive Officer's salary and total remuneration as detailed in the single figure table. To calculate these ratios, the Company has used Option A and determined full time equivalent total remuneration as this is the most statistically robust method. This includes scaling up salary for part time employees. Each employee's pay and benefits are calculated using each element of employee remuneration consistent with the Chief Executive Officer and no element of pay has been omitted.

Adjustments have been made to include the bonuses paid to employees in the year reported, compared to the Chief Executive Officer's bonus due to be paid early in the year following the performance year. The process for calculating the employee pay and benefits has been modified after identifying an issue in the way the ratios were calculated in previous years. Therefore the 2021 ratios have been restated to reflect this change. In addition, the total remuneration ratio has been restated to reflect the difference between the grant price and estimated value of vesting of the relevant LTIP awards. The total remuneration ratio has remained broadly consistent to the previous year and is due to the strong performance of the Group impacting the Chief Executive Officer's variable pay as well as increase in the share price reflected in the value of the Chief Executive Officer's LTIPs.

	CEO single figure	Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary	£939,600	2022	Option A	41:1	35:1	25:1
Total remuneration	£4,514,868	2022	Option A	193:1	163:1	108:1
Salary	£913,078	2021	Option A	43:1	37:1	26:1
Total remuneration	£4,225,361	2021	Option A	196:1	164:1	106:1

	Salary	Total remuneration
Chief Executive Officer	£939,600	£4,514,868
25th percentile employee	£23,000	£23,375
Median employee	£26,800	£27,779
75th percentile employee	£37,000	£41,822

Note

The single total figure of remuneration in relation to 2021 has been restated from the figure shown in the 2021 Annual Report to reflect the difference between the grant price and the estimated value of vesting of the relevant LTIP awards on the actual date of vesting as detailed in Note e) to the table of the single total figure of remuneration 2022 on page 136.

Relative importance of spend on pay

The table below shows a comparison between the overall expenditure on pay and dividends paid to shareholders as well as the adjusted earnings per share for 2021 and 2022 (as stated in Note 26, Note 22 and Note 3 to the consolidated financial statements on pages 210, 205 and 179 respectively).

£m	2022	2021	Percentage change
Overall expenditure on pay	984.5	844.0	16.6%
Dividends paid in the year	190.5	180.4	5.6%
Adjusted earnings per share (p)	184.3	162.5	13.4%

Notes

a) Overall expenditure on pay excludes employer's social security costs.

b) The percentage change in overall expenditure on pay includes the impact of changes in exchange rates from 2021 to 2022, details of which are referred to in the Chief Executive Officer's review on page 12 and in the Financial review on page 87.

c) Adjusted earnings per share is used as a comparator as it is a key financial indicator.

Remuneration arrangements for 2023

Salary

The salary increases for the executive directors for 2023, which are broadly in line with increases that have been implemented for the wider leadership team, are as follows:

	Salary from 1 January 2023	Salary from 1 January 2022	Increase in salary 2022 to 2023
Frank van Zanten	£995,050	£939,600	5.9%
Richard Howes	£647,000	£616,193	5.0%

2023 bonus measures

The structure for Frank van Zanten's and Richard Howes' annual bonus for 2023 is a balanced scorecard of performance measures, based on eps, RAOC, operating cash flow and specified strategic goals. The weighting of these measures remains 70% financial measures and 30% non-financial measures (20% strategic goals and 10% ESG goals). The relevant performance points are: threshold; target; and maximum (the level at which the bonus for that measure is capped). These performance points are determined at the start of the year. No elements of the bonus are guaranteed. As in previous years, the performance measures, including the financial targets, are commercially sensitive and therefore are not disclosed until the following year.

Performance measures and pricing basis for long term incentives to be awarded in 2023

Grants of restricted share awards to be made to executive directors and senior executives will not be subject to performance measures but vesting will be subject to the achievement of an underpin as set out in the policy table. The Committee conducts an annual review of the underpin to ensure there is no reason why the shares should not vest in full at the end of three years. In 2023 Frank van Zanten will be granted a restricted share award to the value of 125% of his salary and Richard Howes will be granted a restricted share award to the value of 100% of his salary. In respect of determining the number of awards to be granted in 2023, the 60 day average share price preceding the grant date will be used for such purposes.

In assessing the underpin, in normal circumstances the Committee may consider the Group's overall performance, including financial and non-financial performance over the course of the vesting period and any material risk/regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, and return on capital. Non-financial performance relates to strategic priority areas focused on delivering the long term success of the Company and implementing the Group's long term strategy. These include, for instance, making operating model improvements, own brand development, acquisition growth, building on our competitive advantage, digital and technology improvements, focus on ESG, including sustainability, employee satisfaction and managing risk in the business.

Chairman's and non-executive directors' fees for 2023

The Chairman's fee is reviewed every two years and the non-executive directors' fees are reviewed annually with the most recent reviews for both taking effect from 1 January 2022 and 1 January 2023 respectively. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2023	Fees paid in 2022	Increase in fees 2022 to 2023
Chairman's fee	£386,000	£386,000	0.0%
Non-executive director fee	£78,500	£75,000	4.7%
Supplements:			
Senior Independent Director	£21,000	£20,000	5.0%
Audit Committee Chair	£22,000	£21,000	4.8%
Remuneration Committee Chair	£22,000	£21,000	4.8%

Additional information on directors' interests (audited information)

Details of the executive directors' interests in outstanding share awards under the DASBS, LTIP and all employee share plans are set out below.

Deferred share awards as at 31 December 2022

The awards granted to each director of the Company and any director with an interest in the Company under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 148.

	Awards (shares) held at 1 January 2022	Shares awarded during 2022	Shares vested during 2022	Total number of awards (shares) at 31 December 2022	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested awards £000
Frank van Zanten	22,328		23,881	-	01.03.22	2,373	2,902	693
	24,670			24,670	01.03.23	1,870		
	36,667			36,667	01.03.24	2,178		
	-	27,124		27,124	01.03.25	2,969		
Richard Howes	9,774			9,774	01.03.23	1,870		
	21,375			21,375	01.03.24	2,178		
	-	15,651		15,651	01.03.25	2,969		

Notes

- a) The deferred element of the 2022 annual bonus plan as shown on page 137 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year.
- b) The deferred shares vested during 2022 include the dividend equivalents.
- c) The deferred shares awarded during 2022 relate to 50% of the bonus for 2021 and are structured as nil-cost options, with the number of shares being determined by reference to the mid market closing share price on the day preceding the grant date.
- d) Frank van Zanten exercised 23,881 deferred shares granted in 2019 on 1 March 2022 with a total gain of £693,589.

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP during 2022 with shaded details indicating options or shares that have vested.

Executive share options – LTIP Part A

	Options held at 1 January 2022	Grant date	Exercise price p	Options exercisable between	Options held at 31 December 2022
Frank van Zanten	42,636	02.09.16	2,336	02.09.19 – 01.09.26	42,636
	34,946	02.03.17	2,335	02.03.20 – 01.03.27	34,946
	42,782	01.03.18	1,955	01.03.21 – 29.02.28	42,782
	35,010	31.08.18	2,389	31.08.21 – 30.08.28	35,010
	36,273	28.02.19	2,375	28.02.22 – 27.02.29	34,978
	40,887	11.09.19	2,107	11.09.22 – 10.09.29	39,427
	48,225	10.03.20	1,840	10.03.23 – 09.03.30	48,225
	37,096	09.09.20	2,392	09.09.23 – 08.09.30	37,096
Total	317,855				315,100
Richard Howes	31,627	10.03.20	1,840	10.03.23 – 09.03.30	31,627
	24,329	09.09.20	2,392	09.09.23 – 08.09.30	24,329
Total	55,956				55,956

Notes

- a) The mid-market price of a share on 30 December 2022 (last working day of 2022) was 2,759p and the range during 2022 was 2,575p to 3,163p.
- b) Executive share options are structured as market value options.

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2022	Conditional shares awarded during 2022	Award date	Market price per share at award p	Lapsed awards (shares) during 2022	Exercised awards (shares) during 2022	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2022
Frank van Zanten	22,072		08.04.19	2,537	12,035	10,037	3,110	312	-
	27,817		07.10.19	2,013	7,320	20,497	2,709	555	-
	42,936		06.04.20	1,550	-	-	-	-	42,936
	26,377		05.10.20	2,523	-	-	-	-	26,377
Total	119,202	0			19,355	30,534			69,313
Richard Howes	59,112		11.09.19	2,059	32,229	26,883	3,049	820	-
	22,527		06.04.20	1,550	-	-	-	-	22,527
	13,839		05.10.20	2,523	-	-	-	-	13,839
Total	95,478	0			32,229	26,883			36,366

Note

Performance shares are structured as nil-cost options.

DIRECTORS' REMUNERATION REPORT CONTINUED

Restricted Share Awards

	Awards (shares) held at 1 January 2022	Conditional shares awarded during 2022	Award date	Market price per share at award p	Lapsed awards (shares) during 2022	Exercised awards (shares) during 2022	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2022
Frank van Zanten	45,859		21.04.21	2,488.8	-	-	-	-	45,859
	-	42,693	01.03.22	2,751.0	-	-	-	-	42,693
Total	45,859	42,693			0	0			88,552
Richard Howes	24,060		21.04.21	2,488.8	-	-	-	-	24,060
	-	22,398	01.03.22	2,751.0	-	-	-	-	22,398
Total	24,060	22,398			0	0			46,458

Note
Restricted Share Awards are structured as nil-cost options.

All employee share scheme

The table below shows the number of share options granted to the executive directors under the Sharesave Schemes. Details of the Sharesave Schemes are set out on page 149.

Sharesave Schemes

	Options at 1 January 2022	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2022
Frank van Zanten	959	27.03.18	1,564	01.05.23-31.10.23	959
	504	31.03.21	1,781	01.05.24-31.10.24	504
Richard Howes	1,010	31.03.21	1,781	01.05.24-31.10.24	1,010

Advisers to the Remuneration Committee

In carrying out their responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from Willis Towers Watson ('WTW') and FIT Remuneration Consultants LLP ('FIT'). WTW provided external survey data on directors' remuneration and benefit levels.

The fees payable to each adviser, based on hourly rates, were: £15,768 (WTW), and £76,096 (FIT) respectively for such work undertaken in 2022. Advisers are appointed by the Committee and reviewed periodically. A tender exercise was conducted in 2020 and FIT were selected to provide independent advice to the Remuneration Committee on senior executive pay matters. The Committee conducts regular reviews of the effectiveness of the advisers and is satisfied that they remain objective and independent.

Statement of voting at the 2022 AGM for the remuneration report

The remuneration report and remuneration policy respectively received the following shareholder votes at the 2022 AGM held on 21 April 2022 and the 2021 AGM held on 20th April 2021 these being the years they were last voted on by shareholders:

	Votes cast	Votes for	% of shares voted for	Votes against	% of shares voted against	Votes withheld
Remuneration report (2022)	279,543,838	261,072,563	93.39%	18,471,275	6.61%	3,176,520
Remuneration policy (2021)	273,777,510	258,507,726	94.42%	15,269,784	5.58%	3,880,511

Notes
a) The votes 'For' include votes given at the Company Chairman's discretion.
b) A vote 'Withheld' is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution. Votes 'For' and 'Against' are expressed as a percentage of the votes cast.

Directors' remuneration policy

Following its approval in 2021 the overall approach to remuneration remains consistent and is designed to ensure that the policy continues to support the performance of the business and addresses the requirements of the Code.

Objectives of the policy

The directors' remuneration policy, which became effective from the date of the 2021 AGM, continues to meet the following objectives:

- **Clarity:** maintain transparency, clear alignment with shareholder value and promotion of longer term, sustained performance. For example, the restricted share plan encourages a focus on the longer term success of the business;
- **Predictability:** continue to ensure that targets are stretching (but realistic), the quantum of reward reflects both Company and individual performance and there are appropriate award caps and Committee discretions in place. For example, the underpin is broad and encourages the Committee to focus on 'in the round' performance;
- **Support for the Company's business strategy:** for example, aligning the executive directors' and management's incentives with the Company's growth objectives;
- **Simplicity:** ensure that the remuneration structures avoid unnecessary complexity. For example, the restricted share plan has only a single annual grant of shares;
- **Risk is appropriately managed:** variable pay should drive performance within the Company's risk appetite and encourage a prudent and balanced approach to the business;
- **Alignment to culture:** the remuneration principles encourage the behaviour from the executive directors that the Committee expects to see throughout the business; and
- **Proportionality:** the link between individual awards, the delivery of strategy and long term performance of the Group is clear.

In setting the remuneration policy for the executive directors, the Committee also takes into consideration a number of different factors:

- the Committee applies the principles set out in the Code and also takes into account best practice guidance issued by the major UK institutional investor bodies, the Financial Conduct Authority (including the provisions of any applicable remuneration codes) and other relevant organisations;
- the Committee has overall responsibility for the remuneration policies and structures for employees of the Group as a whole and it reviews remuneration policy on a Group wide basis. When the Committee determines and reviews the remuneration policy for the executive directors it considers and compares it against the pay, policy and employment conditions of the rest of the Group to ensure that there is alignment between the two; and
- the Committee considers the external market in which the Group operates and uses comparator remuneration data from time to time to inform its decisions. However, the Committee recognises that such data should be used as a guide only (data can be volatile and may not be directly relevant) and that there is often a need to phase-in changes over a period of time.

The Committee's overall policy, having had due regard to the factors above, continues to be for a proportion of total remuneration to be based on variable pay. This is achieved by setting base pay and benefits by reference to mid-market levels, with annual bonus linked to the achievement of demanding performance targets and long term incentives which are designed to align the interests of the directors with those of shareholders and the long term sustainable success of the business.

Remuneration policy for executive directors

The following table summarises each element of the remuneration policy for the executive directors, explaining how each element operates and links to the corporate strategy. It remains unchanged from that published in last year's report.

Base salary	
Purpose	<ul style="list-style-type: none"> • Recognise knowledge, skills and experience as well as reflect the scope and size of the role • Reward individual performance without encouraging undue risk
Operation	<ul style="list-style-type: none"> • Paid in 12 equal monthly instalments during the year • Normally reviewed annually in December (with any changes usually effective from January). An out-of-cycle review may be conducted if the Committee determines that it is appropriate • Takes into consideration a number of factors including (but not limited to) individual and Group performance, the size and scope of the individual's responsibilities, salary increases across the Group, typical salary levels for comparable roles using appropriate comparator groups, for example similarly sized companies with a large international presence • Pensionable
Maximum potential value	<ul style="list-style-type: none"> • While there is no maximum salary level, salary increases are normally considered in relation to the salary increases of other employees in the Group and performance of the individual. Higher salary increases may be made under certain circumstances, such as when there has been a change in role or responsibility, a major market movement or when a director has been appointed to the Board at a lower than typical salary initially. The annual salaries for the executive directors for 2022 and 2023 are set out on pages 136 and 144 respectively
Performance metrics	<ul style="list-style-type: none"> • While there are no performance conditions attached to the payment of base salary, individual performance in the role, as well as the performance of the Group and achievements related to environmental, social and governance issues, are all taken into consideration

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual bonus

Purpose	<ul style="list-style-type: none"> Incentivise the attainment of annual corporate targets Retain and reward high performing employees Align with shareholders' and wider stakeholders' interests
Operation	<ul style="list-style-type: none"> Bonus awards are based on performance targets and objectives set by the Committee for the financial year At the end of the performance period, the Committee assesses the extent to which the performance measures have been achieved. The level of bonus for each measure is determined by reference to the actual performance against the relevant performance targets Up to half the bonus is paid in cash and the remainder in shares (with the shares normally deferred for three years under the Deferred Annual Share Bonus Scheme ('DASBS')) in respect of which dividend equivalents may apply to the extent that such deferred awards vest. If a director resigns during the period of deferral any outstanding DASBS awards would normally lapse Malus and clawback provisions apply to the cash element of the bonus and awards made under DASBS to allow the recoupment of bonus for three years from the end of the relevant performance year. They would be enforced in the event of material misstatement, significant failure of risk control, serious misconduct, corporate failure (entailing the appointment of an administrator or liquidator) or serious reputational damage, when it is clear that the issue has been caused by a management failure to which the relevant individual has made a direct and material contribution Bonus awards are non-pensionable and are payable at the Committee's discretion
Maximum potential value	<ul style="list-style-type: none"> The annual bonus policy maximum is 180% of base salary The annual target bonus opportunity is normally set at 50% of the maximum The level of annual bonus for threshold performance is up to 25% of the maximum
Performance metrics	<p>Metrics will be set each year by the Committee taking into account the Company's key strategic objectives for the year.</p> <p>For example, bonus metrics may include:</p> <ul style="list-style-type: none"> Financial measures chosen to align bonus outcomes with the underlying financial performance of the business, such as profit, return on average operating capital ('RAOC') and cash flow; Non-financial measures are linked to the achievement of personal goals or certain specified strategic goals, including environmental, social and governance matters; The performance metrics and targets are reviewed each year to ensure that they remain appropriate. The Committee retains the discretion to set alternative metrics as appropriate; and The specific targets will be disclosed on a retrospective basis following the end of the financial year unless they are deemed to be commercially sensitive. <p>The Committee sets targets that are appropriately stretching in the context of the business outlook and taking into account internal and external factors. Targets are set to ensure that there is appropriate alignment between stakeholder outcomes and to ensure that they do not drive inappropriate behaviours or unacceptable levels of risk taking.</p>

Long term incentives

Purpose	<ul style="list-style-type: none"> Incentivise long term decision making as the basis for sustainable growth Align with shareholders' interests Recruit and retain senior employees across the Group
Operation	<p>Executive directors receive restricted share awards as the long term variable element of remuneration:</p> <ul style="list-style-type: none"> Restricted share awards are discretionary and will normally vest subject to continued employment after no less than three years; A holding period will apply which means that restricted shares may not ordinarily be sold until at least five years after the grant date (other than to pay relevant taxes due on vested awards); Malus and clawback provisions apply under which part or the full amount of a vested award may be recovered, by a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment for a period of three years from the relevant performance period. They would be enforced in the event of material misstatement, significant failure of risk control, serious misconduct, corporate failure (entailing the appointment of an administrator or liquidator) or serious reputational damage, when it is clear that the issue has been caused by a management failure to which the relevant individual has made a direct and material contribution; Dividend equivalents shall accrue in respect of restricted share awards to the extent that they vest, including in relation to any holding periods; and All awards are subject to the discretions contained in the relevant plan rules.
Maximum potential value	<ul style="list-style-type: none"> The individual restricted share limit per financial year is 125% of base salary The Chief Executive Officer may receive restricted shares per financial year with a face value of up to 125% of salary The Chief Financial Officer may receive restricted shares per financial year with a face value of up to 100% of salary
Performance metrics	<ul style="list-style-type: none"> Restricted share awards are not subject to performance measures but vesting is subject to the achievement of an underpin normally reviewed over the three financial years commencing with the financial year in which awards are granted In assessing the underpin, in normal circumstances the Committee may consider the Group's overall performance, including financial and non-financial performance over the course of the vesting period and any material risk/regulatory failures identified. Financial performance may include elements such as revenue, profitability, cash generation, and return on capital. Non-financial performance relates to strategic priority areas focused on delivering long term success of the Company and implementing the Group's long term strategy. These include, for instance, making operating model improvements, own brand development, acquisition growth, building on our competitive advantage, digital and technology improvements, focus on ESG, including sustainability, employee satisfaction and managing risk in the business When considering these factors, the Committee will assess performance in the round, with the expectation of full vesting unless there has been identified material underperformance over the period. The Committee may scale back the awards (including to zero) if it is not satisfied the underpin has been met

Long term incentives – previous policy applied for awards up to and including October 2020

Purpose	<ul style="list-style-type: none"> Subject to the approval of the remuneration policy, awards issued under the previous policy with respect to long term incentives will continue to vest until October 2023 and therefore the policy described below will continue to apply, including the performance metrics described
Operation	<ul style="list-style-type: none"> Discretionary biannual grants of executive share option awards and performance share awards which vest subject to performance conditions measured over three years and subject to continuous service. Subject to the approval of the new policy, no further grants will be awarded to the executive directors A malus and clawback facility is in operation under which part or the full amount of a vested award may be recovered, by a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment, for a period of three years from the relevant performance year, to the extent that the value of a vested award is subsequently found to have been overstated as a result of a material misstatement of performance or there has been a significant failure of risk control or serious misconduct Two year post-vesting holding requirement for shares that vest, net of sales to settle tax or other withholding due on vesting or exercise of awards If any executive resigns during the period before vesting, awards would normally lapse All awards are subject to the discretions contained in the relevant plan rules
Maximum potential value	<p>Executive share options</p> <ul style="list-style-type: none"> Maximum annual award of 225% of base salary Annual grant levels for executive directors will not normally exceed 200% of base salary For 2020, grants did not exceed 200% of base salary for the incumbent executive directors <p>Performance shares</p> <ul style="list-style-type: none"> Maximum annual award of 175% of base salary For 2020, awards did not exceed 150% of base salary for the Chief Executive Officer and 120% for the Chief Financial Officer
Performance metrics	<ul style="list-style-type: none"> Performance and service conditions must be met over a three year performance period. Metrics and targets are set each year by the Committee. The current metrics are as follows: <p>Executive share options</p> <ul style="list-style-type: none"> The eps performance measure relates to the absolute growth in the Company's eps against the targets set for the performance period The vesting is scaled as follows: <ul style="list-style-type: none"> no vesting for performance below the threshold target; 25% of an award will vest for achieving the threshold target; 100% of an award will vest for achieving or exceeding the maximum target; and for performance between these targets, the level of vesting will vary on a straight line sliding scale. The Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment <p>Performance shares</p> <ul style="list-style-type: none"> The TSR performance measure (50% of the total award) compares a combination of both the Company's share price and dividend performance during the performance period against a comparator group of the constituents of the FTSE 11-100. It aligns the rewards received by executives with the returns received by shareholders The other 50% of the award is subject to an eps performance measure which relates to the absolute growth in the Company's eps against the targets set for the performance period The vesting for both performance measures is scaled as follows: <ul style="list-style-type: none"> no vesting for performance below median performance (TSR) or below the threshold target (eps); 25% of an award will vest for achieving median performance (TSR) or the threshold target (eps); 100% of an award will vest for achieving or exceeding upper quartile performance (TSR) or the maximum target (eps); and for performance between these targets, the level of vesting will vary on a straight line sliding scale. The Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment

All employee share plans

Purpose	<ul style="list-style-type: none"> Encourage employees, including the executive directors, to build a shareholding through the operation of all employee share plans such as the HM Revenue & Customs ('HMRC') tax advantaged Sharesave Scheme and the Internal Revenue Service ('IRS') approved Employee Stock Purchase Plan (US) ('ESPP') in the US
Operation	<ul style="list-style-type: none"> Executive directors may participate in all employee schemes on the same basis as other eligible employees The Sharesave Scheme has standard terms under which participants can normally enter into a savings contract, over a period of either three or five years, in return for which they are granted options to acquire shares at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted New plan rules were approved by shareholders at the 2021 AGM
Maximum potential value	<ul style="list-style-type: none"> In the UK, the Sharesave Scheme is linked to a contract for monthly savings within the HMRC limits over a period of either three or five years (currently £500 per month)
Performance metrics	<ul style="list-style-type: none"> Service conditions apply

DIRECTORS' REMUNERATION REPORT CONTINUED

Retirement benefits

Purpose	<ul style="list-style-type: none"> Provision of retirement benefits Retain executive directors
Operation	<ul style="list-style-type: none"> All defined benefit pension plans in the Group have been closed to new entrants since 2003 with any new recruits being offered defined contribution retirement arrangements and/or a pension allowance. Legacy arrangements exist for the Chief Executive Officer as detailed below Pension contributions and allowances are normally paid monthly
Maximum potential value	<ul style="list-style-type: none"> Company pension contributions to defined contribution retirement arrangements or cash allowances are capped at 5% of base salary for new executive directors and the current Chief Financial Officer The current Chief Executive Officer's pension contribution has been reduced from 20% of base salary to 14% of base salary with effect from 1 January 2022 and has reduced to 5% from 1 January 2023
Performance metrics	<ul style="list-style-type: none"> Not applicable

Other benefits

Purpose	<ul style="list-style-type: none"> Provision of competitive benefits which helps to recruit and retain executive directors
Operation	<ul style="list-style-type: none"> Benefits may include a car allowance or a car which may be fully expensed, various insurances such as life, disability and medical and, in some jurisdictions, club expenses and other benefits provided from time to time. Some benefits may only be provided in the case of relocation, such as removal expenses, and in the case of an international relocation might also include fees for accommodation, children's schooling, home leave, tax equalisation and professional advice etc.
Maximum potential value	<ul style="list-style-type: none"> The value of benefits is based on the cost to the Company and varies according to individual circumstances. For example, the cost of medical insurance varies according to family circumstances and the jurisdiction in which the family is based
Performance metrics	<ul style="list-style-type: none"> Not applicable

Shareholding requirement

Purpose	<ul style="list-style-type: none"> Strengthen the alignment between the interests of the executive directors and those of shareholders
Operation	<ul style="list-style-type: none"> In employment guideline: executive directors will normally be expected to retain shares, net of sales to settle tax, through the exercise of awards under the DASBS and the LTIP until they attain the required holding. Three years is the typical expectation for executives who are promoted from within the Company to achieve the required shareholding. It is recognised that a longer time period may be required for externally recruited executives to achieve the expected shareholding. Unvested deferred shares held under the DASBS will count towards the guideline (net of the expected sales for tax that would apply on vesting) Post-cessation guideline: Upon cessation of employment, executive directors should maintain a shareholding for two years thereafter at a level equal to the lower of the in-employment guideline and the number of shares vested as at cessation (net of tax) under restricted share awards granted.
Maximum potential value	<ul style="list-style-type: none"> The Chief Executive Officer's in-employment shareholding requirement is 300% of base salary. The in-employment requirement for other executive directors is 200% of base salary
Performance metrics	<ul style="list-style-type: none"> Not applicable

Fees policy for Chairman and non-executive directors (the 'NEDs')

The following table summarises the fees policy for the Chairman and the NEDs.

Fees	
Purpose	<ul style="list-style-type: none"> Provision of a competitive fee to attract NEDs who have a broad range of experience and skills to oversee the implementation of the Company's strategy
Operation	<ul style="list-style-type: none"> Determined in light of market practice and with reference to time commitment and responsibilities associated with the roles Annual fees are paid in 12 equal monthly instalments during the year The Senior Independent Director and Chairman of the Audit and Remuneration Committees are paid an extra fee to reflect their additional responsibilities The NEDs and the Chairs are not eligible to receive benefits and do not participate in pension or incentive plans. Expenses incurred in respect of their duties as directors of the Company are reimbursed The NEDs' fees are reviewed annually in January each year and the Chairman's fee is reviewed biennially, the latest review being with effect from January 2023 for NED fees and January 2022 for the Chairman's fees The Board as a whole considers the policy and structure for the NEDs' fees on the recommendation of the Chairman and the Chief Executive Officer. The NEDs do not participate in discussions on their specific levels of remuneration; the Chairman's fees are set by the Committee
Maximum potential value	<ul style="list-style-type: none"> Determined within the overall aggregate annual limit of £1,500,000 authorised by shareholders with reference to the Company's Articles of Association approved at the 2021 AGM
Performance metrics	<ul style="list-style-type: none"> Not eligible to participate in any performance related elements of remuneration
Taxable benefits and expenses	<ul style="list-style-type: none"> Taxable expenses incurred in the course of carrying out NED duties are reimbursed and grossed up to include tax payable

Selection of performance measures and targets

The Committee determines the performance measures applying to the annual bonus based on the strategic priorities of the Group at the time. The measures and their weightings may change from year to year. The bonus measures in place include the use of eps, RAO and operating cash flow measures. Each of these are aligned with the Group's key performance indicators ('KPIs'). The management of capital employed together with profitability and cash flow ensures the focus on cash generation, enabling the Group to pay dividends and to support the growth strategy by making acquisitions and reinvesting in the underlying business. Strategic non-financial goals reward individual contribution to the success of the Group and allow a focus each year on important operational goals and strategic milestones. This combination of performance measures provides a balance relevant to the Group's business and market conditions as well as providing a common goal for the executive directors, senior managers and shareholders. They have been chosen as, although growing the profitability of the business is a key objective, equally important is the focus on cash and effective investment in capital.

Statement of consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representatives more generally. In addition, the Committee consults proactively with its major shareholders prior to making significant changes to its policy.

Discretions retained by the Committee in operating the incentive plans

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC and IRS rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance, including the vesting of restricted share awards;
- determining 'good leaver' status and the extent of vesting in the case of the share based plans;
- determining the extent of vesting of awards under share based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- determining the appropriate choice of measures, weightings and targets for the annual bonus plan from year to year, including discretion to amend the bonus outcome, as appropriate; and
- varying the performance conditions applying to share based awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Legacy arrangements

The directors' remuneration policy approved by shareholders at the 2021 AGM gave authority to the Company to honour any commitments entered into with current or former directors (that have been disclosed to shareholders in previous remuneration reports) or internally promoted future directors (in each case, such as the payment of a pension or the unwind of legacy share plans). Details of any payments to former directors will be set out in the relevant remuneration report as they arise.

Executive directors' external appointments

With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

Recruitment of executive directors – approach to remuneration

Executive directors

For the ongoing stability and growth of the Group, it is important to secure, as necessary, the appointment of high calibre executives to the Board by either external recruitment or internal promotion. The overarching principles applied by the Committee in developing the remuneration package will be to set an appropriate base salary together with retirement and other benefits and short and long term incentives taking into consideration the skills and experience of the individual, the complexity and breadth of the role, the particular needs and situation of the Group, internal relativities, the marketplace in which the executive will operate and an individual's current remuneration package and location. In addition, the Committee recognises that it may need to meet certain relocation expenses or expatriate benefits as appropriate.

Any fixed or variable pay awards for new executive directors will not exceed the maximum limits set out in the policy table above. However, in addition, for external appointments the Committee may consider offering additional cash and/or share based elements to replace deferred remuneration forfeited by the individual on leaving their existing employment when it considers these to be in the best interests of the Company and its shareholders. Such elements, as appropriate, may be made under section 9.4.2 of the Listing Rules and would normally take account of the nature, time horizons and performance requirements attached to the awards forfeited.

Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment. A long term incentive award can be made shortly following an appointment (or as soon as is practical if the Company is in a close period).

DIRECTORS' REMUNERATION REPORT CONTINUED

Non-executive directors

On appointment of a new Chairman of the Board or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the prevailing rates of the other non-executive directors at the time.

Executive directors' service contracts

The service contracts for Frank van Zanten and Richard Howes provide for an equal notice period from the Company and the executive of a maximum 12 months' notice and any contracts for newly appointed executive directors will provide for equal notice in the future. The date of each service contract is noted in the table below:

	Date of service contract
Frank van Zanten	13 January 2016
Richard Howes	10 May 2019

Non-executive directors' terms of appointment

The non-executive directors do not have service contracts with the Company but instead have letters of appointment. The date of appointment and the most recent re-appointment and the length of service for each non-executive director are shown in the table below:

	Date of appointment	Date of last re-appointment at AGM	Length of service as at 2023 AGM
Peter Ventress	1 June 2019	20 April 2022	3 years 10 months
Vanda Murray	1 February 2015	20 April 2022	8 years 2 months
Lloyd Pitchford	1 March 2017	20 April 2022	6 years 1 month
Stephan Nanninga	1 May 2017	20 April 2022	5 years 11 months
Vin Murria	1 June 2020	20 April 2022	2 years 10 months
Pam Kirby	1 August 2022	–	8 months

Note

a) On termination, at any time, a non-executive director is entitled to any accrued but unpaid director's fees but not to any other compensation.

Policy on payment for departure from office

On termination of an executive director's service contract, the Committee will take into account the departing director's duty to mitigate his loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive directors leaving the Group is described below and is designed to support a smooth transition from the Company taking into account the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	Departure as a 'good leaver' or in other specific circumstances including on agreed terms
Base salary, pension and benefits	Paid for the proportion of the notice period worked and any untaken holidays pro-rated to the leaving date	Paid up to the date of departure or death, including any untaken holidays pro-rated to such date. In the case of ill health, a payment in lieu of notice may be made and, according to the circumstances, may be subject to mitigation. In such circumstances some benefits, such as company car or medical insurance may be retained until the end of the notice period.
Annual bonus cash	Cessation of employment during a bonus year will normally result in no cash bonus being paid	Cessation of employment during a bonus year or after the year end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and pro-rated for the relevant portion of the financial year worked and performance achieved.
Annual bonus deferred shares	Unvested deferred shares will lapse	In the case of the death of an executive, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee.
Executive share options	Unvested executive share options will lapse	Tax advantaged options will vest in full on the cessation of employment and be exercisable for the following 12 months after which any unexercised options will lapse. Subject to the discretion of the Committee, unvested non-tax advantaged share options will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions. Holding period terms will ordinarily continue to run until (or be set to expire no later than) the second anniversary of departure, commensurate with the post-cessation shareholding requirement. However, in the case of the death of an executive, the Committee will determine the extent to which the unvested options may be exercised within 12 months of the date of death.
Performance shares	Unvested performance shares will lapse	Subject to the discretion of the Committee, unvested performance share awards will normally be retained by the individual for the remainder of the vesting period, remain subject to the performance conditions and will ordinarily be subject to time pro-ration. Holding period terms will ordinarily continue to run until (or be set to expire no later than) the second anniversary of departure from employment, commensurate with the post-cessation shareholding requirement. However, in the case of the death of an executive, the Committee will determine the extent to which the unvested restricted shares may be exercised within 12 months of the date of death.
Restricted shares	Unvested restricted share awards will lapse	Subject to the discretion of the Committee, unvested restricted share awards will normally be retained by the individual for the remainder of the vesting period, remain subject to the underpin conditions and will ordinarily be subject to time pro-ration. Holding period terms will ordinarily continue to run until (or be set to expire on or no later than) the second anniversary of departure from employment, commensurate with the post-cessation shareholding requirement. However, in the case of the death of an executive, the Committee will determine the extent to which the unvested shares may be exercised within 12 months of the date of death.
Options under Sharesave	As per HMRC regulations	As per HMRC regulations.
Other	None	Disbursements, such as legal costs and outplacement fees may be paid.

Note

The Committee will have the authority to settle any legal claims against the Company, e.g. for unfair dismissal etc, that might arise on termination.

Differences in remuneration policy for executive directors and employees in general

The main difference in remuneration policy between the executive directors and employees in general is the split of fixed and performance related pay, such as bonus and long term incentives. Overall the percentage of performance related pay, in particular longer term incentive pay, is greater for the executive directors. This reflects that executive directors have more freedom to act and the consequences of their decisions are likely to have a broader and more far reaching time span of effect than those decisions made by employees with more limited responsibility. As a consequence only executive directors, Executive Committee members and other key employees (currently 27 people) are granted restricted share awards. Approximately 470 senior managers are granted executive share option awards on an annual basis, which helps to provide a common focus for management in the Company's decentralised organisation structure. In most cases, the annual bonuses are related to the performance of individual operating units.

Bonus arrangements vary throughout the Group and are related to the specific role and the country in which the employee operates. The majority of bonus plans have quantitative targets, but the performance measures and targets vary according to each specific role. Sales representatives often have annual bonus payments which may be commission based.

When there is a critical mass of employees within a country to make it cost-effective to do so, to encourage wider employee share ownership, an all employee share plan may be offered. Currently plans are offered to all employees based in Australia, New Zealand, Canada, Germany, Ireland, the Netherlands, the US and the UK. In France, employees take part in profit sharing arrangements in accordance with local regulations.

Retirement and other benefits offered to employees across the Group differ according to the country in which the job is based and the function and seniority of the relevant role.

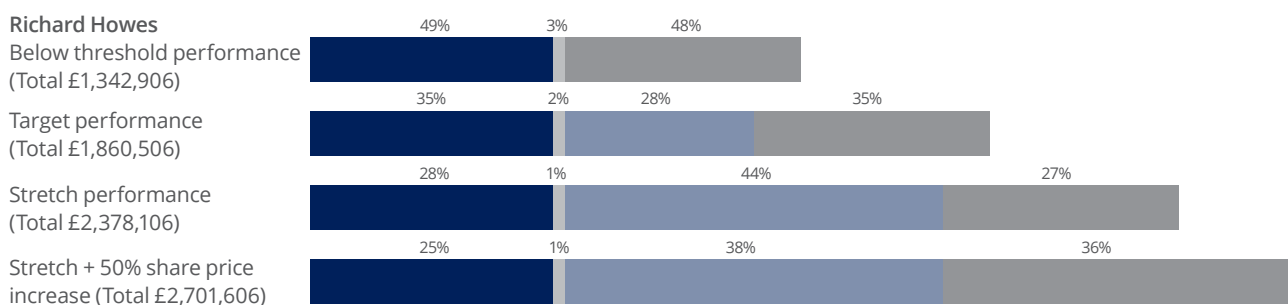
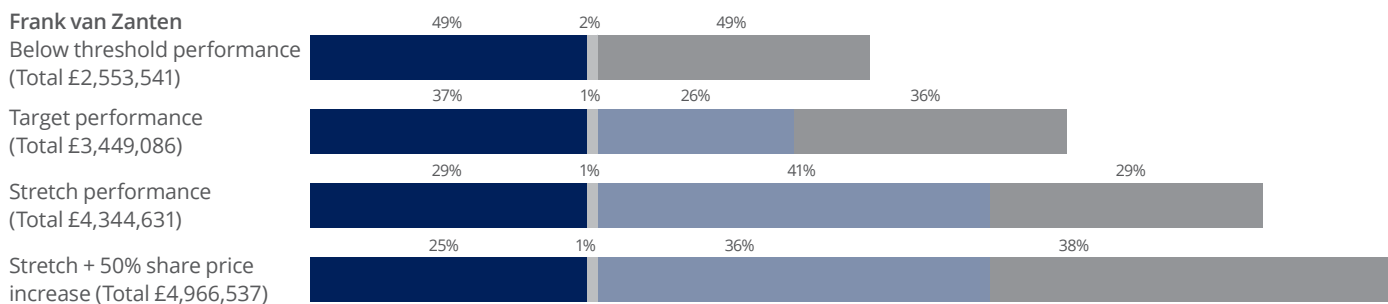
Statement of consideration of employment conditions elsewhere in the Group

The Committee is provided annually with information on the salaries and proposed increases for the Executive Committee members and other senior direct reports of the Chief Executive Officer, as well as data on the average salary increases for leadership teams in each region within the Group. In addition, the Committee reviews and agrees all grants of executive share options, performance share awards and restricted share awards.

The Committee considers the general basic salary increase within the geographical regions for the broader employee population when determining the annual salary increases for the executive directors and is cognisant of the Group's overall employment arrangements when reviewing and implementing the executive directors' remuneration policy. Members of the Committee held feedback sessions with employees in all regions and part of the discussion sought the employee's view on the executive remuneration approach and application. In addition, the Company monitors employees' views through regular employee surveys.

Remuneration scenarios

The remuneration package comprises both core fixed elements (base salary, pension and other benefits) and performance based variable elements (cash bonus, the DASBS and the LTIP). The structure of the remuneration packages for on-target and stretch performance for each of the two executive directors for 2023, in line with the remuneration policy, is illustrated in the bar charts below.



- Salary and benefits
- Pension
- Bonus (Cash/DASBS)
- LTIP

Notes

- a) Salary represents annual salary for 2023. Benefits such as a car or car allowance and private medical insurance have been included based on 2022 figures. In the case of Frank van Zanten benefits also include a hybrid working allowance and an education allowance.
- b) Stretch performance plus 50% share price increase shows the effect of a 50% growth in the Company share price on the value of the restricted share awards.
- c) Pension represents the value of the annual pension allowance for 2023 for Frank van Zanten and Richard Howes.
- d) Below threshold performance comprises salary, benefits, pension with no bonus award and for restricted share awards an assumption that 100% will vest.
- e) Target performance comprises annual bonus awarded at target level (i.e. for 2023 at 90% of salary for Frank van Zanten and 80% of salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and for restricted share awards an assumption that 100% will vest.
- f) Stretch performance comprises annual bonus awarded at stretch level (i.e. for 2023 at 180% of salary for Frank van Zanten and 160% of salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and for restricted share awards an assumption that 100% will vest.

Vanda Murray OBE

Chair of the Remuneration Committee
27 February 2023