

# Director' Remuneration Policy – approved by shareholders in 2020

## Extract from the 2020 Remuneration Committee report

### Directors' Remuneration Policy – approved by shareholders in 2020

The current Directors Remuneration Policy (Policy) was approved by our shareholders at the AGM held on 22 April 2020 and therefore became effective from that date and will be binding until the close of the 2023 AGM, unless varied by shareholders at a General Meeting prior to then. The Policy is set out in full in this section.

The scenario charts have been updated to reflect fixed pay expectations for 2021 and the impact on the annual bonus and LTIP awards.

#### Base salary

Base salary helps to attract, reward and retain the right calibre of Executive Director to deliver the leadership and management needed to execute the Group's strategy and business plan.

#### Practical operation

Base salary reflects the role, the executive's skills and experience, and market level. To determine the market level, the Committee reviews remuneration data on executive positions at companies which the Committee considers to be appropriate comparators. The comparator companies are selected, with advice from the Committee's remuneration advisers, taking into account factors such as, but not limited to, sector, size, and international presence.

On appointment, an Executive Director's base salary is set at the market level, or below if the executive is not fully experienced at this level. Where base salary on appointment is below market level to reflect experience, it will be increased over time to align with the market level, subject to performance.

Base salaries of all Executive Directors are generally reviewed once each year, with increases applying from April. Reviews cover individual performance, experience, development in the role, market comparisons and pay reviews for the wider workforce.

#### Maximum potential value

The base salaries of Executive Directors in post at the start of the policy period, and who remain in the same role throughout the policy period, will not usually be increased by a higher percentage than the average annual percentage increase in salaries of all other employees in the Group.

Exceptions to this, subject to performance and development, are where:

- (i) An Executive Director has been appointed at below market level to reflect experience. Under this scenario, increases will be capped at 5% above the average annual percentage increase in salaries of all other Group employees.
- (ii) An Executive Director has been promoted internally (or the scope or nature of their role has changed) and their salary is below market level. Under this scenario, increases will not be capped and the Committee can increase base salary to the market level within an appropriate timeframe.

# Remuneration Committee report continued

## Annual bonus

The award of annual bonus will be based on annual performance against financial and operational measures linked to the business plan. The aim of the deferred portion of the annual bonus is to further align executives to shareholders' interests, by linking share-based reward to long-term sustainable performance.

### Practical operation

The maximum opportunity will be split between two elements:

Financial element – performance is based on financial and operational metrics. This element represents 105% of salary for the CEO and 90% of salary for other Executive Directors. Subject to the minimum level of deferral noted below, this element will be paid in cash.

Strategic element – performance is based on strategic and other non-financial metrics. This element will represent 70% of salary for the CEO and 60% of salary for other Executive Directors. This element will be paid in shares deferred for a period of three years.

A minimum of 40% of the total bonus outcome will be deferred into shares in the form of nil cost options under the Deferred Share Plan (DSP), regardless of the pay outcomes of the financial and strategic elements. If this amount is not attained by the strategic element, a portion of the financial element will also be deferred into shares in order to achieve this minimum level of deferral.

A two-year holding period applies to DSP awards post-vesting, during which Executive Directors may not sell the shares, except to pay any tax due.

Dividends or dividend equivalents (which may assume notional reinvestment) are paid on DSP awards.

There is no payment for below threshold performance. The outcome for threshold performance is 0% of maximum. The outcome for target performance is 50% of maximum.

In certain circumstances, the Committee can apply malus and clawback to cash bonus awards.

Targets, outcomes and resulting payouts are published in the Annual Report on Remuneration.

The Committee will review the formulaic outcome of the bonus award and has the discretion to amend the final outcome to make sure that bonus payments reflect overall performance. The use of such discretion will be explained fully in the relevant Annual Report on Remuneration.

### Maximum potential value

Role	Maximum opportunity (% of base salary)
CEO	175%
Other Executive Directors	150%

### Performance measures

The performance conditions applicable to the annual bonus awards are split between the two elements:

Financial element – performance measures based on annual financial and operational targets, which will be linked directly to the performance of the Group and determined by the Board. The Committee may amend the measures used each year in line with business strategy.

Strategic element – performance measures based on non-financial and strategic targets, which will be determined annually by the Board and will be aligned with the business strategy.

The weighting of the respective elements is 60% on financial elements and 40% on strategic elements. The Committee has the discretion to vary the weightings from year to year.

In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.

# Remuneration Committee report continued

## Long Term Incentive Plan (LTIP)

The Group's LTIP provides long-term alignment with shareholders based on the outcomes of Relative Total Shareholder Return (TSR) and Cumulative Adjusted Earnings Per Share (EPS).

### Practical operation

Under the LTIP, Executive Directors may at the discretion of the Committee receive an annual grant of shares.

Shares vest on the third anniversary of the grant, subject to continued service or in exceptional circumstances earlier subject to specified "good leaver" termination provisions, and the achievement of performance conditions over a three year period determined by the Committee. Vested awards are then subject to a further holding period of two years for Executive Directors.

Dividends or dividend equivalents (which may assume notional reinvestment) may be paid on LTIP awards.

There is no payment for below threshold performance. The outcome for threshold performance is 25% of maximum.

The Committee will include an override provision in each grant under the LTIP. This will give the Committee discretion to determine that no vesting shall occur, or that vesting shall be reduced, if there are circumstances (relating to the Group's overall performance or otherwise) which make vesting when calculated by reference to the performance conditions alone inappropriate.

In certain circumstances, the Committee can apply malus or clawback to unvested/vested awards, as set out in the notes to the policy table.

The Committee reserves discretion to:

- (i) amend the performance conditions/targets attached to outstanding awards granted under this Policy, in the event of a major corporate event or significant change in economic circumstances, or a change in accounting standards having a material impact on outcomes; and
- (ii) adjust the vesting of LTIP awards and/or the number of shares underlying unvested LTIP awards, on the occurrence of a corporate event or other reorganisation. In the event of a change of control, the treatment of long-term incentives will be determined in accordance with the plan rules.

### Maximum potential value

Role	Maximum opportunity (% of base salary)
CEO	200%
Other Executive Directors	175%

In exceptional circumstances the Committee may on recruitment grant a percentage of salary in excess of these amounts. Further detail is provided on page 119 of the Annual Report & Accounts 2020.

### Performance measures

Two performance measures apply to LTIP awards and they are as follows:

- (i) TSR performance over three years relative to the FTSE 350 (50% of award), vesting as follows:
  - Below Median = 0% of maximum
  - Median = 25% of maximum
  - Upper Quartile = 100% of maximum
- (ii) Cumulative Adjusted EPS performance over three years, (50% of award), vesting as follows:
  - Below Threshold = 0% of maximum
  - Threshold = 25% of maximum
  - Maximum = 100% of maximum

Straight line vesting occurs between performance levels for both conditions.

## Pension

Pension provision is one of the components to attract, reward and retain the right calibre of executive, to ensure delivery of the leadership and management needed to execute the Group's purpose and strategy.

### Practical operation

Executive Directors are entitled to a contribution to the Group's defined contribution pension plan, a cash payment in lieu of pension (subject to normal statutory deductions), or a combination of pension contributions and cash in lieu of pension.

### Maximum potential value

Existing Executive Directors will receive the following pension contribution rates until 31 December 2022.

- CEO – 20% of salary
- CFO – 16% of salary

From 1 January 2023, the contribution rates for existing Executive Directors will be aligned with the rate for new joiners to the wider workforce (currently 10% of salary).

The pension contribution rate for any new Executive Director will be aligned with the wider workforce rate from the date of appointment.

### Performance measures

No performance measures apply.

## Benefits

Benefits are provided to be market competitive as an integral part of Executive Directors' total remuneration.

### Practical operation

Executive Directors receive a car benefit, life assurance, income protection, the opportunity to participate in all-employee share plans on the same basis as other employees, annual private health assessment and annual private medical cover. Additional benefits may be provided if the Committee considers them appropriate.

Relocation expenses are paid, where appropriate, in individual cases. Executive Directors' relocation expenses are determined on a case-by-case basis. The Policy is designed to assist the Executive Director to relocate to a home of similar standing.

### Maximum potential value

Benefits are set at a level appropriate to the individual's role and circumstances.

The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances.

### Performance measures

No performance measures apply.

# Remuneration Committee report continued

## Shareholding requirement

The shareholding requirement aligns the interests of Executive Directors with shareholders.

### Practical operation

The shareholding requirement for the CEO is 250% of salary and for the other Executive Directors is 200% of salary. This is to be achieved within a period five years after the date of the 2020 AGM (or after the date of appointment for new Executive Directors if this is later) from vested shares derived from awards under the Company's share plans.

Until this level is reached, Executive Directors who receive shares by virtue of any share plan award or who receive DSP awards are expected to retain 50% of the shares received net (i.e. after income tax and national insurance contributions). Shares which have not vested and are subject to performance conditions will not count towards the requirement. Unvested awards subject to service only (e.g. DSP awards) will count towards the guideline on a net of tax basis.

Shares vesting in respect of awards granted after the 2020 AGM will be held in the Group's Employee Benefit Trust until the shareholding requirement is met and all share disposals will be subject to the Company's share dealing code.

### Maximum potential value

N/A

### Performance measures

N/A

## Post cessation shareholding requirement

The Group's post-cessation shareholding requirement aligns the interests of Executive Directors with shareholders over the longer term beyond their departure from the Group.

### Practical operation

A post-cessation shareholding requirement, equal to the employment shareholding requirement (or the shareholding on departure if lower) applies for a two year period after cessation of employment. For clarity, the post-cessation shareholding requirement is 250% of salary for the CEO and for the other Executive Directors is 200% of salary. In addition, shares vesting during this period will remain subject to the two-year post-vesting holding period, which may therefore extend beyond the two-year period for which the post-cessation shareholding requirement applies.

Only shares relating to awards which are granted after the date of the 2020 AGM will be included for the purposes of this requirement. Shares purchased by the Executive Director (including those from all employee share plans), will not be included.

Shares counting towards this requirement will not be released from the Employee Benefit Trust during the period in which the post-cessation shareholding requirement applies, to support enforceability. Acceptance of the post-cessation shareholding requirement will be a condition of participation in all share awards granted after the 2020 AGM and will be included in the grant documentation for awards.

Both Will Gardiner and Andy Skelton have entered into such an agreement.

### Maximum potential value

N/A

### Performance measures

N/A

## Performance measures and approach to setting targets

The measures for elements of variable pay will be:

- In respect of the annual bonus plan, financial, strategic and operational measures consisting of targets set by the Committee each year in conjunction with the Board. The targets are aligned with key business goals determined at the start of each year
- In respect of shares granted under the LTIP from April 2020, a combination of:
  - Relative TSR, which aligns Executive Director remuneration with creation of long-term shareholder value;
  - Cumulative Adjusted EPS, which aligns Executive Director remuneration with the realisation of our earnings growth plans, which is a major determinant of shareholder value.
- The Committee sets targets for the performance measures each year, taking into account market conditions, the business plan and other circumstances as appropriate. A summary of the measures that apply for the following year are disclosed in the Annual Report on Remuneration.

## Elements of previous policy that will continue

Remuneration component and link to strategy	Practical operation	Performance measures
Performance Share Plan awards made in 2019 link long-term share-based incentives to TSR and to the achievement of Business Plan strategic targets.	Vesting is subject to achievement of performance conditions and continued service or “good leaver” termination provisions. Further details of the terms were included in the relevant Annual Report on Remuneration at the time of grant.	Vesting of conditional awards is subject to relative TSR performance and average Group Scorecard outcome over three years.
DSP awards made in 2019 and 2020 until they vest three years later or lapse, as applicable.	Vesting is subject to continued service or “good leaver” termination provisions. Further details of the terms of the awards were included in the relevant Annual Report on Remuneration at the time of grant.	N/A

## Circumstances in which malus or clawback may apply

Malus and clawback for the annual bonus – the Committee may reduce the performance outcome, or may require an Executive Director to repay any amount of cash bonus it considers appropriate, in circumstances of:

- material financial misstatement;
- fraud or misconduct;
- material failure of risk management and corporate failure;
- if assessment of a performance condition is found to have been based on an error, inaccuracy or misleading information;
- in other circumstances that the Committee considers justifying the operation of the clawback provision.

The clawback period is two years from the date a bonus is paid. If a repayment of bonus is required, the Committee may reduce the number of shares that may vest under the DSP or LTIP arrangements by an appropriate amount.

The Committee may also reduce the number of shares, or clawback shares for a two year period commencing on vesting under an LTIP and/or DSP awards in circumstances of:

- material financial misstatement
- fraud or misconduct
- material failure of risk management and corporate failure
- if assessment of a performance condition is found to have been based on an error, inaccuracy or misleading information
- in other circumstances that the Committee considers justifying the operation of these provisions

If a repayment of a share award is required, the Committee may reduce the number of shares that may vest under the DSP or LTIP arrangements, and/or may reduce the amount of any annual bonus by an appropriate amount.

# Remuneration Committee report continued

## Committee's judgement and discretion

In addition to assessing and making judgements on the meeting of performance targets and the appropriate incentives payable, the Committee has certain operational discretions it can exercise in relation to Executive Directors' remuneration. These include, but are not limited to:

- reviewing the formulaic outcome of the cash bonus, DSP and LTIP awards and applying discretion to amend the final outcomes, to ensure that the outcomes reflect overall performance or an individual executive's performance;
- deciding whether to apply malus or clawback to an award;
- determining whether a leaver is a "good leaver".

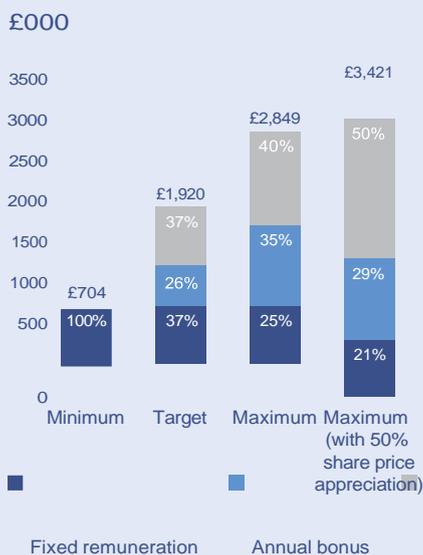
Where such discretion is exercised, it will be explained in the relevant Annual Report on Remuneration.

## Remuneration scenarios

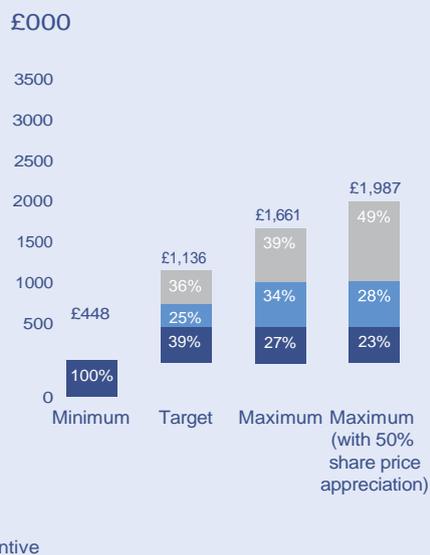
The composition and value of the Executive Directors' remuneration packages at below threshold (minimum), target and maximum performance scenarios under the Drax Group Policy are set out in the charts below. The assumptions used in the charts are provided in the following table:

Description	Fixed remuneration	Annual bonus	Long term incentive
Minimum	Base salary is the rate payable as determined by the Board following the annual review.  Benefits and pension entitlement remain as disclosed in the Policy.	None	None
Target		50% of the maximum opportunity.	62.5% vesting (midpoint between threshold and maximum).
Maximum		Maximum cash bonus and deferred shares (175% of salary for CEO and 150% of salary for other Executive Directors).	Maximum LTIP opportunity (200% of salary for CEO and 175% of salary for other Executive Directors) with no allowance for share price appreciation or dividend equivalents.
Maximum (with 50% share price appreciation)		Maximum cash bonus and deferred shares (175% of salary for CEO and 150% of salary for other Executive Directors).	Maximum LTIP opportunity (200% of salary for CEO and 175% of salary for other Executive Directors) with allowance for 50% share price appreciation over the three-year performance period and no allowance for dividend equivalents.

Will Gardiner (CEO)



Andy Skelton (CFO)



### Approach to recruitment remuneration

The Committee will apply the components of this Policy to determine the remuneration of newly appointed Executive Directors. Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. Where this is below the market level, it will be adjusted over time to align with the market level, subject to good performance. The incentive provision for a new Executive Director will include an annual bonus of up to 150% of salary, or 175% of salary for the CEO, with financial and strategic elements as set out in the Policy table above, and an LTIP award of up to 175% of salary, or 200% of salary for the CEO (in exceptional circumstances the Committee may on recruitment grant a percentage of salary in excess of these amounts but in such circumstances it would be capped at 300% of salary).

The Committee may also determine it appropriate to honour prevailing contract commitments for an individual in the event they are promoted to an Executive Director position.

In relation to Executive Directors appointed from outside the Group, where the Committee considers it to be necessary to secure the appointment of the Executive Director, the Committee may:

- pay compensation for loss of benefits on resignation from a previous employer, such as loss of long-term share incentives (subject to the right to phase any payment to reflect performance, the requirement to mitigate loss and the Group's right to claw back any amount which is subsequently paid to the Executive Director by the former employer, and to claw back an appropriate proportion of the payment if the Executive Director leaves soon after appointment). Any compensation made will not exceed the value of the benefits lost as determined by the Committee acting fairly and reasonably;
- agree a rate for employer pensions contributions, or salary supplements in lieu of pension contribution, which reflects the contribution rate for the wider workforce at the date of appointment;
- make appropriate payments in circumstances where an Executive Director is relocated from outside the UK.

### Service agreements and termination

Executive Directors' service agreements are of indefinite duration, terminable at any time by either party giving 12 months' notice. They are available for inspection at the Group's registered office.

Element	Details
Notice periods	<p>Executive Directors may be required to work during the notice period or may be provided with pay in lieu of notice if not required to work the full notice period.</p> <p>Under each of the Executive Directors' service agreements, the Group has the right to make a payment in lieu of notice of termination, the amount of that payment being the salary and benefits that would have accrued to the Executive Director during the contractual notice period. For the avoidance of any doubt this excludes any performance bonus (or cash equivalent) for the relevant period of unworked notice.</p>
Compensation for loss of office	<p>If an Executive Director's employment is brought to an end by either party, and if the Committee considers that it is necessary to pay the Executive Director a termination payment, the Committee's policy, in the absence of a breach of the service agreement by the Executive Director, is to determine an Executive Director's termination payment in accordance with his/her service agreement. The termination payment will be calculated based on the value of base salary and contractual benefits that would have accrued to the Executive Director during the contractual notice period. The Committee will seek mitigation to reduce the amount of any termination payment to a leaving Executive Director when appropriate to do so, having regard to the circumstances and the law governing the agreement. It may, for example, be appropriate to consider mitigation if the Executive Director has secured another job at a similar level. Mitigation would not apply retrospectively to a contractual payment in lieu of notice.</p> <p>In addition, the Executive Director may be entitled to a payment in respect of his/her statutory rights. The Group may pay reasonable fees for a departing Executive Director to obtain independent legal advice in relation to their termination arrangements and nominal consideration for agreement to any contractual terms protecting the Group's rights following termination. No service agreement includes any provision for the payment of compensation upon termination. Any compensation payable in those circumstances would need to be determined at the time and in the light of the circumstances.</p>

# Remuneration Committee report continued

Element	Details
Treatment of annual bonus on termination	<p>All bonus payments are discretionary. The Committee will consider whether a departing Executive Director should receive a cash bonus and deferred share award in respect of the financial year in which, and/or immediately preceding which, the termination occurs, pro-rated to reflect the period of the performance year completed at the date of termination. The Committee will take into account performance; the reason for termination; cooperation with succession; any breach of goodwill; adherence to contractual obligations/restrictions; and any other factors which they believe should be taken into account. The service contract for Will Gardiner as CEO, does not entitle him to any payment of bonus on termination of employment.</p> <p>If the employment ends in any of the following circumstances, the Executive Director will be treated as a “good leaver” and the Executive Director will be eligible for an annual bonus:</p> <ul style="list-style-type: none"><li>• redundancy;</li><li>• retirement;</li><li>• ill-health or disability, proved to the satisfaction of the Group;</li><li>• death.</li></ul> <p>If the termination is for any other reason, an award will be at the Committee’s discretion and it is the Committee’s policy to ensure that any such award properly reflects the departing Executive Director’s performance and behaviour towards the Group. Therefore the amount of any such award will be determined, taking into account (i) the Executive Director’s personal performance and behaviour towards the Group and (ii) the Group’s performance.</p> <p>If an award is made, it will normally be paid/granted as soon as is reasonably practicable after the Group performance element has been determined for the relevant period. There may be circumstances in which the Committee considers it appropriate for the award to be made earlier, for example, on termination due to ill-health, in which case, on-target performance shall be assumed.</p>
Treatment of unvested long-term incentive and deferred share awards on termination	<p>The Committee will consider the extent to which deferred and conditional share awards held by the Executive Director under the DSP and LTIP should lapse or vest. Any determination by the Committee will be in accordance with the rules of the relevant plan.</p> <p>In summary, the rules of the LTIP provide that awards will vest (pro-rated to the date of employment termination) if employment ends for any of the following reasons (“long-term good leaver reasons”):</p> <ul style="list-style-type: none"><li>• redundancy;</li><li>• retirement;</li><li>• ill-health or disability, proved to the satisfaction of the Company;</li><li>• death;</li><li>• change of control.</li></ul> <p>If employment ends for any other reason, the participant may be deemed a “good leaver” at the Committee’s discretion. In doing so, it will take account of all relevant circumstances, in particular, the Group’s performance; the Executive Director’s performance and behaviour towards the Group during the performance cycle of the relevant awards; and other relevant factors, including the proximity of the award to its maturity date.</p> <p>Awards which vest subject to satisfaction of performance conditions, will be time pro-rated, and will ordinarily vest on the normal vesting date subject to the post-vesting shareholding period.</p> <p>The rules of the DSP provide that deferred bonus awards will vest (in full) if employment ends for any of the good leaver reasons detailed above. If employment ends for any other reason, the participant may be deemed a “good leaver” at the Committee’s discretion. In doing so it will take account of all relevant circumstances, in particular, the Group’s performance; the Executive Director’s performance and behaviour towards the Group during the performance cycle of the relevant awards, and a range of other relevant factors, including the proximity of the award to its maturity date.</p> <p>The rules of the DSP and LTIP also provide that in circumstances where awards vest, they do so at the normal vesting date, unless the Committee exercises discretion to vest awards earlier.</p>
Outside appointments	<p>Executive Directors may accept external Board appointments, subject to the Chair’s approval. Normally only one appointment to a listed company would be approved. Fees may be retained by the Executive Director.</p>

### Consideration of circumstances for leavers

The Committee will consider whether the overall value of any benefits accruing to a leaving Executive Director is fair and appropriate, taking account of all relevant circumstances. Examples of circumstances in which the Committee may be minded to award a cash bonus, DSP award and/or permit the vesting of LTIP and/or DSP awards include:

- the Executive Director's continued good performance up to and following the giving of notice;
- the Executive Director accommodating the Company in the timing of his/her departure and handover arrangements.

Conversely, the Committee may be minded not to allow such payments if the reason for the departure is (for example) due to poor performance or if the Executive Director does not continue to perform appropriately following notice.

### Remuneration of Non-Executive Directors and Chair

#### Remuneration component and link to strategy

**Fees**  
To attract a Chair and independent Non-Executive Directors who, together with the Executive Directors, form a Board with a broad range of skills and experience.

#### Practical operation

The Chair's remuneration is determined by the Committee whilst that of the other Non-Executive Directors is determined by the Chair and the Executive Directors. These are determined in the light of:

- fees of the Chair and Non-Executive Directors of other listed companies selected for comparator purposes, on the same basis as for Executive Directors;
- the responsibilities and time commitment;
- the need to attract and retain individuals with the necessary skills and experience.

Non-Executive Directors' fees are reviewed periodically against market comparators.

Non-Executive Directors receive an annual base fee. Additional annual fees are paid:

- to the Senior Independent Director (which includes the fee for chairing a Board Committee other than the Audit Committee);
- to the Chair of the Audit Committee;
- to the Chair of the Remuneration Committee;
- to the Chair of any other committee (this is not paid to the Chair of the Nomination Committee if he or she is also the Chair of the Board).

Non-Executive Directors are not entitled to participate in any performance related remuneration arrangements.

#### Maximum potential value

Overall aggregate fees paid to all Non-Executive Directors will remain within the limit as stated in the Company's Articles (currently £1,000,000).

#### Expenses

Reasonable travel and accommodation expenses are reimbursed as applicable.

Non-Executive Directors do not receive any benefits in kind, nor are they eligible for any annual performance bonus, pension or any of the Group's share-based reward plans.

The Chair's notice period is six months whilst the other Non-Executive Directors have a notice period of one month. Further information on the service agreements of the Non-Executive Directors can be found on page 129 of the Annual Report & Accounts 2020.

# Remuneration Committee report continued

## Differences between the policy and that of the remuneration of employees generally

The following differences apply between the remuneration of Executive Directors and the policy on the remuneration of employees generally:

- Executive Directors and a number of senior employees are eligible for LTIP awards, although there are differences in the quantum of the grants that are made;
- Annual bonus levels vary across the workforce, but deferral of bonuses into DSP awards applies only to Executive Directors;
- Employees in the collective bargaining unit have a contractual right to receive an annual bonus, subject to the Group's performance and continued employment, whereas Executive Directors and all other UK-based employees participate in a discretionary bonus plan;
- Employer pension contribution (or salary supplement) are up to 10% of salary for new joiners from 1 July 2019, irrespective of seniority. There are legacy pension contribution arrangements which continue to be in operation for employees who joined prior to 1 July 2019. From 1 January 2023 the contribution rates for existing Executive Directors will be aligned with the rate for new joiners to the wider workforce (currently 10% of salary);
- In some cases hourly paid employees qualify for overtime payments.

## Context

### Wider employee population

In determining Executive Director remuneration, the Committee also takes into account the level of general pay increases within the Group. Employees are not directly consulted on the Policy, however as referenced on page 110 of the Annual Report & Accounts 2020, there are a number of existing channels designed to capture the views of the workforce on remuneration, including the MyVoice forums.

The Committee's policy is that annual salary increases for Executive Directors should not exceed the average annual salary increase for the wider employee population unless there is a particular reason for a higher increase, such as a change in the nature or scope of responsibilities or if an Executive Director has been appointed at a salary below market level reflecting experience in the role.

The Committee also considers external market benchmarking to inform executive remuneration decisions. External market benchmarking is also considered in relation to remuneration decisions of the wider workforce.

### Environmental, social and governance issues

The Committee is able to consider corporate performance on environmental, social and governance issues when setting the remuneration of Executive Directors. Specific measures can be included in the strategic element of the annual bonus. The Committee is also able to consider these issues in determining whether to exercise its discretion to adjust formulaic outcomes of the annual bonus and LTIP.