Remuneration Policy of Pepco Group N.V. (the *Company*)

This document sets out the Company's Remuneration Policy (the ***Policy***) as adopted by the General Meeting on 20 May 2021. The Policy will be reviewed and (re-)adopted by General Meeting at least every three years, requiring a simple majority decision of the General Meeting. Annually the Board will report to the General Meeting on the manner in which the Policy was implemented with respect to the remuneration of the Directors during the past financial year. The General Meeting has an advisory vote on the remuneration report.

Introduction

The Policy is designed to incentivise and reward long-term, sustainable growth of the Company, meet the WSE Corporate Governance Code and best practice and the guidelines of institutional shareholders and advisory bodies. The Policy is compliant with the Dutch Civil Code and takes into account the rules provided in the WSE Corporate Governance Code applicable to Directors.

The Policy contributes to the business strategy, the long-term interests, and the sustainability of the Company by:

- providing remuneration opportunities that are intended to attract and retain qualified Executive Directors
- including performance measures and targets that are aligned with the business strategy
- enabling the Remuneration Committee to recover payments made in circumstances that did not warrant the payment
- balancing the levels of fixed and variable pay in a manner suitable to the Company's circumstances
- delivering the long-term incentive element in shares and requiring demanding levels of shareholding to be built and maintained by Executive Directors
- being satisfactorily tested against the following six factors:

1) **Clarity** – the Policy will be as clear as possible and the implementation will be described in straightforward concise terms to stakeholders, including shareholders and the workforce annually in the Remuneration Report.
2) **Simplicity –** remuneration structures are as simple as possible and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance and strategy and minimising the risk of rewarding failure.
3) **Risk –** the Policy has been shaped to discourage inappropriate risk taking and enhance sustainability through a weighting of incentive pay towards long term incentives, a balance between financial and non-financial measures in the annual bonus, and a minimum five year period between the grant of any long term incentives and the date Executives are freely able to dispose of their shares.
4) **Predictability** – elements of the Policy are subject to caps and dilution limits. The Remuneration Committee (the ***Remuneration Committee***) may exercise its discretion to adjust the out-turn if a formula-driven incentive pay-out is inappropriate in the circumstances. However, all payments made to Directors will be made in line with the Policy in force at the time, unless it is necessary to deviate from applying the Policy in force at the time to ensure the long-term interests and stability of the Company or for its profitability, in which case the Company may temporarily deviate from applying the Policy

in relation to the individual covered by the Policy. In all other cases specific shareholder approval will be sought prior to any payments or awards being made outside of Policy.

5) **Proportionality** – there will be a sensible balance between fixed pay and variable pay and incentive pay will be weighted to sustainable long-term performance. Incentive plans will be subject to performance conditions that consider both financial and non-financial performance linked to strategy and long-term value creation and stability. Outcomes will not reward poor performance.
6) **Alignment to culture and values**– The Remuneration Committee will consider company culture and wider workforce policies and pay levels when shaping and developing Executive remuneration policies to ensure there is coherence across the organisation whilst avoiding discrimination. There will be an emphasis on fairness of remuneration outcomes across the workforce and in the context of wider society. The discretions afforded to the Remuneration Committee enable it to amend the formulaic outcomes from incentives or Executive Directors in a number of circumstances and they will enable it to take these issues into account.

The Remuneration Committee considers the way that employees in the Group are remunerated in applying the Policy.

Employees are paid in line with the legal obligations in each country and for those where it is relevant, generally the most senior, a portion of their pay varies with performance.
The Remuneration Committee monitors (i) the statutory minimum pay requirements, (ii) other recommended minimum levels of pay, (iii) various ratios of senior executive pay to employee pay and (iv) salary and benefits increases across the Group's employees in determining the Executive Directors' pay levels and increases from year to year.

The Remuneration Committee is also conscious of the Group's identity, mission, values, customers' viewpoint and culture in making its decisions in relation to the implementation of the Policy each year. It receives periodic updates on these factors from within the Group and seeks external advice when it is felt to be relevant. The focus on profitability within the incentive measures enables reinvestment to take place to sustain the growth in the business and is intended to help achieve our vision to build Europe's pre-eminent discount variety retailer. This is a key-way to enable the business to deliver its mission to provide a mum on a budget with her regular shopping needs at the lowest price within apparel, homewares-led general merchandise and FMCG.

The Group values of **simplicity**, **integrity** and **teamwork** are themes running through how the Policy operates with shareholder alignment through equity-based incentives and shareholder value creation emphasising the fourth value of **enterprise** for the talented entrepreneurs leading the Group's businesses.

The Policy will apply for a maximum of three years with periodic reviews to confirm its continued appropriateness.

In case of revision of the Policy, the relevant proposal shall describe and explain all significant changes and the decision-making process followed for its determination, review and implementation. It shall also explain how the votes and views of the General Meeting and other stakeholders of the Policy since the most recent vote on the Policy by the General Meeting have been taken into account. This Policy and any revised Policy, including information on the date and the results of the vote at the General Meeting, will be available free of charge on the Company's website. The Policy will remain publicly available while it is applicable.

If proposed amendments to the Policy are not adopted by the General Meeting, the Company shall continue to remunerate the Board in accordance with the existing adopted Policy and it may submit a revised Policy for approval at the next General Meeting.

The Policy will apply to all remuneration arrangements for directors unless it is necessary for the long-term interests and stability of the company or for its profitability, in which case the Company may temporarily deviate from applying the Policy in relation to the individual covered by the Policy.

Internal Pay ratios

When determining the total remuneration of the Executive Directors, the Remuneration Committee will consider the internal pay ratio of the appropriate external benchmark and the Company's position within the external benchmark. In addition, increases provided to other employees are taken into account.

In line with the Dutch Civil Code, the executive pay ratio and the trend will be disclosed in the annual Remuneration Report. The basis of the pay ratio comparison uses the Dutch methodology of average employee remuneration.

Remuneration components for the executive Directors

The following elements of the Policy have been designed to be related to relevant market levels and complement one another. The elements of fixed pay seek to ensure that no inappropriate levels of risk are taken by individuals to receive a sustainable level of remuneration. The bonus and long-term incentives complement one another by incentivising the achievement of corporate financial performance in the short term and then over the longer term through the Company's total shareholder return. Each element of remuneration has a specific role to play and does not duplicate with another as described below.

Base Salary

Base salaries will be determined taking into account several factors including the Director's role, experience and skills, and market data.

Increases will generally be in line with the increase for the rest of the workforce but the Remuneration Committee retains the discretion to increase salaries above this rate where appropriate (for example a material change to the scope of the role), or where the salary is materially out of line with market levels.

Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in role. In such cases, subsequent increases in salary may be higher than the average until the target positioning is achieved.

Pension and benefits

The Executive Directors currently receive a consolidated salary payment that includes a cash alternative for certain benefits, including pension benefit at rates consistent with the wider applicable workforce.

To the extent any new Executive Directors join the Board in the future, their pension contribution rate will be in line with the applicable workforce rate at that time. Any changes in the workforce pension arrangements may be reflected in Executive Director remuneration. In addition, the Executive Directors receive benefits which include family private health cover, life assurance cover and car allowance. Executive Directors will be eligible for the same benefits offered to the general workforce.

Variable remuneration

The Executive Directors are eligible to receive short term and long-term variable remuneration. Payment of the remuneration is dependent on the achievement of pre-established financial and non-financial targets. Both the short and long-term incentives, are linked to predetermined, measurable objectives which may be key performance indicators and correlate with the business strategy. Performance targets are set at a level to maintain good financial health enabling the Company to perform well, deliver shareholder returns and invest sustainably to achieve the strategic goals.

Scenario analyses are carried out annually to examine the relationship between the performance criteria chosen and the possible outcomes for the variable remuneration of the Executive Directors to ensure a link between remuneration and performance. The outcome is used to verify whether chosen performance criteria sufficiently support the Company's strategic objectives and are appropriate under both the short-term and long-term incentive components of total remuneration.

Annual Bonus Plan

The objectives of the annual bonus plan are to align the interests of Executive Directors to those of the Company and deliver reward only where performance warrants it. This is achieved through the performance measures selected and the targets that determine how much of the annual bonus will be earned in any year. Performance measures are aligned to the business strategy and stretching target ranges are set in the context of the business's challenges for the year

Executive Directors will be eligible to participate in an annual bonus plan for FY2021 and onwards. The maximum bonus payable to the CEO and CFO is up to 150% of salary. The annual bonus will be paid entirely in cash following the determination of the performance targets being met.

Bonus pay-outs will be determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Remuneration Committee. No more than 30% of the overall bonus opportunity can be payable by reference to performance against personal and strategic targets.

The FY2021 annual bonus award is based on EBITDA targets alone with a maximum opportunity of 80% of salary.

The FY2022 annual bonus award will be based on 70% profit before tax (***PBT***) targets, with the remaining 30% based on strategic targets and a maximum opportunity of 100% of salary.

In future years, any combination of PBT, Return on Investment, Cashflow and other corporate financial measures may make up the financial element of the bonus which will be at least 70% of the overall opportunity. The Remuneration Committee will provide appropriate levels of disclosure on a retrospective basis of the bonus targets used in the prior year in the relevant Directors' Remuneration Report, subject to issues of commercial sensitivity.

The Remuneration Committee relies on the financial results from the audited accounts and assess any non-corporate financial performance targets using the expertise of independent advisers or recommendations from the Company's Non-Executive Directors. It may also rely on calculations performed by the internal audit function.
Discretion to adjust the provisional bonus outturn may be exercised in cases where the Remuneration Committee believes that it would be appropriate to ensure that the amount of any bonus is reflective of the underlying business performance of the Group and/or wider circumstances.

Long Term Incentive Plan ("LTIP")

The Group implemented and has made grants under an equity plan called the Value Creation Plan (***VCP***) to the Executive Directors and selected senior executives and under the Equity Award Plan (***EAP***) to the CFO. Under the VCP, conditional awards have been granted which will convert into nil cost options over the Company's shares to the extent the required hurdles are reached over each of the financial years up to and including 2024.
Under the EAP nil cost options have been granted which will, if the associated performance target has been met, enable the award holder to acquire for nil payment shares in the Company. No new grants will be made under the EAP.

The Group may implement a new LTIP plan or amend existing plans subject to shareholder approval in a future General Meeting.

To the extent a new LTIP is implemented, awards will not be made to the current Executive Directors until 1 April 2024 at the earliest. Any awards made under a new LTIP will be linked to the Company's long-term business and financial goals and the period between allocation and the ability to receive shares will be no less than three years.

The rules of any new LTIP will operate as follows:

Awards may be granted over Shares with a value at that time of up to 250% of salary per annum, in the form of nil cost options that will be subject to performance conditions before they can vest, which will not normally be for 3 years. A post-vesting holding period may apply, during which the participant cannot sell the underlying Shares within five years of grant, other than to meet tax and social security obligations in relation to the awards.

Performance conditions that govern the vesting of LTIP awards will be based on financial measures (eg PBT, Earnings Per Share, Return on Investment, Cashflow or other corporate measures) in respect of at least 70% of the award with the balance determined by personal and strategic measures.

Malus and clawback, cessation of employment, takeover and corporate events, non transferability and dividend equivalent provisions consistent with those applying in the VCP Plan and applicable law will apply to LTIP awards.]

Recovery and withholding provisions

In accordance with the Dutch Civil Code, the Non-Executive Directors will be entitled, on behalf of the Company, to recover variable payments paid to Directors, in full or in part, to the extent that payment thereof has been made on the basis of incorrect information about the realisation of the underlying goals or about the circumstances from which the entitlement to the bonus arose. Furthermore, the Non-Executive Directors may adjust the outcome of variable remuneration to an appropriate level if payment of the variable remuneration is unacceptable according to the requirement of reasonableness and fairness. Any application of claw-back or discretion will be disclosed and explained in the Company's annual Remuneration Report.

The recovery and withholding provisions applying to any new LTIP will be considered before implementation to ensure compliance with law and with relevant market practice at the time.

Shareholding Requirements

During employment, Executive Directors are required to build and maintain a shareholding equivalent to 300% and 200% of their base salary for the CEO and other Executive Directors respectively. Executive Directors will be encouraged to build up their shareholding over time by retaining at least 50% of the net of tax (and social security) value of shares received under the incentive plans until the requirement is met.

Recruitment policy

Consistent with market practice, remuneration packages for any new appointments to the Board (including internal hires) will be set in line with the Policy. For external appointments, the Company recognises that it may need to provide remuneration for forfeited awards from the previous employer ("buy-out awards"). To the extent possible, the design of buy-out awards will be made on a broadly like-for-like basis and shall be no more generous than the terms of the incentives it is replacing, taking into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting and the likelihood of vesting.

Termination of employment policy

Executive Directors have a service contract requiring 6 months' notice of termination from either party. The Company may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary, benefits and pension, with any such payments normally being paid in monthly instalments over the remaining notice period. Payments would be reduced to offset earnings from other employment.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the executive Director may have. There is currently no provision for additional remuneration on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday.

Treatment of other elements of the Policy (including the annual bonus and VCP), will vary depending on whether a Director is defined as a "good" or "bad" leaver. "Bad" leavers will not be eligible to receive an annual bonus pay-out and outstanding awards will lapse. However, in certain circumstances, at the discretion of the Remuneration Committee, good leaver status may be applied. Good leavers will generally be eligible to receive an annual bonus pay-out and outstanding VCP (and any future LTIP) awards. The annual bonus, VCP, EAP (and any future LTIP) awards will be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time pro-rata basis. The Remuneration Committee will have the ability to allow the awards to vest with no time pro-rating in exceptional circumstances.

All-employee share plans

The Executive Directors are eligible to participate in any all-employee share plan operated by the Company. Participation will be capped by the limits imposed by any relevant tax authorities in relation to the respective plan that might be operated.

Discretions retained by the Remuneration Committee

The Remuneration Committee may apply discretion where permitted by the various plan rules in operating the various incentive plans including in relation to:

- Determining vesting under the incentive plans
- Determining the status of leavers and, where relevant, the extent of vesting
- Determining the payments due in the event of a change of control
- Making appropriate adjustments required in certain circumstances (eg rights issues, corporate restructuring events, variation of capital and special dividends)
- Adjusting existing targets if events occur that cause the Remuneration Committee to determine that the targets set are no longer appropriate and that amendment is required so the relevant award can achieve its original intended purpose, provided that the new targets are not materially less difficult to satisfy in the opinion of the Remuneration Committee.

Statement of conditions elsewhere in the Company

The Remuneration Committee will consider pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee will consider the range of base pay increases across the Group as well as wider workforce remuneration and related policies.

Consideration of shareholder views

The Remuneration Committee will take the views of stakeholders, including shareholders, seriously and these views will be taken into account in shaping Policy and practice. Shareholder views will be considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Policy.

Non-executive Directors

The Chairman of the Board and independent Non-executive Directors have letters of appointment with an initial three-year term. The Chairman of the Board receives an all-inclusive fee of £400,000 gross. Independent Non-executive Directors are paid a base fee of £60,000 gross and the following additional fees for acting as Chair of Board Committees:

- Audit Committee: £15,000 gross per annum; and

- Remuneration Committee: £15,000 gross per annum.

The chair of the Nomination Committee will not receive additional cash compensation.

The other Non-executive Directors who are not independent Non-executive Directors, will not receive a fee for their services.

Reasonable expenses incurred in carrying out their duties may be reimbursed including any personal income tax payable by the Non-Executive Directors as a result of reimbursement of those expenses. Fees are reviewed periodically.

Neither the Chairman of the Board nor the Non-executive Directors will participate in any incentive plans.