Directors' Remuneration Policy
(adopted at the AGM 2 February 2023)

Introduction

The Policy is designed to incentivise and reward long-term, sustainable growth of the Company.

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; and
- being satisfactorily tested against the following six factors:
    - 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.
    - 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.
    - 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 Executive Directors are freely able to dispose of their shares.
    - Predictability – elements of the Policy are subject to caps and dilution limits. The Remuneration Committee may exercise its discretion to adjust the outturn if a formula-driven incentive payout 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 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 relevant individual. In all other cases specific shareholder approval will be sought prior to any payments or awards being made outside of the Policy.
    - 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.
    - Alignment to culture and values – the Remuneration Committee considers 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 is 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 several 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.

The Remuneration Committee is also conscious of the Group's identity, mission, values, customer 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 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 to all remuneration arrangements for Directors unless it is necessary, for the long-term interests and stability of the Company or for its profitability, to 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 considers 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 considered.

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. Each element of remuneration has a specific role to play and does not duplicate another as described below.

Base salary

Base salaries will be determined considering 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 previous Executive Directors received a consolidated salary payment that includes a cash alternative for certain benefits, including pension benefit at rates consistent with the wider applicable workforce. Trevor Masters and Neil Galloway will receive a separate pension entitlement either in the form of participation in a defined contribution pension scheme with 5% employee and 8% employer contribution or cash in lieu of pension at a rate of 13% of base salary, consistent with that of the wider workforce. Any changes in the workforce pension arrangements may be reflected in Executive Director remuneration. In addition, the Executive Directors received benefits which included 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' challenges for the year.

The maximum bonus payable to any Executive Director will be 150% of salary. The annual bonus will be paid entirely in cash following the determination of the performance targets being met.

Bonus payouts 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 20% of the overall bonus opportunity can be payable by reference to performance against personal and strategic targets.

In future years, any combination of EBITDA, return on investment, cash flow and other corporate financial measures may make up the financial element of the bonus, which will be at least 80% of the overall opportunity. Bonus targets used will be disclosed in the relevant Directors' remuneration report in the following year, subject to issues of commercial sensitivity.

The Remuneration Committee relies on the financial results from the audited accounts and assesses any non-corporate financial performance targets using the expertise of independent advisors 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 plans

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 previous CFO. Under the VCP, participation rights have been granted to participants 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 2026.

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.

Under the LTIP, awards will not be made to the current Executive Directors until 1 April 2024 at the earliest. Any awards made under the 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 likely performance metrics to be used will be a combination of adjusted earnings per share, shareholder value and an ESG metric.

Operation of the VCP

The Value Creation Plan (VCP) is a share plan that was offered to select senior members of staff with the intention of incentivising the successful delivery of the Group's strategic and financial objectives with a goal of promoting a sustained growth strategy for the Group. The VCP gives the participants a participation right in the plan which is then converted to a nil-cost option over shares in the Company to the extent the relevant performance hurdles are achieved.

The VCP rewards performance over the five-year period, 1 October 2019 until 30 September 2024. For current participants (that are still employed by the Group) and new participants, the plan will be extended for a further two years to 30 September 2026 and the base year valuation for 1 October 2022 will be reset using the share price from mid-November to mid-December 2022.

Offset of existing awards

Where participants have received founder shares or participated in the Pepco LTIP (a cash plan operated at subsidiary company level for a limited number of senior executives in that business) previously, the amount that may pay out under the VCP will be reduced to offset the value received under those plans. The participation of Andy Bond in the VCP following his appointment as Chair of the Board will not be subject to offset against his founder shares.

How does it operate?

Participants share in a set percentage of growth above a fixed hurdle of a 10% pa increase in value of the shares from 1 October 2019 (or 1 October 2022 if approved by shareholders at the 2023 AGM). Each participant has been allocated their own share of the upside above the hurdle out of the total pool of 6.90% (reduced to 6.5% if shareholders approve the changes at the 2023 AGM). The previous CEO is in receipt of 2.5% and the previous CFO of 0.6%. The current CEO has been awarded an allocation of 0.85% which will increase to 2.0% during the financial year ending 30 September 2023. The new Group CFO will receive an allocation of 0.6% and, if approved by shareholders, the new Chair of the Board will receive an allocation of 1.0%. His existing nil cost options that were granted whilst he was in the role of CEO will then lapse. When the VCP value is calculated participants receive their share in the value of the whole Company.

The value created above the hurdle is measured annually and "banked" as nil-cost option grants for the initial five-year period (extended by two years if approved at the 2023 AGM). However, payouts can occur over a period of up to nine years where there has been exceptional performance.

To the extent the hurdles are achieved at the end of year three any award of nil-cost options will vest based on their original terms (as disclosed last year); i.e. they will vest as follows:

- at the end of year three, 50% of the banked awards of nil-cost options from years one, two and three will vest (Tranche one);
- at the end of year four, 50% of the unvested awards of nil-cost options from years one to three will vest (Tranche two);
- all remaining parts of the awards of nil-cost options from years one to three will vest at the end of year five (Tranche three);
- to the extent the hurdle at year five is not met, any unvested awards of nil-cost options will lapse but the vested awards are retained.

To the extent the hurdles are achieved at the end of year 5, 6, and 7 any award of nil cost options will vest according to the amended rules, as follows:

- At the end of year 5, 50% of the unvested awards of nil cost options from year 4 will vest (Tranche 4);

- At the end of year 6, 50% of the unvested awards of nil cost options from years 4 and 5 will vest (Tranche 5);
- All remaining parts of the award of nil cost options will vest at the end of year 7 (Tranche 6);
- To the extent that the hurdle in year 7 is not met, any unvested awards of nil cost options will lapse, however the vested awards are retained;
- Nil cost options granted in relation to years 4 and 5, even though vested, will not be able to be exercised until 1 October 2025 at the earliest.

In relation to the measurement date in January 2023, the hurdle will have increased since the start of the VCP on 1 October 2019 (€4.0bn) by 10% pa to €5.324bn. Any additional value created above the €5.324bn hurdle is to be shared with all of those in the VCP, including the current CEO and previous CEO based on their participation percentages, with the participation of the previous CEO being pro-rated to reflect his time in the role. The value of shares (TSR) is measured post the announcement of financial results (mid-January) using the 30-day average market capitalisation. This hurdle each year is the higher of: (i) 10% pa above the initial €4.0bn value; and (ii) all the previous year's actual 30-day average value.

The 2022 option allocation for VCP participants who are currently employed within the Group will also be underpinned against budgeted EBITDA targets for 2023 and 2024. Should these targets be met, the option will vest. However, if the option vests as per the original plan, this underpin will fall away.

If shareholders so approve at the 2023 AGM, then for the January 2024 measurement date, the starting valuation will be reset to the Company's value in the 30 days preceding the results announcement in December 2022 ("the December 2022 Value"), with the 10% pa hurdle applying from this date. Any additional value created above the December 2022 Value indexed up by 10% is then shared with all those in the VCP and still employed, based on their participation percentages. This basis will be used to calculate nil-cost options to be granted for years 4, 5, 6 and 7. An overall earnings cap will be applied of €52m per annum for the VCP, irrespective of the additional value generated. If this cap is met, the value will be pro-rated using the 6.5% plan total, irrespectively of whether the full 6.5% has been allocated or not. Any value created above the cap will be capable of being earned in future years as the "high water mark" of valuation will equal the value at which the cap is applied. In addition, if any nil-cost options are granted in years 4, 5 and 6 then there will be a one year delay before the hurdle test described above will apply to these nil-cost options. The final hurdle test will then apply for year 7 (financial year ended 30 September 2026).

Malus and clawback

Malus and clawback provisions apply to the awards.

Annual cap

Vesting is also subject to an annual cap of €14m for Andy Bond (designate chair), €20m for Trevor Masters (current CEO) and a maximum cap of €10m for any other Executive Director. Any nil cost options that have met the hurdle tests but not have not vested by the end of the 9th year (i.e. 30 September 2028) due to the application of an annual cap will vest irrespective of the application of the cap.

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 based on 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 clawback or discretion will be disclosed and explained in the relevant 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 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 six 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 an Executive Director is defined as a "good" or "bad" leaver. Bad leavers will not be eligible to receive an annual bonus payout 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 payout and outstanding VCP (and any future LTIP) awards. The annual bonus, VCP and 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 when 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 (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- 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.

To the extent discretion is applied in a year, this will be disclosed in the relevant Directors' remuneration report.

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 Chair of the Board and independent Non-Executive Directors have letters of appointment with an initial three-year term. The Chair 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.

Subject to shareholder approval at the 2023 AGM, the fees for the independent Non-Executive Directors and the Chairs of the Remuneration Committee and Audit Committee will be increased by 5% with effect from 1 October 2022. In subsequent years the fees for the Chair of the Board, independent Non-Executive Directors and Chairs of Board Committees will be subject to annual review providing for increases normally up to the increase for the workforce but with the Board retaining the discretion to increase fees above this rate where appropriate (for example a material change to the scope of the role), or where the fee is materially out of line with market levels.

With the exception of the designate Chair of the Board, the Non-Executive Directors who are not independent 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 because of reimbursement of those expenses. Fees are reviewed periodically.

Other than the designated Chair of the Board, who will participate in the VCP, the other Non-Executive Directors will not participate in any incentive plans.

The proportion of fixed and variable remuneration

To support the Policy's objectives to deliver long-term sustainable success of the Company, the remuneration package of our Executive Directors includes a mix of fixed and variable remuneration.

The proportion for 2023 is approximately 61% for fixed pay and 39% for variable remuneration on a target basis.

Variable pay is split between the annual bonus and long-term incentives, with 0% being subject to longer-term performance measures in 2022. On a target basis, we would not consider the VCP to have inherent value at target and it has therefore been excluded as this is the first year the VCP has created any value for the Executive Directors as performance against the hurdles has now been determined.