

## Directors' Remuneration Policy

(adopted at the AGM 2 February 2023, amended at the AGM 15 March 2024 and further amended at the EGM 7 June 2024)

### 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:
  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 Executive Directors are freely able to dispose of their shares.

4. *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.
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 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*

Executive Directors will receive a separate pension entitlement either in the form of participation in a defined contribution pension scheme with up to 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. Executive Directors are eligible to receive other benefits including 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 nonfinancial 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 bonus payable to any Executive Director will be a maximum of 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 will be payable by reference to performance against personal and strategic targets.

Key financial measures will comprise of 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 (LTIPs)*

The Group will have 3 long term incentive plans, namely;

VCP (Value Creation Plan): introduced in 2020, it has a single participant remaining and will run until the end of the 2025 financial year, with the outcome measured in January 2026.

PSP (Performance Share Plan, and previously referred to as the LTIP): introduced for the 2023-24 financial year and will be the main LTIP for the Executive Directors and other employees. It has a 3 year performance period.

SMP (Share Matching Plan): a new plan proposed to be introduced on 1 July 2024 to allow Executive Directors and other employees to directly invest in Pepco shares and receive a certain number of matching shares. It has a 5 year performance period.

#### *VCP*

The VCP was largely replaced with the PSP in December 2023, leaving one remaining participant. The Company does not anticipate making any further grants under the VCP.

Participants share in a set percentage of market capitalization growth above a fixed hurdle of a 10% per annum increase in the value of the market capitalization from 1 October 2022. Each participant has been allocated their own share of the upside above the hurdle out of the total pool of 6.5%. Andy Bond, the sole remaining participant, (in his capacity as the Chair of the Board) has received an allocation of 1.0%. 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 seven-year period. However, payouts can occur over a period of up to nine years where there has been exceptional performance.

An overall earnings cap of €52m per annum applies, irrespective of the additional value generated. If this cap is met, the value will be pro-rated using the 6.5% plan total, irrespective 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 (chair), and a maximum cap of €10m for any Executive Director. Any nil cost options that have met the hurdle tests but not have not vested by the end of the 9<sup>th</sup> year (i.e. 30 September 2028) due to the application of an annual cap will vest irrespective of the application of the cap.

### *February 2021*

Exceptionally, the nil cost options granted under the VCP in February 2021 will have a final vesting opportunity in January 2025 subject to satisfaction of the vesting measures set for the fiscal year 2023-24.

### *PSP*

Under the PSP, individuals are granted awards either as performance share awards or restricted stock units (RSUs). The maximum market value of shares that may be awarded to any one participant in each year is 300% of salary (comprising a maximum of 300% of salary for performance share awards, 150% of salary for RSUs or a combination of the two in the same proportions). Performance share awards will have performance conditions that are normally assessed over three years. Awards may be subject to a holding period and a holding period of two years will apply to Executive Directors. Malus and clawback provisions apply to the awards.

### *SMP*

Individuals invited to participate in the SMP may invest up to two times their base salary (the Investment Amount) in shares within a 12-month period and be granted a matching award that gives them the right to receive matching shares at the end of the third, fourth and fifth financial years (with the first financial year being the year in which the grant date falls) subject to the achievement of performance conditions. The total number of matching shares under the matching award may be up to six times the number of invested shares in aggregate. A participant in the SMP may not normally be awarded restricted stock units RSUs under the PSP.

### *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 claw back 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. If an Executive Director relocates to perform their role, additional support may be provided for a defined period of time (including, but not limited to, temporary accommodation, flights, immigration assistance and relocation allowance).

#### *Termination of employment policy*

Executive Directors have a service contract requiring up to twelve 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, SMP and 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 £78,000 gross and the following additional fees:

- Membership of a Board Committee: £7,000 gross per annum per Board Committee;
- Chair of the Audit Committee: £28,000 gross per annum;
- Chair of the Remuneration Committee: £23,000 gross per annum;
- Chair of the Nomination Committee: £18,000 gross per annum; and
- Senior Independent Director: £18,000 gross per annum.

The fees for the Chair of the Board, independent Non-Executive Directors, members and Chairs of Board Committees and the Senior Independent Director 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 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 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.