

DIRECTORS' REMUNERATION REPORT



'In an extraordinary year, our diversified business model and entrepreneurial culture has generated exceptional performance and the remuneration of the executives for 2020 recognises this. Following extensive consultation with shareholders, the Committee is proposing some changes to our long term incentives to ensure that they drive the right actions from business leaders.'

Vanda Murray OBE
Chair of the Remuneration Committee

The responsibilities and operation of the Committee

Committee membership role and remit

The Committee comprises all of the independent non-executive directors of the Company. While neither the Chairman nor the Chief Executive Officer are members of the Committee, they normally attend meetings by invitation. The Director of Group Human Resources, who acts as secretary to the Committee, also attends meetings. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2020, but remain unchanged, are available on the Company's website, www.bunzl.com.

No director plays any part in determining his or her remuneration. During the year ended 31 December 2020, both the Chief Executive Officer and the Chairman were consulted and invited to attend meetings of the Committee but were not present during any part of the meeting when their own remuneration was under consideration.

The independent non-executive directors who were members of the Committee during 2020 are listed in the table below:

Committee membership

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attended
Vanda Murray	1 February 2015	4	4
Lloyd Pitchford	1 March 2017	4	4
Stephan Nanninga	1 May 2017	4	4
Eugenia Ulasewicz*	20 April 2011	1	1
Vin Murria**	1 June 2020	3	3
Maria Fernanda Mejia***	23 December 2020	0	0

* Retired from the Board on 15 April 2020.

** Joined the Board on 1 June 2020.

*** Joined the Board on 23 December 2020.

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

The key responsibilities of the Committee include:

- ensuring that executive directors and senior executives are properly incentivised to attract, retain and fairly reward them for their individual contribution to the Company, having due regard to the policies and practices applied to the rest of the employees within the Group;

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

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), the Code and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

In accordance with the Regulations, at the 2021 Annual General Meeting ('AGM') the Company will be asking shareholders to vote on an advisory vote on the Annual report on directors' remuneration as set out on pages 128 to 139 which provides details of the remuneration earned by directors for performance in the year ended 31 December 2020. The directors' remuneration policy was approved by shareholders in a binding vote at the 2020 AGM and will be resubmitted to shareholders for a binding vote at the 2021 AGM because further changes are proposed this year, for the reasons explained in the Chair's introduction. There will also be a vote on the proposed amendments to the existing LTIP to facilitate the implementation of the new policy.

Introduction from Vanda Murray

I am pleased to present the Directors' remuneration report for the year ended 31 December 2020.

Context of remuneration

Shortly after the start of the 2020 financial year, the full force of the Covid-19 pandemic became apparent and, as has been well documented, this has had, and will continue to have, a significant impact on the global economy and on our six market sectors spanning over 30 countries. In these extraordinary circumstances, our front line colleagues went above and beyond to meet the needs of our customers in terms of essential products and services.

As the Covid-19 situation began to evolve, our key priority was the continued safety and well-being of our Bunzl colleagues, customers and suppliers and appropriate safeguards were implemented in a timely manner. Alongside this, given the uncertainty, the Board took prudent and swift action to protect the Company's financial position and this included a temporary freeze on acquisitions, stopping discretionary spend and, notwithstanding the Company's balance sheet strength, we initially took the decision not to pay the final year dividend for the year ended 31 December 2019. Furthermore, the Board and broader leadership team voluntarily took a 20% reduction in their fees and salaries during the second quarter of 2020.

Our ability to respond quickly and effectively to the crisis has been underpinned by the strength of our supply chain. The business was also able to resume acquisitions in the second half, reinstate the 2019 final dividend through an additional payment alongside the increased 2020 interim dividend and the proposed 2020 final dividend announced today (thereby making it a 28th year of consecutive dividend growth), repay employee-related government support packages and bring forward the settlement of tax deferrals where possible. We also significantly increased our charitable donations for the year, and ensured that our frontline colleagues were rewarded with additional bonuses in some critical businesses.

Bunzl has produced an exceptional set of results in 2020 against the background of a unique set of economic and market conditions. Clearly, some parts of our business, particularly those operating

in the foodservice and non-food retail sectors faced real challenges, but the other areas, principally those serving the healthcare, safety and cleaning & hygiene sectors, were extremely successful in capturing opportunities to support the global response to the pandemic. The net Group result was an exceptional performance against all of our key financial and non-financial metrics due to the remarkable ability of the leadership team to navigate through the crisis and turn challenges into opportunities.

Performance and reward for 2020

Annual bonus

Annual bonus payments are based on a combination of key financial measures comprising adjusted earnings per share, return on average operating capital and operating cash flow, with a minority based on strategic objectives. In setting our incentive targets, we have regard to the performance potential of the different parts of the business and of the whole Group. The on-target performance level for the bonus for 2020 was set at, or close to, the budgeted level of performance. The Committee set a range around the target to incentivise the delivery of a stretching performance. An exceptional financial performance in 2020 as referred to above resulted in a maximum annual bonus for the Chief Executive Officer, which equates to 180% of salary. The annual bonus for the Chief Financial Officer was also at maximum which equates to 160% of his annual salary. No discretion was applied by the Committee to adjust the bonus outcomes and, in line with the remuneration policy, 50% of the annual bonuses will be delivered in shares, subject to a three year deferral period.

Long Term Incentive Plans ('LTIP')

The Committee assessed the performance for the LTIP awards with performance conditions linked to performance periods that ended during or at the end of the 2020 financial year. The share options were subject to adjusted earnings per share ('eps') growth targets and the performance shares were subject to both eps growth and relative total shareholder return ('TSR') targets. The strong eps growth of 40.9% over the three year performance period (adjusted to ensure that the relevant eps figures were comparable) will result in 100% of executive share options vesting for the performance period ended 31 December 2020. In addition, eps growth of 27.1% over the three years to 31 December 2019 (adjusted to exclude two disposals of businesses during the period) and stronger relative TSR performance resulted in 26.43% and 64.4% of

performance shares vesting for performance periods that ended in April and October 2020, respectively. The Committee has not exercised discretion to amend the vesting outcomes for any of these share awards.

The 2020 remuneration policy allows maximum grants under the LTIP of 225% of base salary for share options and 175% of base salary for performance shares. However, in 2020 award levels were held below these maximum levels at 200% of base salary for share options and 150% for performance shares for the Chief Executive Officer and 120% for the Chief Financial Officer.

In light of the exceptional trading conditions of 2020, and of the unpredictable impact of Covid-19 on the business outlook, the Committee determined at the time of grant that a different set of eps target ranges should apply to the LTIP awards made in September and October 2020 than those made in March and April 2020. These revised ranges were deemed to be appropriately stretching given the exceptional circumstances facing the business at the time and these are detailed on page 133 of the report.

Reflecting the strong share price performance over the calendar year, the Committee determined that no adjustment was required to award levels.

New directors' remuneration policy

The 2020 directors' remuneration policy approved at last year's AGM was essentially a roll forward of the previous one but with changes to reflect emerging best practice (for example, pension equalisation and enhanced shareholding guidelines). In the normal course of events this policy would have applied through to the end of the 2022 financial year.

The significant shock created by Covid-19 resulted in the need for the Board and Remuneration Committee to consider whether the 2020 policy was appropriately aligned with the Group's strategy as it emerges into a period of transition and eventual normalisation against a backdrop of volatility in many of our markets.

The Committee concluded that a new policy should be put forward to shareholders in 2021 which seeks to replace the dual approach of share options and performance shares with restricted shares.

We have undertaken an extensive shareholder consultation exercise; I am grateful for the constructive input from our largest investors, and sincerely believe that the changes we are proposing will ensure that the leaders of the business can continue to focus on actions that deliver long term growth in this unprecedented market context. The proposals also create more simplicity, clarity and predictability of outcome, principles which are also important to shareholders. More details on the key reasons for the move to restricted shares are set out below.

- **Alignment with our strategy** – Our strategy is based on three key areas of focus: (i) profitable organic growth, (ii) operating model improvements and (iii) acquisition growth.

Organic growth and operating model improvements require steady investment in areas such as digitalisation, optimising our warehouse footprint and sustainability to maintain our competitive advantage. The return on this investment benefits the business in the medium to long term and we wish to discourage any actions that focus on short term impacts.

Prior to 2020, around three quarters of our recent revenue growth had been achieved via our self-funded acquisition strategy and growth through acquisitions remains a key element of our strategy. The timing and scale of future acquisition opportunities remains uncertain in the current market environment and our success will depend on maintaining a disciplined and controlled approach to making and integrating acquisitions that deliver financial benefit to the Group over the long term. Restricted shares encourage executives to pursue complementary acquisitions that will create long term value for Bunzl in contrast to the current LTIP with its focus on three year eps growth.

- **Significant simplification** – operating restricted shares as the sole long term incentive is much simpler, not only replacing two schemes with one for the most senior leaders, but also moving from bi-annual to annual grants. This makes it much easier for employees to understand, simplifies external messaging and streamlines the operation and administration.
- **Total shareholder alignment** – restricted shares, which are granted at a significantly lower level of quantum than share options and performance share awards, will accrue the value of the dividends that would have been payable on the award's

vested shares during the award's vesting and holding periods. With dividends being such an important part of shareholders' total return, restricted shares provide better alignment between participants and investors than share options and performance shares under the current LTIP.

- **Challenge in medium and long term target setting** – Setting robust yet realistic longer term targets in the current environment is very difficult and the Committee wishes to avoid the prospect of significant swings in performance outcomes which can occur in a more volatile market.
- **Common North American practice** – Restricted shares are common in the US and in other jurisdictions in which we compete for talent and are an important recruitment and retention tool in those markets.

Restricted shares – the key terms

The main proposed change to the policy is the replacement of our existing share options (LTIP A) and performance shares (LTIP B) with a single restricted share award. This will apply to approximately 25 of the most senior leaders, with around a further 450 managers continuing to receive share options under the LTIP in 2021. The current LTIP will be amended to facilitate the award of restricted shares under Part B of the plan. As a reminder, currently share options and performance shares are granted on a bi-annual basis but, as a further step towards simplification, restricted shares will be granted on an annual basis typically after the announcement of the full year results. The full details of how restricted shares will operate are set out in the policy table on page 121 but the key headlines are as follows:

- restricted share awards will be granted at a significantly reduced quantum from the current awards which comprise both share options and performance shares. It is proposed that award levels are 125% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer. The 2020 policy provided the opportunity to grant 225% of salary in share options and 175% of salary in performance shares;
- the reduced quantum of awards recognises that there are no further specific performance measures. However, the vesting of the awards is contingent on the participant still being employed at the vesting date and the satisfaction of a performance underpin. In assessing performance, the

Committee will take into account a whole range of financial and non-financial metrics, as well as any material risk/regulatory failures identified. Performance will be assessed in the round, with a default to full vesting unless there has been identified material underperformance. The Committee may scale back the awards (including to zero) if it is not satisfied the underpin has been met;

- it is proposed that dividend equivalents will accrue on restricted share awards to the extent that they vest. This important scheme feature ensures complete shareholder alignment in contrast to our existing share options and performance share arrangements;
- a three year vesting period and a two year post-vesting holding period will apply so that the value of the awards cannot be realised until the fifth anniversary of the date;
- the same comprehensive malus and clawback provisions used in our current LTIP will be applied to the restricted share awards, thereby protecting the business from exceptional negative events; and
- all other terms, such as change of control, will be consistent with our current LTIP arrangements.

Post cessation shareholding guideline

We are also taking the opportunity to formalise our policy on post-cessation shareholding requirements. This will apply to the executive directors and will require them to hold restricted shares to the value of the shareholding guideline (i.e. the full in-employment shareholding guideline or, if less, the existing shareholding at the time) for a period of two years post-cessation. This will be implemented on a forward-looking basis from the date of approval of the policy.

Finally, the policy table on page 122 confirms a change that was made to the retirement arrangements for the Chief Executive Officer after the publication of last year's report. Frank van Zanten's cash allowance in lieu of pension contributions will be reduced to 5% of base salary by 1 January 2023, on a phased basis in order to bring it in line with the majority pension contribution rate of the wider workforce in the UK.

Chief Executive Officer pay ratio

As required by the Regulations we have again disclosed in this year's Directors'

remuneration report the ratio between the Chief Executive Officer's remuneration and the medium, lower quartile and upper quartile of UK employees. The Committee considers the executive remuneration in the context of this and other internal and external reference points.

Implementing the policy for the 2021 financial year

Base salary

The base salaries for the executive directors, Frank van Zanten and Richard Howes, have been increased by 2.9% effective from 1 January 2021. This is broadly in line with that of the leadership populations across the business.

Annual Bonus

For the 2021 financial year, the maximum annual bonus opportunity will remain unchanged at 180% of base salary for the Chief Executive Officer and 160% for the Chief Financial Officer, with on-target bonus at 50% of the maximum.

The annual bonus performance measures continue to be a balanced scorecard of eps; return on average operating capital ('RAOC'); operating cash flow; and personal performance linked to certain specified strategic non-financial goals. The weighting of these metrics will be slightly adjusted and, for the first time, 10% of the opportunity for both directors will be dependent on the achievement of specific environmental, social and governance ('ESG') objectives in addition to the 20% for the achievement of personal non-financial strategic objectives. These metrics are all key to the successful implementation of the business strategy.

50% of any bonus awarded will be in shares and a three year vesting period will apply to the shares component.

When setting the target levels, the Committee conducts an analysis of the challenges and growth opportunities across the Group and sets targets that are stretching without encouraging inappropriate levels of risk. The range itself varies each year taking into account the risks and opportunities facing the business. The principles followed are that target setting, year by year, results in stretching ambition, while ensuring that the scale of reward on offer is proportionate and always linked to performance.

LTIP

Subject to the approval of the new policy and the amended LTIP rules by shareholders, we expect to grant restricted shares under the

revised LTIP to both the executive directors and the other participants shortly after the AGM. These will be at the quantum levels outlined above, and will vest subject to continued employment and the assessment of the underpin. The Committee may scale back the awards (including to zero) if it is not satisfied that the underpin has been met.

Priorities for 2021

2021 is likely to be another challenging year from a market context point of view but I am confident that the changes we have proposed to our policy, if approved, will further incentivise the leadership team to respond to these challenges in the most effective way. Having had two consecutive years of policy review, I do not anticipate further changes in the course of 2021 once the changes we are proposing have been embedded. The Committee will monitor the effectiveness of the new revised LTIP, stay close to the performance of the business and ensure that reward outcomes for executives reflect the performance of Bunzl in the round.

Conclusions

2020 was an extraordinary year, and the reward outcomes for the executive directors are appropriate given the very strong performance of the business in extremely challenging circumstances. However, I am confident that our proposed policy will further support our strategic direction, reflecting the uncertain market outlook and providing a stable basis for ensuring the long term focus of the most senior executives in Bunzl. I would like once again to thank shareholders for the time they have taken to review our proposals, and for their constructive input.

In the following pages you will find details of:

- the 'At a Glance' guide to executive directors' remuneration for 2020;
- the proposed directors' remuneration policy for 2021 to 2023;
- the annual report on remuneration for 2020; and
- our approach to the application of the remuneration policy in 2021.

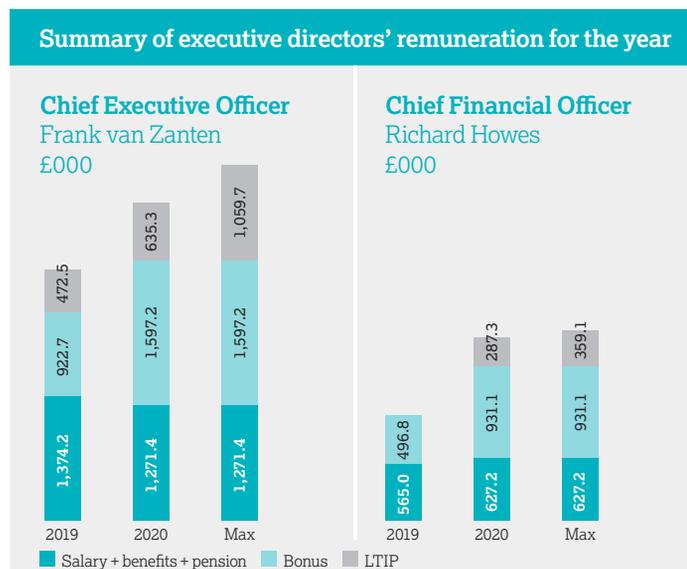
I hope that you will find this report to be clear and helpful in understanding our remuneration policy and practices.

Vanda Murray OBE

Chair of the Remuneration Committee
1 March 2021

2020 remuneration at a glance

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



Alignment of performance and remuneration 2020

		Total opportunity	Result
Annual bonus To motivate and reward the achievement of the Company's strategic and operational objectives	Eps Linked financial KPI: eps	50%	
	RAOC Linked financial KPI: RAOC and operating profit	15%	
	Operating cash flow Linked financial KPI: cash conversion	15%	
	Non-financial strategic goals Payable to the executive directors in relation to agreed non-financial strategic goals	20%	
	Total bonus opportunity/result	100%	
LTIP To motivate and reward performance linked to long term success	Eps Linked financial KPI: eps	LTIP A	100%
		LTIP B	50%
	TSR Linked financial KPI: dividend per share and share price	LTIP B	50%
	Total LTIP opportunity/result		100%

Proposed application of policy for 2021

Unchanged

- Annual bonus quantum
- Core benefits

Key changes

- 2.9% increase to base pay for Chief Executive Officer and Chief Financial Officer
- Reduction of Chief Executive Officer's pension allowance in line with the phasing approved at 2020 AGM
- Introduction of 10% of the maximum bonus opportunity on the basis of achievement of environmental, social and governance (ESG) targets
- Replacement of share option and performance share awards with restricted share awards
- Introduction of a formal post cessation shareholding requirement

Chief Executive Officer pay ratios

The full time equivalent salary for all Bunzl employees in the UK & Ireland has been calculated for the 2020 financial year. These employees were then ordered from highest to lowest paid and the median, 25th and 75th percentile employee identified. In order to compare the equivalent benefits details to those of the Chief Executive Officer, bonus and benefits details were added to the employee's salary details. Due to timings of calculation of bonus payments, those employees who receive an annual bonus have the 2020 payment (for 2019 performance) included and the Chief Executive Officer has the 2021 payment (for 2020 performance) included.

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	CEO single figure 2020 £000
Salary	44:1	38:1	27:1	887.3
Total remuneration	162:1	137:1	90:1	3,503.9

Directors' remuneration policy

Following its approval in 2020, the directors' remuneration policy has been further reviewed during the year and is submitted for approval at the 2021 Annual General Meeting ('AGM'). The overall approach to remuneration remains consistent and the changes proposed are designed to ensure that the policy continues to support the performance of the business and addresses the requirements of the UK Corporate Governance Code ('the Code').

Objectives of the policy

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

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

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

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

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

Changes to policy

The key changes to the policy proposed to shareholders are:

- the replacement of bi-annual grants of share options and performance shares with annual grants of restricted shares under the LTIP; and
- the introduction of a formal post-cessation shareholding guideline.

Directors' remuneration report continued

Remuneration policy for executive directors

The following table summarises each element of the remuneration policy for the executive directors, explaining how each element operates and links to the corporate strategy.

Base salary	
Purpose	<ul style="list-style-type: none"> recognise knowledge, skills and experience as well as reflect the scope and size of the role reward individual performance without encouraging undue risk
Operation	<ul style="list-style-type: none"> paid in 12 equal monthly instalments during the year normally reviewed annually in December (with any changes usually effective from January). An out-of-cycle review may be conducted if the Committee determines that it is appropriate takes into consideration a number of factors including (but not limited to) individual and Group performance, the size and scope of the individual's responsibilities, salary increases across the Group, typical salary levels for comparable roles using appropriate comparator groups, for example similarly sized companies with a large international presence pensionable
Maximum potential value	<ul style="list-style-type: none"> while there is no maximum salary level, salary increases are normally considered in relation to the salary increases of other employees in the Group and performance of the individual. Higher salary increases may be made under certain circumstances, such as when there has been a change in role or responsibility, a major market movement or when a director has been appointed to the Board at a lower than typical salary initially. The annual salaries for the executive directors for 2020 and 2021 are set out on pages 129 and 137 respectively
Performance metrics	<ul style="list-style-type: none"> while there are no performance conditions attached to the payment of base salary, individual performance in the role, as well as the performance of the Group and achievements related to environmental, social and governance issues, are all taken into consideration
Annual bonus	
Purpose	<ul style="list-style-type: none"> incentivise the attainment of annual corporate targets retain and reward high performing employees align with shareholders' and wider stakeholders' interests
Operation	<ul style="list-style-type: none"> bonus awards are based on performance targets and objectives set by the Committee for the financial year at the end of the performance period, the Committee assesses the extent to which the performance measures have been achieved. The level of bonus for each measure is determined by reference to the actual performance against the relevant performance targets up to half the bonus is paid in cash and the remainder in shares relevant (with the shares normally deferred for three years under the Deferred Annual Share Bonus Scheme ("DASBS") in respect of which dividend equivalents may apply to the extent that such deferred awards vest. If a director resigns during the period of deferral any outstanding DASBS awards would normally lapse malus and clawback provisions apply to the cash element of the bonus and awards made under DASBS to allow the recoupment of bonus for three years from the end of the relevant performance year. They would be enforced in the event of material misstatement, significant failure of risk control, serious misconduct, corporate failure (entailing the appointment of an administrator or liquidator) or serious reputational damage, when it is clear that the issue has been caused by a management failure to which the relevant individual has made a direct and material contribution bonus awards are non-pensionable and are payable at the Committee's discretion
Maximum potential value	<ul style="list-style-type: none"> the annual bonus policy maximum is 180% of base salary the annual target bonus opportunity is normally set at 50% of the maximum the level of annual bonus for threshold performance is up to 25% of the maximum
Performance metrics	<p>Metrics will be set each year by the Committee taking into account the Company's key strategic objectives for the year. For example, bonus metrics may include:</p> <ul style="list-style-type: none"> financial measures chosen to align bonus outcomes with the underlying financial performance of the business, such as profit, return on average operating capital ("RAOC") and cash flow; non-financial measures are linked to the achievement of personal goals or certain specified strategic goals, including environmental, social and governance matters; the performance metrics and targets are reviewed each year to ensure that they remain appropriate. The Committee retains the discretion to set alternative metrics as appropriate; and the specific targets will be disclosed on a retrospective basis following the end of the financial year unless they are deemed to be commercially sensitive. <p>The Committee sets targets that are appropriately stretching in the context of the business outlook and taking into account internal and external factors. Targets are set to ensure that there is appropriate alignment between stakeholder outcomes and to ensure that they do not drive inappropriate behaviours or unacceptable levels of risk taking.</p>

Long term incentives

Purpose	<ul style="list-style-type: none"> incentivise long term decision making as the basis for sustainable growth align with shareholders' interests recruit and retain senior employees across the Group
Operation	<p>Subject to the approval of the remuneration policy (and for the related updates to the rules of the LTIP) at the 2021 AGM, executive directors may receive restricted share awards as the long term variable element of remuneration:</p> <ul style="list-style-type: none"> restricted share awards are discretionary and will normally vest subject to continued employment after no less than three years; a holding period will apply which means that restricted shares may not ordinarily be sold until at least five years after the grant date (other than to pay relevant taxes due on vested awards); malus and clawback provisions apply under which part or the full amount of a vested award may be recovered, by a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment for a period of three years from the relevant performance period. They would be enforced in the event of material misstatement, significant failure of risk control, serious misconduct, corporate failure (entailing the appointment of an administrator or liquidator) or serious reputational damage, when it is clear that the issue has been caused by a management failure to which the relevant individual has made a direct and material contribution; dividend equivalents shall accrue in respect of restricted share awards to the extent that they vest, including in relation to any holding periods; and all awards are subject to the discretions contained in the relevant plan rules.
Maximum potential value	<ul style="list-style-type: none"> the individual restricted share limit per financial year is 125% of base salary the Chief Executive Officer may receive restricted shares per financial year with a face value of up to 125% of salary the Chief Financial Officer may receive restricted shares per financial year with a face value of up to 100% of salary
Performance metrics	<ul style="list-style-type: none"> restricted share awards are not subject to performance measures but vesting is subject to the achievement of an underpin normally reviewed over the three financial years commencing with the financial year in which awards are granted in assessing the underpin, in normal circumstances the Committee may consider the Group's overall performance, including financial and non-financial performance over the course of the vesting period and any material risk/regulatory failures identified. Financial performance may include elements like revenue, profitability, cash generation, and return on capital. Non-financial performance relates to strategic priority areas focused on delivering long term success of the Company and implementing the Group's long term strategy. These include, for instance, making operating model improvements, own brand development, acquisition growth, building on our competitive advantage, digital and technology improvements, focus on ESG, including sustainability, employee satisfaction and managing risk in the business when considering these factors, the Committee will assess performance in the round, with the expectation of full vesting unless there has been identified material underperformance over the period. The Committee may scale back the awards (including to zero) if it is not satisfied the underpin has been met

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

Purpose	<ul style="list-style-type: none"> Subject to the approval of the remuneration policy, awards issued under the previous policy with respect to long term incentives will continue to vest until October 2023 and therefore the policy described below will continue to apply, including the performance metrics described
Operation	<ul style="list-style-type: none"> discretionary biannual grants of executive share option awards and performance share awards which vest subject to performance conditions measured over three years and subject to continuous service. Subject to the approval of the new policy, no further grants will be awarded to the executive directors a malus and clawback facility is in operation under which part or the full amount of a vested award may be recovered, by a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment, for a period of three years from the relevant performance year, to the extent that the value of a vested award is subsequently found to have been overstated as a result of a material misstatement of performance or there has been a significant failure of risk control or serious misconduct two year post-vesting holding requirement for shares that vest, net of sales to settle tax or other withholding due on vesting or exercise of awards if any executive resigns during the period before vesting, awards would normally lapse all awards are subject to the discretions contained in the relevant plan rules
Maximum potential value	<p>Executive share options</p> <ul style="list-style-type: none"> maximum annual award of 225% of base salary annual grant levels for executive directors will not normally exceed 200% of base salary for 2020, grants did not exceed 200% of base salary for the incumbent executive directors <p>Performance shares</p> <ul style="list-style-type: none"> maximum annual award of 175% of base salary for 2020, awards did not exceed 150% of base salary for the Chief Executive Officer and 120% for the Chief Financial Officer

Directors' remuneration report continued

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

Performance metrics	<p>Performance and service conditions must be met over a three year performance period. Metrics and targets are set each year by the Committee. The current metrics are as follows:</p> <p>Executive share options</p> <ul style="list-style-type: none"> the eps performance measure relates to the absolute growth in the Company's eps against the targets set for the performance period the vesting is scaled as follows: <ul style="list-style-type: none"> no vesting for performance below the threshold target 25% of an award will vest for achieving the threshold target 100% of an award will vest for achieving or exceeding the maximum target for performance between these targets, the level of vesting will vary on a straight line sliding scale the Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment <p>Performance shares</p> <ul style="list-style-type: none"> the TSR performance measure (50% of the total award) compares a combination of both the Company's share price and dividend performance during the performance period against a comparator group of the constituents of the FTSE 11–100. It aligns the rewards received by executives with the returns received by shareholders the other 50% of the award is subject to an eps performance measure which relates to the absolute growth in the Company's eps against the targets set for the performance period the vesting for both performance measures is scaled as follows: <ul style="list-style-type: none"> no vesting for performance below median performance (TSR) or below the threshold target (eps) 25% of an award will vest for achieving median performance (TSR) or the threshold target (eps) 100% of an award will vest for achieving or exceeding upper quartile performance (TSR) or the maximum target (eps) for performance between these targets, the level of vesting will vary on a straight line sliding scale the Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment
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All employee share plans

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

Retirement benefits

Purpose	<ul style="list-style-type: none"> provision of retirement benefits retain executive directors
Operation	<ul style="list-style-type: none"> all defined benefit pension plans in the Group have been closed to new entrants since 2003 with any new recruits being offered defined contribution retirement arrangements and/or a pension allowance legacy arrangements exist for the Chief Executive Officer as detailed below pension contributions and allowances are normally paid monthly
Maximum potential value	<ul style="list-style-type: none"> company pension contributions to defined contribution retirement arrangements or cash allowances are capped at 5% of base salary for new executive directors and the current Chief Financial Officer the current Chief Executive Officer's pension contribution has been reduced from 23.75% of base salary to 20% of base salary with effect from 1 January 2021 and will reduce to 14% from 1 January 2022 and to 5% from 1 January 2023
Performance metrics	<ul style="list-style-type: none"> not applicable

Other benefits

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

Shareholding requirement

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

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

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

Fees

Purpose	<ul style="list-style-type: none"> provision of a competitive fee to attract NEDs who have a broad range of experience and skills to oversee the implementation of the Company's strategy
Operation	<ul style="list-style-type: none"> determined in light of market practice and with reference to time commitment and responsibilities associated with the roles annual fees are paid in 12 equal monthly instalments during the year the Senior Independent Director and Chairman of the Audit and Remuneration Committees are paid an extra fee to reflect their additional responsibilities the NEDs and the Chairman are not eligible to receive benefits and do not participate in pension or incentive plans. Expenses incurred in respect of their duties as directors of the Company are reimbursed the NEDs' fees are reviewed annually in January each year and the Chairman's fee is reviewed biennially, the latest review being with effect from January 2020 the Board as a whole considers the policy and structure for the NEDs' fees on the recommendation of the Chairman and the Chief Executive Officer. The NEDs do not participate in discussions on their specific levels of remuneration; the Chairman's fees are set by the Committee
Maximum potential value	<ul style="list-style-type: none"> determined within the overall aggregate annual limit of £1,000,000 authorised by shareholders with reference to the Company's Articles of Association which limit will be increased to £1,500,000 if the proposed new Articles of Associate are approved by shareholders at the 2021 AGM.
Performance metrics	<ul style="list-style-type: none"> not eligible to participate in any performance related elements of remuneration
Taxable benefits and expenses	<ul style="list-style-type: none"> taxable expenses incurred in the course of carrying out NED duties are reimbursed and grossed up to include tax payable

Directors' remuneration report continued

Selection of performance measures and targets

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

Statement of consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. In addition the Committee consults proactively with its major shareholders prior to making significant changes to its policy. The Committee consulted with major shareholders and proxy voting groups on the remuneration policy changes to the LTIP for executive directors in 2020. Two letters were sent to each of the major shareholders, and the proposals were adjusted accordingly based on the feedback received.

Discretions retained by the Committee in operating the incentive plans

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

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

Legacy arrangements

The directors' remuneration policy approved by shareholders at the 2020 AGM gave authority to the Company to honour any commitments entered into with current or former directors (that have been disclosed to shareholders in previous remuneration reports) or internally promoted future directors (in each case, such as the payment of a pension or the unwind of legacy share plans). Details of any payments to former directors will be set out in the relevant remuneration report as they arise.

Executive directors' external appointments

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

Recruitment of executive directors – approach to remuneration

Executive directors

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

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

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

Non-executive directors

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

Executive directors' service contracts

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

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

Non-executive directors' terms of appointment

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

	Date of appointment	Date of last re-appointment at AGM	Length of service as at 2021 AGM
Peter Ventress*	1 June 2019	15 April 2020	1 year 10 months
Eugenia Ulasewicz	1 April 2011		n/a
Vanda Murray	1 February 2015	15 April 2020	6 years 2 months
Lloyd Pitchford	1 March 2017	15 April 2020	4 years 1 month
Stephan Nanninga	1 May 2017	15 April 2020	3 years 11 months
Vin Murria	1 June 2020		10 months
Maria Fernanda Mejía	23 December 2020	n/a	3 months

* Appointed to the Board on 1 June 2019 and took up role as Chairman on 15 April 2020.

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

Directors' remuneration report continued

Policy on payment for departure from office

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

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

Note

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

Differences in remuneration policy for executive directors and employees in general

The main difference in remuneration policy between the executive directors and employees in general is the split of fixed and performance related pay, such as bonus and long term incentives. Overall the percentage of performance related pay, in particular longer term incentive pay, is greater for the executive directors. This reflects that executive directors have more freedom to act and the consequences of their decisions are likely to have a broader and more far reaching time span of effect than those decisions made by employees with more limited responsibility. As a consequence only executive directors, Executive Committee members and other key employees (currently around 30 people) are granted both executive share options and performance share awards (which will be replaced by restricted share awards if the proposed policy is approved). Approximately 460 senior managers are granted executive share option awards on an annual basis, which helps to provide a common focus for management in the Company's decentralised organisation structure. In most cases, the annual bonuses are related to the performance of individual operating units.

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

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

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

Statement of consideration of employment conditions elsewhere in the Group

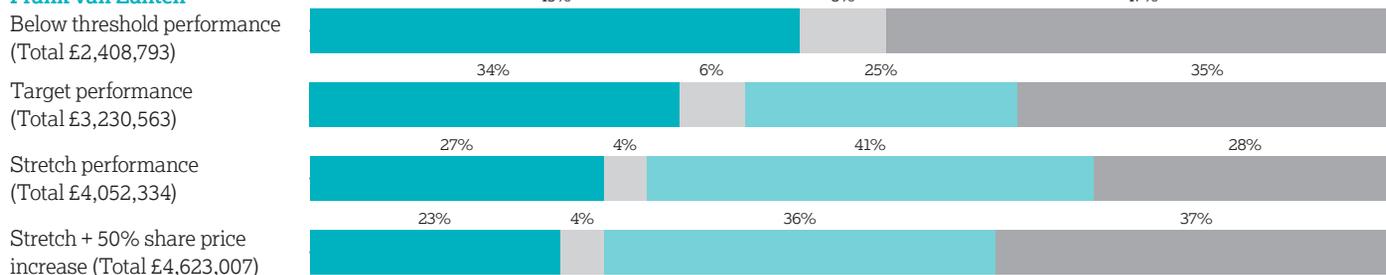
The Committee is provided annually with information on the salaries and proposed increases for the Executive Committee members and other senior direct reports of the Chief Executive Officer, as well as data on the average salary increases for leadership teams in each region within the Group. In addition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

The Committee considers the general basic salary increase within the geographical regions for the broader employee population when determining the annual salary increases for the executive directors and is cognisant of the Group's overall employment arrangements when reviewing and implementing the executive directors' remuneration policy. Although the Committee did not consult with employees with regard to the remuneration policy of the executive directors, the Company does monitor employees' views through regular employee surveys.

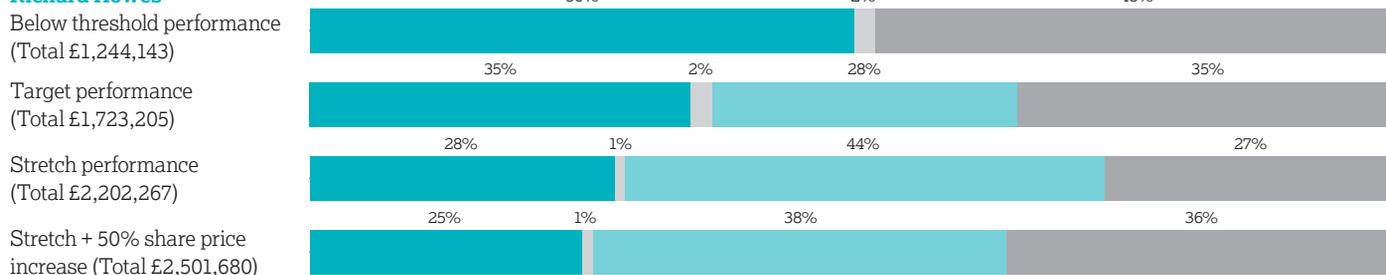
Remuneration scenarios

The remuneration package comprises both core fixed elements (base salary, pension and other benefits) and performance based variable elements (cash bonus, the DASBS and the LTIP). The structure of the remuneration packages for on-target and stretch performance for each of the two executive directors for 2021, in line with the proposed new remuneration policy, is illustrated in the bar charts below.

Frank van Zanten



Richard Howes



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

Notes

- Salary represents annual salary for 2021. Benefits such as a car or car allowance and private medical insurance have been included based on 2020 figures. In the case of Frank van Zanten benefits also include school fees and international health insurance.
- Stretch performance plus 50% share price increase shows the effect of a 50% growth in the Company share price on the value of the restricted share awards.
- Pension represents the value of the annual pension allowance for 2021 for Frank van Zanten and Richard Howes.
- Below threshold performance comprises salary, benefits, pension with no bonus award and for restricted share awards an assumption that 100% will vest.
- Target performance comprises annual bonus awarded at target level (i.e. for 2021 at 90% of salary for Frank van Zanten and 80% of salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and for restricted share awards an assumption that 100% will vest.
- Stretch performance comprises annual bonus awarded at stretch level (i.e. for 2021 at 180% of salary for Frank van Zanten and 160% of salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and for restricted share awards an assumption that 100% will vest.

Directors' remuneration report continued

Annual report on directors' remuneration for 2020

This report sets out the elements of remuneration paid to, or earned by, the directors in respect of the financial year 2020.

Single total figure of remuneration 2020 (audited information)

Executive directors

	Salary £000		Taxable benefits £000		Bonus £000		LTIP £000		Pension £000		Total £000		Sub-total of fixed pay £000	Sub-total of variable pay £000
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
Frank van Zanten	887.3	861.5	173.4	297.3	1,597.2	922.7	635.3	472.5	210.7	215.4	3,503.9	2,769.4	1,271.4	2,232.5
Richard Howes	582.0	–	16.1	–	931.1	–	287.3	–	29.1	–	1,845.6	–	627.2	1,218.4
Total	1,469.3	861.5	189.5	297.3	2,528.3	922.7	922.6	472.5	239.8	215.4	5,349.5	2,769.4	1,898.6	3,450.9

Notes

- a) The figures above represent remuneration earned as directors during the relevant financial year including the bonus of which the cash element, 50% of the bonus, is paid in the year following that in which it is earned. The other 50% of the bonus shown above is deferred and conditionally awarded as shares under the rules of the Deferred Annual Share Bonus Scheme ('DASBS'). Shares relating to the 2019 deferred bonus were awarded in 2020 as shown in the table on page 137 and the shares relating to the 2020 deferred bonus will be awarded in 2021.
- b) The executive directors waived 20% of their salary for the three month period from April to June 2020. Due to the Group's stronger than expected performance, the Company subsequently made donations of the amount of salary waived, to charities nominated by the directors. This amount is included within the salary figures above.
- c) The annual bonus for 2020 was determined according to a formulaic calculation in respect of eps, RAOC and operating cash flow measures, while the Committee used its judgement to assess performance of individual objectives (20% of the bonus).
- d) Benefits provided for all executive directors are a car or car allowance and medical insurance coverage for them and their families. Frank van Zanten's benefits are lower in 2020 and include school fees, tax advice and international health insurance.
- e) The long term incentives are in the form of awards under the LTIP granted in April and October 2017 and March and August 2018. The performance metrics for LTIP A were eps growth and for LTIP B were eps growth and TSR, further details of which are on page 131. The portion of total LTIP figures (2020:£922,600 2019:£472,500) for Frank van Zanten that are attributable to share price growth are £219,460 for 2020 and £40,209 for 2019. For Richard Howes £0 is attributable to share price growth.
- f) The figures shown in relation to 2019 for the LTIP have been restated from those figures shown in the 2019 Annual Report to reflect the difference between the relevant grant price and the value of the LTIP share option awards on the actual date of vesting on 2 March 2020 and 1 September 2020 at the closing mid-market share price of 1,910p and 2,420p respectively.

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Taxable payments/ expenses £000		Total £000	
	2020	2019	2020	2019	2020	2019	2020	2019
Peter Ventress – Chairman	277.9	41.9	–	–	–	–	277.9	41.9
Philip Rogerson	122.7	357.0	–	–	0.1	1.2	122.8	358.2
Eugenia Ulasewicz	23.9	71.8	–	–	20.7	73.0	44.6	144.8
Vanda Murray	71.8	71.8	38.0	37.0	–	4.9	109.8	113.7
Lloyd Pitchford	71.8	71.8	20.0	19.0	–	0.4	91.8	91.2
Stephan Nanninga	71.8	71.8	–	–	3.7	10.4	75.5	82.2
Vin Murria	41.9	–	–	–	–	–	41.9	–
Maria Fernanda Mejia	1.9	–	–	–	–	–	1.9	–
Total	683.7	686.1	58.0	56.0	24.5	89.9	766.2	832.0

Notes

- a) Peter Ventress was appointed Chairman on 15 April 2020 and prior to this date received fees relevant for a non-executive director.
- b) Philip Rogerson and Eugenia Ulasewicz retired from the Board on 15 April 2020.
- c) Vin Murria was appointed with effect from 1 June 2020.
- d) Maria Fernanda Mejia was appointed from 23 December 2020.
- e) Taxable payments/expenses for non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings. These costs which were lower in 2020 than in 2019 due to the impact of the Covid-19 pandemic, have been grossed up to include the tax payable.

Payments for loss of office (audited information)

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

Payments to past directors (audited information)

As disclosed in the 2019 Annual Report and accounts Brian May received the following payments: a bonus payment in March 2020 for 2019 performance at a value of £532,826; all Deferred Shares vested in full on 1 March 2020 and the value on the vesting date was £657,899; LTIP A share options which vested on 2 September 2019 and 2 March 2020 resulted in a gain of £143,706 upon exercise on 14 October 2020; LTIP B performance shares vested on 10 April 2020 and 9 October 2020 and the total value on exercise dates of 21 April 2020 and 15 October 2020 respectively was £203,613.

Executive directors' annual salary (audited information)

As disclosed last year, executive directors' salaries were reviewed with effect from 1 January 2020 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2020	Salary from 1 January 2019	Increase in salary 2019 to 2020
Frank van Zanten	£887,345	£861,500	3%
Richard Howes	£581,950	£565,000	3%

Executive directors' salaries were also reviewed with effect from 1 January 2021 and the increases awarded are shown on page 137.

Executive directors' external appointments

During 2020 Frank van Zanten served as a non-executive director of Grafton Group plc until 29 April 2020 and of Ahold Delhaize NV from 8 April 2020. During the year, he retained fees of €22,292 from Grafton Group plc and €83,125 from Ahold Delhaize NV were received.

Non-executive directors' fees (audited information)

The Chairman's fee is reviewed every two years with the most recent review having taken place with effect from 1 January 2020. The fees for the non-executive directors were reviewed with effect from 1 January 2020 in accordance with the normal fees policy.

	With effect from January 2020	Fees paid in 2019	Increase in fees 2019 to 2020
Chairman's fee	£368,000	£357,000	3.1%
Non-executive director fee	£71,800	£71,800	–
Supplements:			
Senior Independent Director	£18,000	£18,000	–
Audit Committee Chairman	£20,000	£19,000	5.3%
Remuneration Committee Chair	£20,000	£19,000	5.3%

The non-executive directors' fees were reviewed again with effect from 1 January 2021 and the increases awarded are shown on page 137.

Directors' remuneration report continued

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on page 120. All of Frank van Zanten's and Richard Howes' awards related to the Group's eps, RAOC, operating cash flow performance and personal performance on individual objectives. The maximum bonus achievable is 180% of salary for Frank van Zanten and 160% for Richard Howes. The results for 2020 against the targets set were as follows and the Committee did not exercise any discretion over these formulaic outturns:

Group performance

Weighting	Scorecard performance metric	Threshold	Target	Stretch	Actual outturn calculated at constant exchange rates	% of maximum
50%	eps (p)	125.4	132.0	145.2	168.1	
	% of target	95%	100%	110%	127.3%	100%
15%	RAOC %	33.3%	35.3%	37.3%	45.4%	
	% of target	96%	100%	104%	128.6%	100%
15%	Operating cash flow (£m)	540.0	568.4	596.8	783.1	
	% of target	95%	100%	105%	137.8%	100%
20%	Non-financial strategic goals	see details below				

Notes
a) The actual outturn calculated at constant exchange rates is the actual result of the relevant measures retranslated at the exchange rates used in setting the target for that measure.
b) There was an eps underpin to retain focus on eps growth such that if an eps threshold of 125.4p was not met there would be no pay-out under any element of the scorecard.

Non-financial strategic goals

Following a review of performance against specific personal objectives for 2020, the Committee determined the bonus percentages payable to the executive directors in relation to the non-financial strategic goals. Performance was considered in the context of the market environment and leadership displayed by the executive directors in successfully navigating through the Covid-19 pandemic. The specific objectives, and the related evaluation of performance, are shown in the table below.

Frank van Zanten – Chief Executive Officer

Objective	Evaluation
<ul style="list-style-type: none"> Continue to drive the Sustainability agenda in 2020 – focusing on the implementation of the new strategy and framework. Drive forward the talent agenda – building development plans for the leadership team and integrating external high calibre recruits. Further development of the Group's digital programmes, tools and capabilities including increasing the average % of digital transactions with customers and suppliers versus 2019. 	<ul style="list-style-type: none"> Significant progress has been made on driving the sustainability agenda including conducting a materiality assessment as the basis for setting and communicating clear commitments. The Leadership Team have individual development plans and changes to the senior team have enabled the commencement of external recruitment campaigns for some key roles. Global digital sales order % increased from 62% in 2019 to 66% in December 2020.
% of base salary awarded	36%
% of maximum	100%

Richard Howes – Chief Financial Officer

Objective	Evaluation
<ul style="list-style-type: none"> Improve the average working capital/sales % performance compared to 2019. Recruit and onboard a new Head of Investor Relations and identify a list of key prospect investors that fit the Company's equity story. Agree and deliver 2020 milestones for an updated data privacy programme. 	<ul style="list-style-type: none"> The average working capital as a % of sales performance has improved significantly in 2020 despite the challenging market conditions. A new Head of Investor Relations has been appointed which has resulted in a proactive Investor Relations programme. The key 2020 milestones for the data privacy programme have been achieved through significant personal focus from Richard Howes.
% of base salary awarded	32%
% of maximum	100%

When assessing performance and outcomes the Committee was mindful of the Company's broader achievements and stakeholder experience. The outcomes are considered appropriate in light of the Company's exceptional financial and operational performance delivered in the most challenging of conditions. Accordingly the total payments under the annual bonus plans were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2020 %	2019 %	2018 %	2017 %	2016 %
Frank van Zanten	180	107.1	126.7	109.2	75.3
Richard Howes	160	–	–	–	–

The monetary values of the bonus payments for 2020 and 2019 are included in the table on page 128. The deferred shares portion of the bonus is required to be held under the DASBS rules for a period of three years and is subject to continued employment.

LTIP grants/awards with performance periods ending in 2020 (audited information)

Executive share options – LTIP Part A

Executive share option awards, granted three years previously, vested on 1 March 2021 and are due to vest on 31 August 2021. The Committee assessed the performance of the Company against the relevant performance condition and no discretion was exercised to override the formulaic outcomes including as a result of the share price movement over the performance period:

LTIP Part A – 1 March 2018 and 31 August 2018 grants

Performance measure	Vesting schedule	Threshold target (5% p.a. compounded)	Maximum target (8% p.a. compounded)	Actual eps growth	% vesting (max 100%)
Eps growth (over three year period to 31 December 2020)	25% vesting for threshold performance, 100% vesting for maximum performance	15.8%	26.0%	40.9%*	100%

	Date of grant	Number of shares granted	Vesting outcome	Estimated value of award vesting
Frank van Zanten	1 March 2018	42,782	100%	£209,204
	31 August 2018	35,010	100%	£19,256
Richard Howes	1 March 2018	–	–	–
	31 August 2018	–	–	–

Note

The estimated values of grants vesting are based on the difference between the exercise price and the average of the Company's closing mid-market share price for the three month period ended 31 December 2020 (2,444p) and are the same as the figures included in the single total remuneration table on page 128.

* The eps growth for the three years to 31 December 2020 has been calculated by (i) restating the eps for the year ended 31 December 2020 on a proforma basis under IAS 17 in order to allow a direct comparison with the eps for the year ended 31 December 2017 and (ii) adjusting the eps growth to exclude two businesses, one in France and one in the UK, that were disposed of during the period of calculation. The Committee approved the adjustment relating to the disposals on the basis that the directors and the other share option recipients should not be penalised for the decision to dispose of non-core businesses.

Performance shares – LTIP Part B

Awards of performance shares were made to Frank van Zanten on 10 April 2017 and 09 October 2017 under the 2014 LTIP and vested during 2020. The Committee assessed the performance of the Company against the relevant performance conditions and no discretion was exercised to override the formulaic outcomes including as a result of the share price movement over the vesting period:

LTIP Part B – 10 April and 9 October 2017 awards

Performance measure	Vesting schedule	Threshold target (6% p.a. compounded)	Maximum target (12% p.a. compounded)	Actual eps growth	% vesting (max 50%)
Eps growth (over three year period to 31 December 2019)	25% vesting for threshold performance, 100% vesting for maximum performance	19.1%	40.5%	27.1%*	26.43%

Performance measure	Performance period	Vesting schedule	Threshold target (median)	Maximum target (upper quartile)	Actual TSR	% vesting (max 50%)
TSR relative to comparator group of bespoke peer companies	1 April 2017 to 31 March 2020	25% vesting for threshold performance,	9.7% 14 out of 27	40.0% 7.25 out of 27	(8.8%) 20.63 out of 27	0%
	1 October 2017 to 30 September 2020	100% vesting for maximum performance	(3.5%) 17 out of 33	15.5% 8.75 out of 33	8.6% 11.4 out of 33	37.95%

	Date of grant	Number of shares granted	Vesting outcome – eps	Vesting outcome – TSR	Value of award vesting
Frank van Zanten	10 April 2017	19,565	26.43%	0%	£89,338
	9 October 2017	19,887	26.43%	37.95%	£317,490

Note

a) Included in the single total figure of remuneration on page 128 is the value of these vested awards for Frank van Zanten at the closing mid-market share price on the dates of vesting, 14 April 2020 (being the closest dealing day three years after the grant date of 10 April 2017) and 9 October 2020, which were 1,728p and 2,480p respectively and for Richard Howes at the closing mid-market share price on the day of vesting, 26 May 2020, which was 1,817p.

* The eps growth for the three years to 31 December 2019 has been calculated by (i) restating the eps for the year ended 31 December 2019 on a proforma basis under IAS 17 in order to allow a direct comparison with the eps for the year ended 31 December 2016 and (ii) adjusting the eps growth to exclude two businesses, one in France and one in the UK, that were disposed of during the period of calculation. The Committee approved the adjustment relating to the disposals on the basis that the directors and the other share option recipients should not be penalised for the decision to dispose of non-core businesses.

Directors' remuneration report continued

Compensating award – 11 September 2019

As detailed on Page 109 of 2019 Annual Report and Accounts Richard Howes received the following award to compensate him for unvested awards under his previous employer's long term incentive scheme with performance conditions based on eps growth and the three year average ROCE of his previous employer.

	Date of grant	Number of shares granted	Number of shares vesting	Value of award vesting
Richard Howes	11 September 2019	39,538	15,815	£287,279

Note

a) Included in the single total figure of remuneration on page 128 is the value of these vested awards for Frank van Zanten at the closing mid-market share price on the dates of vesting, 14 April 2020 (being the closest dealing day three years after the grant date of 10 April 2017) and 9 October 2020, which were 1,728p and 2,480p respectively and for Richard Howes at the closing mid-market share price on the day of vesting, 26 May 2020, which was 1,817p.

Total pension entitlements (audited information)

	Value of cash allowance including any company Defined Contribution in 2020	Total pension 2020
Frank van Zanten	£210,745	£210,745
Richard Howes	£29,098	£29,098

Note

Chief Executive Officer Frank van Zanten received a pension allowance of 23.75% of base salary in 2020. In 2021 this has been reduced to 20% and will continue to reduce as outlined in the policy table. As Chief Financial Officer Richard Howes receives a pension allowance of 5% of base salary.

LTIP grant policy

Conditional awards of executive share options and performance shares have historically been granted twice a year to executive directors and other senior executives. Executive share option awards have normally been granted in February or March and August or September dependent on the date of announcement of the Company's results. Performance share awards have normally been granted in April and October each year. Executive share options were granted in March and September 2020 and performance share awards were granted in April and October 2020 under the LTIP in accordance with the policy and performance conditions as approved at the 2020 AGM.

LTIP interests awarded during the financial year (audited information)

	Plan	Date of grant	Basis of award	Face value £000	Number of shares	Performance period end date
Frank van Zanten	LTIP Part A	10.03.20	100% of salary	887.3	48,225	31.12.22
	LTIP Part B	06.04.20	75% of salary	665.5	42,936	31.03.23
	LTIP Part A	09.09.20	100% of salary	887.3	37,096	31.12.22
	LTIP Part B	05.10.20	75% of salary	665.5	26,377	30.09.23
Richard Howes	LTIP Part A	10.03.20	100% of salary	582.0	31,627	31.12.22
	LTIP Part B	06.04.20	60% of salary	349.2	22,527	31.03.23
	LTIP Part A	09.09.20	100% of salary	582.0	24,329	31.12.22
	LTIP Part B	05.10.20	60% of salary	349.2	13,839	30.09.23

Note

The face value of the awards is calculated using the closing mid-market share price on the day prior to the grant of the award. Options were awarded under the LTIP Part A on 10 March 2020 and on 9 September 2020 at a value of 1,840p and 2,392p per share respectively. Performance shares were awarded under the LTIP Part B on 6 April 2020 and 5 October 2020 at a value of 1,550p and 2,523p per share respectively.

Performance conditions for 2020 awards

The performance conditions for the executive share options and performance shares awarded under the LTIP to the Company's executive directors, Executive Committee members and selected key employees in 2020 were as detailed below.

Executive share options – LTIP Part A March 2020

Executive share options may vest based solely on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 5%	Nil
5%	25%
Between 5% and 8%	Pro rata between 25% and 100%
8% or above	100%

Performance shares – LTIP Part B April 2020

The extent to which half of the awards may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of performance share awards exercisable
Below 6%	Nil
6%	25%
Between 6% and 12%	Pro rata between 25% and 100%
12% or above	100%

Performance shares – LTIP Part B April and October 2020

The extent to which half of the performance share awards may vest is subject to the Company's TSR performance, a combination of both the Company's share price and dividend performance during the three year performance period, relative to the TSR performance of a specified comparator group of similarly sized companies with large international presence. These performance share awards may vest based on the following sliding scale:

TSR	Proportion of performance share awards exercisable
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata between 25% and 100%
Upper quartile or above	100%

The applicable comparator group for the 2020 awards were those companies in the FTSE 11 – 100 with significant international operations.

Executive share options – LTIP Part A September 2020 and performance shares LTIP Part B October 2020

Executive share options granted in September 2020 may vest based solely on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years. The extent to which half of the performance shares awards granted in October 2020 may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years. As referenced on page 116 in the Chair's Statement, granting on a bi-annual basis provided the Committee with the opportunity to revisit and consider the performance ranges for the September and October awards so that they reflected the post-pandemic market conditions and performance expectations at the time. The Committee considers that these are stretching performance targets in the context of internal forecasts and external consensus at the time of award. For both share options and performance shares the following sliding scale of growth targets will apply:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 0.5%	Nil
0.5%	25%
Between 0.5% and 3.5%	Pro rata between 25% and 100%
3.5% or above	100%

Shareholder dilution

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

As well as the LTIP, the Company operates various all employee share schemes as described on page 122. Newly issued shares are currently used to satisfy the exercise of options under the Sharesave Scheme and the International and Irish Sharesave Plans. Awards under the LTIP of executive options and performance shares are principally satisfied by shares delivered from the Employee Benefit Trust which buys shares on the market, unless security laws in relevant jurisdictions prevent this.

Limit on awards	Cumulative options and performance shares granted as a percentage of issued share capital as at 31 December 2020
10% in any rolling 10 year period	1.0%
5% in any rolling 10 year period (executive (discretionary) plans)	0.2%

Directors' remuneration report continued

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

As at 31 December 2020, each of the executive directors and their connected persons have a shareholding as follows:

	Requirement for share ownership as a percentage of salary (31 December 2020)	Actual share ownership as a percentage of salary at 31 December 2020 at the closing mid-market price (2,443p)
Frank van Zanten	300%	435%
Richard Howes	200%	57%

Note

The shareholding requirement for the Chief Executive Officer, Frank van Zanten increased to 300% of salary under the remuneration policy approved at the 2020 AGM. Shares contributing to the share ownership % include deferred shares held under the DASBS (net of tax) but not any unvested or vested but unexercised LTIP awards.

Interests in shares and share options (audited disclosure)

The interests of the directors, and their connected persons, in the Company's ordinary shares and share options at 31 December 2020 were:

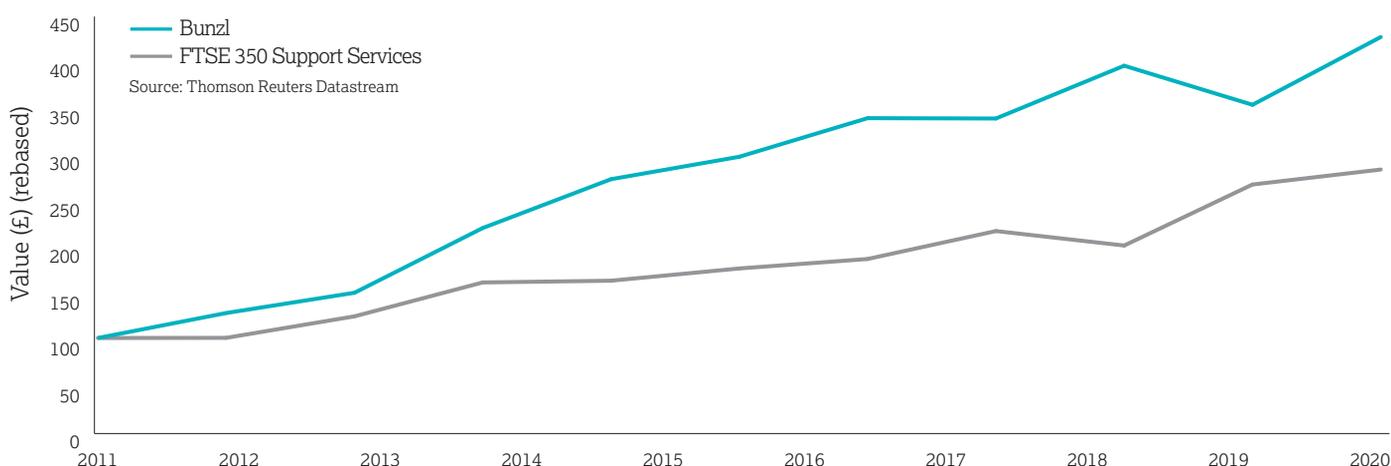
	Shares			Options (LTIP Part A and Sharesave)			Total interests held
	Owned outright	Unvested and subject to holding period (DASBS)	Unvested and subject to performance conditions (LTIP Part B)	Unvested and subject to performance conditions	Unvested subject to continued employment	Vested but not exercised	
Frank van Zanten	122,428	69,787	162,176	240,273	1,923	77,582	674,169
Richard Howes	8,363	9,774	142,302	55,956	–	–	216,395
Peter Ventress	2,608	–	–	–	–	–	2,608
Vin Murria	–	–	–	–	–	–	–
Vanda Murray	3,000	–	–	–	–	–	3,000
Lloyd Pitchford	4,000	–	–	–	–	–	4,000
Stephan Nanninga	–	–	–	–	–	–	–
Maria Fernanda Mejía	–	–	–	–	–	–	–

Note

No changes to the directors' ordinary share interests shown in this remuneration report have taken place between 31 December 2020 and 1 March 2021.

Performance graph and table

Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that the Company must provide a graph comparing the TSR performance of a hypothetical holding of shares in the Company with a broad equity market index over a 10 year period. The Company's TSR performance against the FTSE 350 Support Services Sector, considered to be the most appropriate comparator group, over a 10 year period commencing on 4 January 2011 is shown below.



Chief Executive Officer's pay in last 10 years

The table below summarises the Chief Executive Officer's single total figure of remuneration, annual bonus and long term incentive pay out as a percentage of maximum opportunity for 2020 and the previous nine years.

	2011	2012	2013	2014	2015	2016 MR	2016 FvZ	2017	2018	2019	2020
Single total figure of remuneration £000	3,394.1	3,502.9	4,387.6	4,766.8	3,937.9	2,353.3	1,492.0	2,812.0	2,828.8	2,769.4	3,503.9
Annual variable element award rates against maximum opportunity	99%	67%	91%	85%	64%	0%	67%	73%	70%	60%	100%
Long term incentive vesting rates against maximum opportunity											
LTIP Part A (options)	100%	100%	100%	100%	100%	100%	0%	100%	100%	100%	100%
LTIP Part B (performance shares)	29%	45%	62%	89%	69%	82%	0%	69%	54%	63%	45%

Notes

- a) The data for 2016 includes the amounts relating to Michael Roney ('MR') from 1 January 2016 to 19 April 2016 and also includes the LTIP awards made to him that vested in the period from 20 April to 31 December 2016. There was no bonus award for Michael Roney in relation to 2016.
- b) The data for 2016 also includes the amounts relating to Frank van Zanten ('FvZ') from 20 April to 31 December 2016 including the bonus award for that period and the international relocation package with accommodation benefit support, but excludes the LTIP awards made to him in his previous role that vested during the period from 20 April to 31 December 2016.
- c) All years prior to 2016 relate to Michael Roney.
- d) The single total figure of remuneration in relation to 2019 has been restated from the figure shown in the 2019 Annual Report to reflect the difference between the grant price and the value of the relevant LTIP awards on the actual date of vesting as detailed in Note f to the table of the single total figure of remuneration 2020 on page 128.

Percentage change in each director's remuneration

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

	Salary/Fees	Benefits	Bonus
Chief Executive Officer – Frank van Zanten	3.0%	(42%)	73%
Chief Financial Officer – Richard Howes	3.0%	n/a	n/a
Chairman – Philip Rogerson/Peter Ventress	3.1%	n/a	n/a
Non-executive director – Chair Remuneration Committee – Vanda Murray	0.9%	(100%)	n/a
Non-executive director – Eugenia Ulasewicz	–	(72%)	n/a
Non-executive director – Chair Audit Committee – Lloyd Pitchford	1.1%	(100%)	n/a
Non-executive director – Stephan Nanninga	–	(64%)	n/a
Non-executive director – Vin Murria	n/a	n/a	n/a
Non-executive director – Maria Fernanda Mejía	n/a	n/a	n/a
Average of employees in Bunzl plc	3.2%	(25%)	162%

Notes

- a) Benefits are annualised.
- b) Bunzl plc employees exclude any increases due to a change of role that occurred during either year.
- c) Premiums for private medical insurance decreased for employees in 2020 so there was a corresponding decrease in costs for the same level of cover for employees.
- d) Benefits for the non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings in London and therefore have decreased in 2020 compared to 2019 due to Covid-19 travel restrictions.

Directors' remuneration report continued

Chief Executive Officer pay ratios

The table below sets out the comparisons between the 25th, median, and 75th percentile employees in the UK, with reference to 31 December 2020, and the Chief Executive Officer's salary and total remuneration as detailed in the single figure table. To calculate these ratios, the Company has used Option A and determined full time equivalent total remuneration as this is the most statistically robust method. This includes scaling up salary for part time employees. Each employee's pay and benefits are calculated using each element of employee remuneration consistent with the Chief Executive Officer and no element of pay has been omitted.

Adjustments have been made to include the bonuses paid to employees in 2020, compared to the Chief Executive Officer's bonus due to be paid in 2021, in respect to performance in 2020. Due to the strong performance of the overall Group in 2020 and the heavier weighting of the Chief Executive Officer's pay towards variable pay compared to the wider workforce, there is an increase in the ratios for total remuneration in 2020 but as expected ratios for salary remain static. The median ratio is consistent with pay policies within the organisation. The Committee will continue to monitor movements in pay ratios.

	CEO single figure	Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary	£887,345	2020	Option A	44:1	38:1	27:1
Total remuneration	£3,503,900	2020	Option A	162:1	137:1	90:1
Salary	£861,500	2019	Option A	44:1	38:1	27:1
Total remuneration	£2,769,400	2019	Option A	133:1	111:1	75:1

	Salary	Total remuneration
Chief Executive Officer	£887,345	£3,503,900
25th percentile employee	£20,385	£21,696
Median employee	£23,272	£25,517
75th percentile employee	£33,119	£38,917

Relative importance of spend on pay

The table below shows a comparison between the overall expenditure on pay and dividends paid to shareholders as well as the adjusted earnings per share for 2020 and 2019 (as stated in Note 23, Note 19 and Note 3 to the consolidated financial statements on pages 187, 182 and 159 respectively).

£m	2020	2019	Percentage change
Overall expenditure on pay	844.3	785.8	7.4%
Dividends paid in the year	171.5	167.3	2.5%
Adjusted earnings per share (p)	164.9	132.2	24.7%

Notes

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

b) Dividends paid in the year relate to the previous financial year's interim and final dividends including in 2020 the additional interim dividend paid in relation to 2019 in lieu of the final dividend.

c) The percentage change in overall expenditure on pay includes the impact of changes in exchange rates from 2019 to 2020, details of which are referred to in the Chief Executive Officer's review on page 8 and in the Financial review on page 75.

Remuneration arrangements for 2021

Salary (audited information)

The salary increases for the executive directors for 2021, which are in line with increases that have been implemented for other employees in the Group as discussed on page 127, are as follows:

	Salary from 1 January 2021	Salary from 1 January 2020	Increase in salary 2020 to 2021
Frank van Zanten	£913,078	£887,345	2.9%
Richard Howes	£598,827	£581,950	2.9%

2021 bonus targets

The structure for Frank van Zanten and Richard Howes' annual bonus for 2021 is a balanced scorecard of performance measures, based on eps, RAOC, operating cash flow and specified strategic goals. The weighting of these measures has been slightly adjusted (financial measures 70% and non financial strategic goals 20%) and 10% of the opportunity for both directors will depend on the achievement of specific Environmental, Social and Governance objectives. The relevant performance points are: threshold; target; and maximum amount (the level at which the bonus for that measure is capped). These performance points are determined at the start of the year. No elements of the bonus are guaranteed. As in previous years, financial performance measures, including profit targets, are commercially sensitive and therefore are not disclosed until the following year.

Performance measures and pricing basis for long term incentives to be awarded in 2021

Grants of restricted share awards to be made to executive directors and senior executives will not be subject to performance measures but vesting will be subject to the achievement of an underpin normally reviewed over the three financial years commencing with the financial year in which awards are granted. Details of the underpin are set out in the policy table. In 2021 Frank van Zanten will be granted a restricted share award to the value of 125% of his salary and Richard Howes will be granted a restricted share award to the value of 100% of his salary. In respect of the award to be granted in 2021, the market value at the time of grant shall be used to set the number of shares under award and in respect of subsequent grants the 60-day average share price preceding the grant date will be used for such purposes.

Chairman's and non-executive directors' fees for 2021

The Chairman's fee is reviewed every two years with the most recent review taking effect from 1 January 2020. The non-executive directors' fees are reviewed annually and were most recently reviewed with effect from 1 January 2021. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2021	Fees paid in 2020	Increase in fees 2020 to 2021
Chairman's fee	£368,000	£368,000	–
Non-executive director basic fee	£73,240	£71,800	2.0%
Supplements:			
Senior Independent Director	£19,000	£18,000	5.6%
Audit Committee Chairman	£20,000	£20,000	–
Remuneration Committee Chairman	£20,000	£20,000	–

Additional information on directors' interests

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

Deferred share awards as at 31 December 2020

The awards granted to each director of the Company and any director with an interest in the Company under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 120.

	Awards (shares) held at 1 January 2020	Shares awarded during 2020	Shares vested during 2020	Total number of awards (shares) at 31 December 2020	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested awards £000
Frank van Zanten	11,504		11,504	–	01.03.20	2,255	1,910	220
	22,789			22,789	01.03.21	1,955		
	22,328			22,328	01.03.22	2,373		
		24,670		24,670	02.03.23	1,870		
Richard Howes		9,774		9,774	02.03.23	1,870		

Notes

- The normal vesting date in March 2020 fell on a non-working day and therefore the mid-market closing share price on 2 March 2020 has been used.
- The deferred element of the 2020 annual bonus plan as shown on page 130 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year.
- The shares awarded during 2020 relate to 50% of the bonus for 2019 and are a conditional award with the number of shares being determined by reference to the mid market closing share price on the day preceding the grant date.

Directors' remuneration report continued

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP during 2020.

Executive share options – LTIP Part A

	Options held at 1 January 2020	Grant date	Exercise price p	Options exercisable between	Options held at 31 December 2020
Frank van Zanten	42,636	02.09.16	2,336	02.09.19-01.09.26	42,636
	34,946	02.03.17	2,335	02.03.20-01.03.27	34,946
	35,324	01.09.17	2,310	01.09.20-31.08.27	–
	42,782	01.03.18	1,955	01.03.21-29.02.28	42,782
	35,010	31.08.18	2,389	31.08.21-30.08.28	35,010
	36,273	28.02.19	2,375	28.02.22-27.02.29	36,273
	40,887	11.09.19	2,107	11.09.22-10.09.29	40,887
	–	10.03.20	1,840	10.03.23-09.03.30	48,225
	–	09.09.20	2,392	09.09.23-08.09.30	37,096
Total	267,858				317,855
Richard Howes	–	10.03.20	1,840	10.03.23-09.03.30	31,627
	–	09.09.20	2,392	09.09.23-08.09.30	24,329
Total	–				55,956

Notes

a) Executive share options were exercised during 2020 by Frank van Zanten on 14 October 2020 in respect of 35,324 ordinary shares at an exercise price of 2,310p and at a market price of 2,654p, resulting in a gain of £121,603.

b) The mid-market price of a share on 31 December 2020 was 2,443p and the range during 2020 was 1,277p to 2,603p.

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2020	Conditional shares awarded during 2020	Award date	Market price per share at award p	Lapsed awards (shares) during 2020	Exercised awards (shares) during 2020	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2020
Frank van Zanten	19,565	–	10.04.17	2,346	14,395	5,170	1,688	87	–
	19,887	–	09.10.17	2,308	7,085	12,802	2,628	336	–
	22,510	–	09.04.18	2,090	–	–	–	–	22,510
	20,464	–	08.10.18	2,299	–	–	–	–	20,464
	22,072	–	08.04.19	2,537	–	–	–	–	22,072
	27,817	–	07.10.19	2,013	–	–	–	–	27,817
	–	42,936	06.04.20	1,550	–	–	–	–	42,936
	–	26,377	05.10.20	2,523	–	–	–	–	26,377
Total	132,315	69,313			21,480	17,972			162,176
Richard Howes	39,538	–	11.09.19	2,059	23,723	15,815	2,145	339	–
	46,824	–	11.09.19	2,059	–	–	–	–	46,824
	59,112	–	11.09.19	2,059	–	–	–	–	59,112
	–	22,527	06.04.20	1,550	–	–	–	–	22,527
	–	13,839	05.10.20	2,523	–	–	–	–	13,839
Total	145,474	36,366			23,723	15,815			142,302

All employees share scheme

The table below shows the number of share options granted to the executive directors under the Sharesave Schemes. Details of the Sharesave Schemes are set out on page 122.

Sharesave Schemes

	Options at 1 January 2020	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2020
Frank van Zanten	964	29.03.16	1,556	01.05.21-31.10.21	964
	959	27.03.18	1,564	01.05.23-31.10.23	959
Richard Howes	–	–	–	–	–

Advisers to the Remuneration Committee

In carrying out their responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from Willis Towers Watson ('WTW'), Aon Hewitt and Remuneration Consultants LLP ('FIT'). WTW provided external survey data on directors' remuneration and benefit levels. A tender exercise was carried out and as a result FIT took over from Aon Hewitt in July 2020 and provided information to determine whether, and if so to what extent, the performance conditions attached to existing share option and performance share awards under the LTIP had been satisfied and in addition advised the Committee on the proposed changes to the remuneration policy. The fees payable to each adviser, based on hourly rates, were: £15,600 (WTW), £44,988 (Aon Hewitt) and £65,967 (FIT) respectively for such work undertaken in 2020. Advisers are appointed by the Committee and reviewed periodically. The Committee conducts regular reviews of the effectiveness of the advisers and is satisfied that they remain objective and independent.

Statement of voting at the 2020 AGM for the remuneration report and the remuneration policy

The remuneration report and remuneration policy received the following shareholder votes in 2020 being the year that they were last voted on by shareholders:

	Votes cast	Votes for	% of shares voted	Votes against	% of shares voted	Votes withheld
Remuneration report	270,025,816	255,867,135	94.76%	14,158,681	5.24%	2,230,971
Remuneration policy	271,680,264	258,786,824	95.25%	12,893,440	4.75%	576,522

Notes

a) The votes 'For' include votes given at the Company Chairman's discretion.

b) A vote 'Withheld' is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution. Votes 'For' and 'Against' are expressed as a percentage of the votes cast.

Vanda Murray OBE

Chair of the Remuneration Committee

1 March 2021