Severn Trent Plc

2021 Remuneration Policy

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Remuneration Policy

This section contains Severn Trent Plc's proposed Directors' Remuneration Policy (the 'Remuneration Policy') that will govern and guide the Company's future remuneration payments. The Remuneration Policy described in this section is intended to apply for three years and will be applicable from date of approval by shareholders at the Company's 2021 Annual General Meeting.

Contents

Development of Policy report

The Committee sets the Remuneration Policy for Executive Directors and other senior executives, taking into account the Company's strategic objectives over both the short and the long term and the external market. The Committee addresses the need to balance risk and reward. The Committee monitors the variable pay arrangements to take account of risk levels, ensuring an emphasis on long-term and sustainable performance. The Committee believes that the incentive plans are appropriately managed and that the choice of performance measures and targets does not encourage undue risk taking by the Executives so that the long-term performance of the business is not compromised by the pursuit of short-term value. The plans incorporate a range of internal and external performance metrics, measuring both operational and financial performance over differing and overlapping performance periods, providing a rounded assessment of overall Company performance.

In order to manage conflicts of interest, no Director or employee participates in discussions pertaining to their own remuneration. The Committee reviews the performance of its external advisers on an annual basis to ensure that the advice provided is independent of any support provided to management.

Linkage to all-employee pay

The Committee reviews changes in remuneration arrangements in the workforce generally as we recognise that all our people play an important role in the success of the Company. Severn Trent is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner. While employees are not formally consulted in respect of the Remuneration Policy, when making decisions on executive pay the Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis. In particular, the Committee considers wider workforce salary increases when determining those for Executive Directors. We believe that employees throughout the Company should be able to share in the success of the Company. Therefore, the annual bonus scheme is cascaded throughout the organisation and all employees may participate in the HMRC tax advantaged Save As You Earn ('SAYE') scheme.

As part of our commitment to fairness, we have a section in this report about 'Company remuneration at Severn Trent' (see pages 132 to 141). This section sets out the steps we take to make sure that our pay and reward framework, below executives and senior management, is transparent in a way that is meaningful and useful. This section also includes more information on our wider workforce pay conditions, our Gender Pay statistics and our CEO pay ratio disclosure.

Shareholder views

In preparing the 2021 Policy, the Company carried out an extensive shareholder consultation exercise with our largest shareholders and representative bodies to seek feedback on the main changes proposed.

The Remuneration Committee was pleased with the support of our largest shareholders for the new Remuneration Policy. Shareholders were pleased to see the overarching principles of the Policy retained, whilst welcoming the Company's commitment to a second, sustainability-focused performance measure in the LTIP as well as a post employment shareholding requirement. No changes were, therefore, made to the original Policy proposals.

The Committee engages proactively with the Company's major shareholders and is committed to maintaining an open dialogue. The Committee reviews any feedback received from shareholders as a result of the AGM process. Committee members are available to answer questions at the AGM and throughout the rest of the year. The Committee takes into consideration the latest views of investor bodies and their representatives, including the Investment Association, the Pension and Lifetime Savings Association and proxy advice agencies such as Institutional Shareholder Services.

2021 Directors' Remuneration Policy table

The following table sets out the key elements of the remuneration for the Executive Directors.

Salary

Purpose and link to strategy: To recruit and reward Executive Directors of a suitable calibre for the role and duties.

Operation (including performance metrics)	Maximum opportunity	Substantive changes from Policy agreed at 2018 AGM and rationale
• Salaries for individual Executive Directors are reviewed annually by the Committee and normally take effect from 1 July. • Salaries are set with reference to individual performance, experience and contribution, together with developments in the relevant employment market (having regard to similar roles in publicly quoted companies of a comparable size), Company performance, affordability, the wider economic environment and internal relativities. • In addition, when the Committee determines a benchmarking exercise is appropriate it will also consider salaries within the ranges paid by the companies in the comparator groups used for remuneration benchmarking. • The Committee intends to review the comparators periodically and may add or remove companies from the Group as it considers appropriate. Any changes to the comparator groups will be set out in the section headed Implementation of Remuneration Policy, in the following financial year.	• Details of the current salary levels for the Executive Directors are set out in the Annual Report on Remuneration on page 142. • Any increase to Executive Directors' salaries will generally be no higher than the average increase for the UK workforce. However, a higher increase may be proposed in the event of a role change or promotion, or in other exceptional circumstances. • The Company, where appropriate, may set salary levels below the market reference salary at the time of appointment, with the intention of bringing the salary levels in line with the market as the individual gains the relevant experience. In such cases, subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.	No changes.

Benefits

Purpose and link to strategy: To provide competitive benefits in the market to enable the recruitment and retention of Executive Directors.

Operation (including performance metrics)	Maximum opportunity	Substantive changes from Policy agreed at 2018 AGM and rationale
• A green travel allowance (formerly car allowance, changed to recognise the use of public transport and introduction of our electric vehicle car scheme), family level private medical insurance, life assurance, personal accident insurance, health screening, an incapacity benefits scheme and other incidental benefits and expenses. • The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Therefore, additional benefits such as relocation, disturbance and expatriate allowances and tax equalisation may be paid as appropriate. • Directors will be reimbursed for any reasonable business expenses incurred in the course of their duties, including the tax payable thereon.	• The value of benefits is based on the cost to the Company and there is no pre-determined maximum limit. The range and value of the benefits offered are reviewed periodically.	No changes.

Pension

Purpose and link to strategy: To provide pension arrangements comparable with similar companies in the market to enable the recruitment and retention of Executive Directors.

Operation (including performance metrics)	Maximum opportunity	Substantive changes from Policy agreed at 2018 AGM and rationale
• The Company maintains a defined contribution scheme and/or cash supplement in lieu of pension.	• For current Executive Directors, the company contribution to a pension scheme and/or cash allowance will be reduced in stages from a maximum of 25% of salary to 15% of salary by 1 April 2022. • For any new appointment, the contribution will be up to a maximum of 15% of salary.	• No change for new appointments. • Current Executive Director pensions will be reduced in stages from 25% of salary in 2019 to 15% of salary by April 2022. • This change aligns pension contribution quantum for all Executive Directors with the maximum 15% contribution available to members of the Severn Trent Group Pension Plan (the majority of the wider workforce).

Annual bonus

Purpose and link to strategy: To encourage improved financial and operational performance, and to align the interests of Executive Directors with shareholders through the partial deferral of payment in shares.

Operation (including performance metrics)	Maximum opportunity	Substantive changes from Policy agreed at 2018 AGM and rationale
• Bonuses are based on financial, operational, customer and personal performance over a performance period of one financial year. • 50% of the bonus is paid in cash and 50% in shares which vest after three years (with the value of any dividends to be rolled up and paid on vesting). There are no further performance targets on the deferred amount. • The performance measures and targets for the annual bonus are selected annually to align with the business strategy and the key drivers of performance set under the regulatory framework. The annual weighting of the bonus between the various metrics and personal contribution may vary depending on the key priorities of the business for the year ahead. However, no more than 20% of the bonus will relate to personal contribution (where applicable) for any Executive Director. Robust and demanding targets are set taking into account the operating environment and priorities, market expectations and the business plan for the year ahead. • The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the bonus, disclosing precise targets for the Plan in advance would not be in shareholder interests. Therefore, performance targets and performance achieved will be published at the end of the performance period so shareholders can fully assess the basis for any pay outs under the Plan. • Malus and clawback mechanisms also apply to allow the recoupment within three years of the payment of the cash bonus or the grant of deferred shares in the event of financial misstatement, errors in calculation, misconduct, reputational damage, regulatory censure or corporate failure of the Company. • Any exercise of discretion by the Committee will be communicated to shareholders in full in the following year's Directors' Remuneration Report. • Cessation of employment and change of control provisions apply as set out in the notes to the Policy table.	• The maximum annual bonus payment will equal 120% of salary for maximum performance. For threshold performance, 0% of maximum opportunity will be paid. For target performance 50% of maximum opportunity will be paid. • The Committee will operate all incentive plans according to the rules of each respective plan and the discretions contained therein. The discretions cover aspects such as the timing of grant and vesting of awards, determining the size of the award (subject to the policy limits), the treatment of leavers, retrospective adjustment of awards (e.g. for a rights issue, a corporate restructuring or for special dividends) and, in exceptional circumstances, the discretion to adjust previously set targets for an incentive award if events happen which cause the Committee to determine that it would be appropriate to do so. In exercising such discretions, the Committee will take into account generally accepted market practice, best practice guidelines, the provisions of the Listing Rules and the Company's approved Remuneration Policy. • In exceptional circumstances the Committee retains the discretion to: a) Change the performance measures and targets and the weighting attached to the performance measures and targets part way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and b) Make downward or upward adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believe that the bonus outcomes are not a fair and accurate reflection of business performance.	No changes other than the enhancement of malus and clawback provisions.

LTIP

Purpose and link to strategy: To encourage strong and sustained improvements in financial performance, in line with the Company's strategy and long-term shareholder returns.

Operation (including performance metrics)	Maximum opportunity	Substantive changes from Policy agreed at 2018 AGM and rationale

• Awards are granted annually and will be subject to one or more performance conditions which will be assessed over three years.
• A two-year holding period will apply following the three-year vesting period for LTIP Awards granted to the Executive Directors.
• For the first LTIP Awards under this Policy, the following will apply:
  • 80% of the maximum LTIP Award will be based on RoRE and will require the Company's RoRE to outperform the target set out in Ofwat's Final Determination and, for full vesting, to deliver upper quartile relative performance compared with other water companies. This reflects the greater focus of Ofwat on the relative performance of water companies and the tougher regulatory context during AMP7.
  • 20% of the maximum LTIP award will be based on a sustainability measure. The measure will be based on the Company's Sustainability Framework.
• Using RoRE to assess long-term performance reflects the focus of Ofwat in AMP7 and is consistent with our aim to deliver efficient returns to shareholders. RoRE measures the returns (after tax and interest) that companies have earned by reference to the notional regulated equity, where regulated equity is calculated from the RCV and notional net debt. The Committee believes that the use of RoRE provides a strong alignment between the long-term financial and operational performance of the Group and the reward delivered to management.
• The Committee believes that including sustainability within the long-term incentive framework is important given the Company's ambitious long-term sustainability commitments.
• The structure of the sustainability measure and targets will vary based on the nature of the target set (e.g. for milestone targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). Full disclosure of targets and the verification process for measures will be disclosed in the Directors' Remuneration Report.
• Different performance measures, targets and/or weightings may be set for future LTIP Awards to reflect the business strategy and regulatory framework operating at that time.
• No material change will be made to the type of performance measure without prior shareholder consultation.
• Dividend enhancement may be applied to vesting awards and dividend equivalent shares transferred based on the dividends that could have been acquired on the vested shares during the vesting period. Awards may also be settled in cash in certain circumstances.
	• Maximum limit is 200% of salary. Up to 25% of an award may vest for threshold performance, as applicable.
	• The Committee will review the measures, weightings and targets before each grant to ensure they remain appropriate. The Committee may change the weighting of the measure, or use different measures for subsequent awards, as appropriate.
	• The Committee will operate all incentive plans according to the rules of each respective plan and the discretions contained therein.
	• The discretions cover aspects such as the timing of grant and vesting of awards, determining the size of the award (subject to the policy limits), the treatment of leavers, retrospective adjustment of awards (e.g. for a rights issue, a corporate restructuring or for special dividends) and, in exceptional circumstances, the discretion to adjust previously set targets for an incentive award if events happen which cause the Committee to determine that it would be appropriate to do so. In exercising such discretions, the Committee will take into account generally accepted market practice, best practice guidelines, the provisions of the Listing Rules and the Company's approved Remuneration Policy.
	• In exceptional circumstances the Committee retains the discretion to:
	a) Change the performance measures and targets and the weighting attached to the performance measures and targets part way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and
	b) Make downward or upward adjustments to the amount earned resulting from the application of the performance measures, if the Committee believes that the LTIP outcomes are not a fair and accurate reflection of business performance.
	• In addition, for any awards to vest, the Committee must be satisfied that there has been no compromise to the commercial practices or operational standards of the Group. If the Committee is not so satisfied, then the vesting percentage may be scaled back as appropriate (including to 0%).
		• Enhancement of malus and clawback provisions.
		• Introduction of second performance measure alongside RoRE. A portion of awards, as determined annually by the Committee, will be based on a sustainability measure.
		• The Committee's rationale for introducing an additional sustainability measure is as follows:
		  • It aligns with Severn Trent's strategy to focus management on superior financial performance together with a focus on long-term sustainability and operating the business in an environmentally and socially conscious way.
		  • It will provide a clear link between remuneration and the Company's social purpose and Sustainability Framework including its commitments on matters such as climate change, specifically, reducing the Company's carbon footprint as evidenced through the Company's Triple Carbon Pledge commitment.
		  • It is consistent with the concept of 'responsible investing', whereby shareholders are increasingly seeking investments that reflect their core values and the Company is mindful of the increasing importance of this for other stakeholders too.

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LTIP continued

Operation (including performance metrics) continued

- Malus and clawback mechanisms apply to allow the recoupment of incentive awards within three years of vesting in the event of financial misstatement, errors in calculation, misconduct, reputational damage, regulatory censure or corporate failure of the Company.
- Cessation of employment and change of control provisions apply as set out in the notes to the Policy table.

All-employee share plans

Purpose and link to strategy: To encourage widespread employee share ownership to enable employees to share in the success of the business, and to align their interests with those of shareholders.

Operation (including performance metrics)	Maximum opportunity	Substantive changes from Policy agreed at 2018 AGM and rationale
• The Executive Directors are able to participate in HMRC tax advantaged all-employee share plans on the same terms as other eligible employees.	• The maximum limits under the plans are as set by HMRC.	No changes.

Shareholding requirements

Purpose and link to strategy: To encourage strong shareholder alignment both during and after employment with the Company.

Operation (including performance metrics)	Maximum opportunity	Substantive changes from Policy agreed at 2018 AGM and rationale
• The Company operates shareholding requirements under which Executive Directors are expected to build and maintain a shareholding in the Company. • The CEO is expected to build and maintain a holding of shares to the value of 300% of salary, and other Executive Directors 200% of salary. • Executive Directors are expected to retain all of the net of tax number of shares they receive through the LTIP and deferred share bonus until the shareholding requirements have been met. • The Committee retains the discretion to increase the shareholding requirements as appropriate. • In addition, a post-employment shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to maintain their in-employment shareholding requirement (or actual shareholding, if lower) for two years following cessation of employment. This requirement will apply to shares acquired under share plan awards granted following approval of this Policy. • The enforcement mechanism for the post-employment shareholding requirement will be facilitated through the Employee Benefit Trust ('EBT'). On LTIP vesting, shares will be transferred to the EBT (net of tax and national insurance liabilities) to be held on behalf of the Executive Directors for two years following cessation of employment. Shares purchased by Executive Directors utilising their own funds will not be included in the post-employment shareholding requirement.	N/A	• Introduction of a post-employment shareholding requirement. • A post-employment shareholding requirement will support alignment between Executive Directors and the long-term interests of shareholders. • This will also align the Company with the latest provisions of the 2018 UK Corporate Governance Code.

Notes to the Policy tables

Legacy arrangements – for the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this Remuneration Policy, for example, those outstanding and unvested incentive awards which have been disclosed to shareholders in previous Remuneration Reports.

External directorships

Executive Directors are permitted to take on external Non-Executive directorships, though normally only one other appointment, to bring a further external perspective to the Group and help in the development of key individuals' experience. In order to avoid any conflicts of interest, all appointments are subject to the approval of the Nominations Committee. Executive Directors are permitted to retain the fees arising from such appointments.

Approach to recruitment and promotion

The Company's approach is for the remuneration of any new Director to be assessed in line with the principles applied to the Executive Directors. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration to the appropriateness of any performance measures associated with an award.

Item	Policy
Salary, benefits and pension	• These will be set in line with the Policy for existing Executive Directors.
Annual bonus	• Maximum annual participation will be set in line with the Company's Policy for existing Executive Directors and will not exceed 120% of salary.
LTIP	• Maximum annual participation will be set in line with the Company's Policy for existing Executive Directors and will not exceed 200% of salary.
Maximum variable remuneration	• The maximum variable remuneration which may be granted is 320% of salary (excluding any buy outs).
'Buyout' of incentives forfeited on cessation of employment	• Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: the proportion of the performance period completed on the date of the Executive Director's cessation of employment; the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and any other terms and condition having a material effect on their value ('lapsed value'). • The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation policies	• In instances where the new Executive Director is required to relocate or spend significant time away from his/her normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/ housing allowance, disturbance allowances and schooling.
Internal promotions	• In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to the terms on which it was originally granted. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year. Otherwise their remuneration would be set applying the principles set out above.

The Company's Policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors, which is set out on page 153.

Service contracts and Letters of Appointment for Executives

Name	Date of service contract	Nature of contract	Notice period	Termination payments
Liv Garfield	10.04.14	Rolling	12 months	Payments for loss of office comprise a maximum of 12 months' salary and benefits only
James Bowling	01.04.15	Rolling	12 months	Payments for loss of office comprise a maximum of 12 months' salary and benefits only

Copies of the service contracts of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

Policy on Payments for Loss of Office

When determining any loss of office payment for a departing Executive Director, the Remuneration Committee will always seek to minimise the cost to the Group while complying with the contractual terms agreed and seeking to reflect the circumstances in place at the time. The remuneration related elements of the current contracts for Executive Directors are shown in the table below, together with details of the treatment on cessation of employment. No changes from the 2018 Policy are proposed.

Element	Treatment on cessation of employment	
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.	
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.	
Annual bonus cash awards	**Good leaver reason[i]**	**Other reason**
	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus will be payable for year of cessation.
	Discretion	
	The Committee has the following elements of discretion: • To determine that an Executive Director should be treated as a good leaver and receive a bonus for the year of cessation; it is the Committee's intention to use this discretion only in circumstances where there is an appropriate business case which will be explained in full to shareholders. • To determine whether to pro-rate the bonus for time; the Remuneration Committee's normal policy is to pro-rate for time. It is the Committee's intention only to use discretion not to pro-rate in circumstances where there is an appropriate business case, based on the circumstances of the Executive Director's departure. Use of discretion will be explained in full to shareholders. • The bonus would be paid at the same time as for the other Executive Directors and, if the Executive has left employment by that date, it may be paid solely in cash.	
Annual bonus deferred share awards	**Good leaver reason[i]**	**Other reason**
	All subsisting deferred share awards will vest on cessation.	All subsisting deferred share awards will vest on cessation with the exception of summary dismissal of the participant, when any deferred share award held by the individual shall lapse immediately on such termination.
	Discretion	
	The Committee has the following elements of discretion: • To determine whether deferred shares should vest at the end of the original deferral period or at the date of cessation; the Committee will make this determination depending on the reason for cessation. • To determine whether to pro-rate the maximum number of shares for time from the date of grant to the date of cessation; the Committee's normal policy is not to pro-rate awards for time. The Committee will determine whether to pro-rate based on the reason for cessation.	

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Policy on Payments for Loss of Office continued

Element	Treatment on cessation of employment	
LTIP	**Good leaver reason[i]**	**Other reason**
	Subsisting awards continue to be capable of vesting on a pro-rated time and performance basis.	All subsisting awards will lapse on cessation.
	Discretion	
	The Committee has the following elements of discretion: • To determine that the Executive Director should be treated as a good leaver such that LTIP awards continue to be capable of vesting; it is the Committee's intention to use this discretion only in circumstances where there is an appropriate business case which will be explained in full to shareholders. • To allow awards to vest, and to measure, at the date of cessation. The Committee will make this determination depending on the reason for cessation. • To determine whether to pro-rate for time; the Committee's normal policy is to pro-rate awards based on the proportion of the performance period which has elapsed to the date of cessation. In circumstances where there is an appropriate business case based on the circumstances of the Executive Director's departure, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.	
Holding periods	Where cessation of employment occurs during any holding period the LTIP award will continue as normal. However, the Committee retains discretion to allow the award to vest when cessation of employment occurs in certain circumstances, such as: • Where the reason for departure is death, disability or ill-health; • Where there are extenuating factors which impact at the time of departure (such as unforeseen changes to personal circumstances); or • Any other reason, permitted by the Committee in its absolute discretion in any particular case, except where termination is for dishonesty, fraud, misconduct or other circumstances justifying summary dismissal (in which cases it is very likely any outstanding LTIP awards would lapse on cessation regardless).	
Other	The Company is adopting replacement share plans (the annual bonus scheme and Long Term Incentive Plan, which is subject to approval from shareholders at the AGM) in 2021. As described above, the Company retains the ability to satisfy outstanding and unvested incentive awards under the legacy incentive plans as described in the previous Remuneration Policy.	

(i) Good leaver reasons include injury, ill-health or disability, redundancy or retirement (in each case, as determined by the Committee) and death. The Committee also retains an overall discretion to determine that an individual be treated as a good leaver.

Outplacement services and reimbursement of legal costs may be provided where appropriate. Any statutory entitlements or sums to settle or compromise claims in connection with a termination would be paid as necessary. Outstanding savings/awards under the SAYE and the legacy Share Incentive Plan would be transferred in accordance with the terms of the plans as approved by HMRC.

Policy on change of control

The change of control provisions applying to incentive awards are set out in the relevant plan rules and are summarised below.

Element	Operation	Discretion
Annual bonus cash awards for the year in which a change of control occurs	Pro-rated for time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus for time; the Committee's normal policy is that it will pro-rate the bonus for time. In circumstances where there is an appropriate business case, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.
Annual bonus deferred share awards	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the awards for time; the Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	Subsisting LTIP awards will vest on a change of control, pro-rated for time and performance. The holding period will not apply on change of control.	The Committee has discretion regarding whether to pro-rate the LTIP awards for time; the Committee's normal policy is that it will pro-rate the LTIP awards for time. In circumstances where there is an appropriate business case, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.

Chair and Non-Executive Directors

The Remuneration Policy for Non-Executive Directors, other than the Chair, is determined by the Chair and Executive Directors. The fee for the Chair is determined by the Remuneration Committee (without the Chair present). No changes to the 2018 Policy are proposed.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fee	To recruit and retain Non-Executive Directors of a suitable calibre for the role and duties required.	Board fee with additional fees paid for the Senior Independent Director and for chairing the Board Committees. The Chair receives a total fee in respect of Board duties. Fees are paid monthly. Directors will be reimbursed for any reasonable business expenses incurred in the course of their duties, including the tax payable thereon. The fees for the Non-Executive Directors and Chair are set taking into account the time commitment of the role and market rates in comparable companies. The fees are normally reviewed annually (but not necessarily increased) effective from 1 July. The Company retains the flexibility to pay fees for the membership of committees. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside normal duties. Non-Executive Directors do not participate in any variable remuneration or receive any other benefits.	Details of the current fee levels for the Non-Executive Directors are set out on page 131. The fee levels are set subject to the maximum limits set out in the Articles of Association.

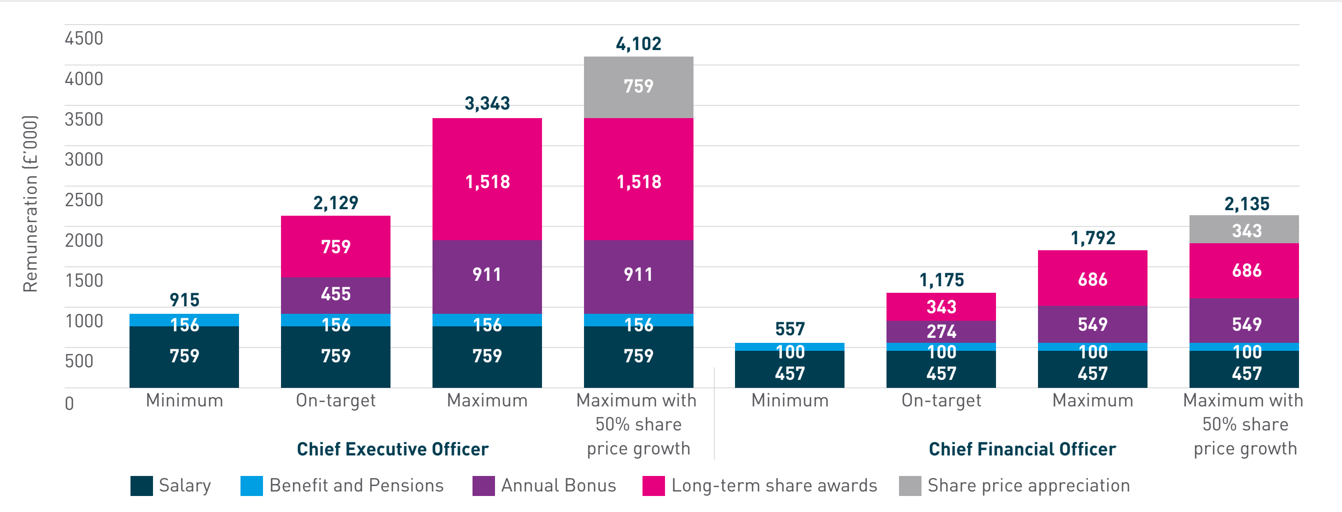
Non-Executive Directors normally serve terms of three years. They do not have service contracts. Instead, Non-Executive Directors are engaged by Letters of Appointment which are terminable by either party with no notice period and no compensation in the event of such termination, other than accrued fees and expenses. The Company follows the 2018 UK Corporate Governance Code's recommendation that all directors of FTSE350 companies be subject to annual appointment or reappointment at the AGM.

Application of the Remuneration Policy

The charts below provide an illustration of what could be received by each of the Executive Directors under the new Remuneration Policy for 2021/22. These charts are illustrative as the actual value will depend on business performance in the year 2021/22 (for the annual bonus) and in the three year period to 2023/2024 (for the LTIP), as well as share price performance to the date of the vesting of LTIP awards in 2024.

The maximum scenario also includes an additional bar which shows the impact of 50% share price growth on the LTIP outcome over the relevant performance period to show how the package value is aligned to shareholders. It is a key part of our Remuneration Policy to align interests of the Executive Directors and shareholders through the provision of a substantial element of remuneration in shares. Increases in the value of remuneration through an increase in share price are evidence of the direct link between the interests of the two.

Remuneration scenarios



Note: Minimum pay is fixed pay only (i.e. salary + benefits + pension). On-target pay includes fixed pay, 50% of the maximum bonus (equal to 60% of salary for both the CEO and the CFO) and 50% vesting of the LTIP awards (with grant levels of 200% of salary for the CEO and 150% of salary for the CFO). Maximum pay includes fixed pay and assumes 100% vesting of both the annual bonus and the LTIP awards. Salary levels (which are the base on which other elements of the package are calculated) are based on those applying at 1 July 2021. The value of taxable benefits is the cost of providing those benefits in the year ended 31 March 2021. The Executive Directors are also permitted to participate in HMRC tax advantaged all-employee share plans, on the same terms as other eligible employees, but they have been excluded from the above graph for simplicity.

Philip Remnant
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18 May 2021

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TRENT