

# DIRECTORS' REMUNERATION REPORT

## ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIRMAN

**Douglas McCallum**  
Remuneration Committee Chairman



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### DEAR SHAREHOLDER,

On behalf of the Board, I am pleased to present the Directors' remuneration report for 2014.

Last year, the Remuneration Committee undertook an extensive review of the Company's remuneration policy for the Executive Directors, which resulted in a number of changes to executive remuneration. These changes received support from shareholders, both through the process of shareholder consultation and annual general meeting voting results. This support recognised our efforts to closely align the Executive Directors' incentives with the strategic growth objectives of the business. The Directors' remuneration policy was approved by shareholders at the annual general meeting which took place on 7 May 2014 and will continue in force until 2017. There are no proposals to amend the Directors' remuneration policy at the present time.

The Annual report on remuneration section of the Directors' remuneration report sets out the Directors' remuneration policy, how the policy was implemented in 2014, and how it is proposed to be applied in 2015.

### KEY CHANGES TO EXECUTIVE DIRECTOR REMUNERATION

One of our key roles is to ensure that the remuneration arrangements for the Executive Directors reward efforts that enhance the Company's performance and promote the long-term success of the Company. We also need to ensure that the rewards received by the Executive Directors are proportionate to the levels of performance achieved. So we have to give full consideration to the Company's strategy, its performance and shareholders' interests when making decisions relating to the remuneration of the Executive Directors.

A new long-term incentive plan, known as the Growth Incentive Plan ("GIP"), was implemented after it received shareholder approval at the 2014 annual general meeting. The GIP is intended to reward outstanding growth in value of the Group relative to the FTSE 100 over five years.

Base salaries of the Executive Directors were reviewed and increased in line with employee salary increases. The base salary of the Chief Executive Officer was increased more significantly to reflect the substantial change in the size and complexity of the business since the transaction with Morrisons.

 View more information about the Directors' remuneration policy on pages 96 to 110

 View more information online at [www.ocadogroup.com](http://www.ocadogroup.com)

During the financial year, we undertook a review of the Executive Director Annual Incentive Plan ("AIP") structure and concluded that the financial measures of EBITDA and Gross sales remained aligned with the Company's strategy and should be retained for 2015 in order to encourage strong growth. The proportion allotted to individual objectives for the 2015 AIP has been increased from 20% to 30%, to reflect the increased importance of delivering key strategic objectives in 2015.

Following consultation with our shareholders and a review of the Long Term Incentive Plan ("LTIP"), the performance measures for the 2014 LTIP awards were changed from EBIT, to be equally weighted between earnings per share and Group Revenue. For the 2015 LTIP awards an additional financial target will be included to reward delivering the economic efficiency of the new proprietary infrastructure solution, which is intended to help promote the success of this important long-term strategic objective.

Our Share Incentive Plan ("SIP") was launched for all employees in August this year. All of the Executive Directors elected to participate in the SIP, alongside their existing participation in the Company's other HMRC-approved share schemes.

#### RELATIONSHIP BETWEEN PAY AND PERFORMANCE

We have, in accordance with the Directors' remuneration policy and the rules of the 2014 AIP, recommended an aggregate bonus payment of £912,415 under the plan for the period. This recommendation is based on the achievement of targets which are set out in more detail in the Annual report on remuneration on page 114. The Remuneration Committee believes that the level of bonus payment appropriately reflects the performance of the business and individual performance during the period, which saw strong trading for the Group in a very competitive market and good progress with the development of the Group's strategic objectives.

#### CHANGES TO NON-EXECUTIVE DIRECTOR REMUNERATION

The Non-Executive Directors' annual fees were increased for the first time since 2010 to ensure that their remuneration reflects the increased responsibility of the role. This change followed a comparative market review by the Executive Directors and the Chairman.

#### 2014 CODE

We reviewed the existing remuneration arrangements and Directors' remuneration policy in light of the proposed changes under the 2014 Code. The Company is compliant with the new provisions of the 2014 Code in a number of areas including the requirements for clawback and malus provisions. Our response to the 2014 Code changes is set out in this report.

#### REMUNERATION DISCLOSURE

Each year, we review how shareholders voted on the remuneration report, together with any feedback received. We are focused on providing clear reporting on past remuneration and future policy, and we welcome your feedback.

I will be available at the AGM to answer any questions about the work of the Remuneration Committee.

**Douglas McCallum**  
Remuneration Committee Chairman  
3 February 2015

