DIRECTORS' REMUNERATION REPORT continued

COMPLIANCE WITH THE 2012 CODE AND 2014 CODE

The Company has complied with the 2012 Code in respect of the Directors' remuneration policy and this Directors' remuneration report, to the extent explained in the Statement of corporate governance on page 66. The 2014 Code does not apply to the Company's reporting period ended 30 November 2014. However, the Board has, where appropriate and feasible, adopted some of the new provisions in the 2014 Code earlier than required and provides disclosure against these requirements in this Directors' remuneration report.

Clawback and Malus

The Remuneration Committee reviewed the Director's remuneration policy and existing remuneration arrangements in light of the proposed changes under the 2014 Code. As noted in the Directors' remuneration policy, all of the rules of the Executive Director share schemes and incentives contain clawback and malus provisions or equivalent bad leaver provisions, which allow the Company to potentially recover sums paid or withhold payment of any amount in certain circumstances. To this extent, the Company is compliant with the new provisions of the 2014 Code.

Deferral

The 2014 Code provides that for share schemes, directors should be required to hold shares for a period after vesting or exercise including for a period after leaving the Company. While some of the share schemes do not contain any requirements for share deferral or additional holding periods, the Remuneration Committee feels that their absence is materially mitigated by the existing large shareholdings held by the Executive Directors in the Company and by the lengthy five-year vesting period that applies to the GIP. Such factors help create a longer-term focus for the business from the Executive Directors and stronger alignment with shareholders.

REMUNERATION POLICY REPORT

INTRODUCTION

This part of the Directors' remuneration report sets out the Company's policy for the remuneration of its Directors.

The Directors' remuneration policy was approved by shareholders at the annual general meeting which took place on 7 May 2014 and took effect from that date. Since then the Remuneration Committee reviewed the Directors' remuneration policy and concluded that it remained appropriate for the foreseeable future. Given there were no proposals to revise the policy it remains valid and will not be put for shareholder approval at the AGM. It is expected that the Company will next propose a resolution to approve the Directors' remuneration policy at the Annual General Meeting to be held in 2017, or sooner in the event of proposed revisions to the policy.

The Directors' remuneration policy is extracted in full from the 2013 annual report, without amendment except: (i) this introduction; (ii) to reflect shareholder approval of the GIP and 2014 ESOS; and (iii) minor amendments such as page or cross references and changed defined terms. It is in the form approved by shareholders at the annual general meeting which took place on 7 May 2014.

REMUNERATION PRINCIPLES FOR SENIOR EXECUTIVES

The Directors' remuneration policy and reward strategy is underpinned by the remuneration principles. These principles relate to the core values of the Company. The main principles of senior executive remuneration are set out below:

- Support long-term success and sustainable long-term shareholder value.
- Be aligned to the business strategy and achievement of planned business goals.
- Be compatible with the Group's risk policies and systems.
- Link maximum payout to outstanding results.
- Ensure that performance related pay constitutes a significant proportion of the overall package.
- Provide a balance between attracting, retaining and motivating the right calibre of candidates, and taking into account the entrepreneurial culture of the business.
- Encourage a high performance culture.

LINK WITH STRATEGY

The Company's reward strategy continues to evolve in parallel with the Company's development. The key objective to be achieved through the Directors' remuneration policy is to support the Group's main strategic objectives of expansion and high growth. The AIP, the LTIP and the GIP contain specific performance measures designed to support the objectives of accelerating core business performance in the short and medium term (for example, EBITDA and sales growth targets) and the objectives of creating long-term success and sustainable long-term shareholder value (for example, EPS target and share price growth targets).

The Directors' remuneration policy, outlined on the following pages, provides the detailed structure of each element of remuneration and how each element is determined. The remuneration package of the Executive Directors is made up of elements of fixed and variable remuneration.

The Remuneration Committee is mindful of the weighting of fixed and variable pay and balance of short and long-term awards, and sought to position a larger proportion of the remuneration package as equity based and performance related, in order to support the Company's strategic objectives of high growth and expansion and to create shareholder alignment. The balance of the remuneration of the Executive Directors is set out at 'Illustration of Directors' remuneration policy' on page 110. The Remuneration Committee introduced

DIRECTORS' REMUNERATION REPORT continued

share deferral in the AIP, minimum shareholding requirements and the GIP to help ensure a longer-term focus for the business from the Executive Directors.

REMUNERATION COMMITTEE DISCRETION AND JUDGEMENT

In formulating the Directors' remuneration policy, the Remuneration Committee has sought to allow it sufficient operational flexibility over Director remuneration for the next three years. While the policy provides the boundaries for remuneration arrangements, the policy is intended to provide some isolated discretion for the Remuneration Committee to use in various circumstances relating to particular components of remuneration. The Directors' remuneration policy does not provide for the exercise of discretion over any aspect of the policy. The Remuneration Committee may not use any discretion outside the policy without separate shareholder approval.

The Remuneration Committee operates the share schemes according to their respective rules and in accordance with the Listing Rules and other rules and regulations, where relevant. The Remuneration Committee retains discretion, in a number of regards to the operation and administration of these plans. The discretions include, but are not limited to, those set out in the table below.

Area of discretion	AIP	LTIP	JSOS	GIP
The participants	Y	Y	Y	Y
The timing of grant of an award or payment	Y	Y	Y	Y
The size of an award (up to a predetermined maximum)	Y	Y	Y	Y
The determination of vesting or payment	Y	Y	N	Y
Discretion required when dealing with a change of control or restructuring of the Group	Y	Y	Y	Y
Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen	Y	Y	Y	Y
Adjustments required in certain circumstances (for example, rights issues, corporate restructuring events and dividends)	Y	Y	Y	Y
Adjust or change the performance conditions if anything happens which causes the Remuneration Committee reasonably to consider it appropriate (for example, Board approved strategic initiative or transaction) provided that any changed performance condition will be equally difficult to satisfy as the original condition would have been had such circumstances not arisen	Y	Y	N	Y
The annual review of performance measures and weighting, and targets from year to year	Y	Y	Y	N
Adjustment to level of payments, even when targets met (for example, to reflect individual or Company performance)	Y	N	N	N
Application of malus and clawback	Y	Y	N	Y

In addition, the terms of the Chairman's Share Matching Award provide that the Board has discretion with respect to dealing with change of control and treatment of leavers. The use of discretion in relation to the Company's ESOS, Sharesave and Share Incentive Plan will be as permitted under HMRC rules and the other relevant rules and regulations.

Any use of the above discretions would, where relevant, be explained in the Directors' remuneration report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

The Remuneration Committee may also apply judgement or a qualitative assessment, for example in assessing achievement against role specific objectives under the AIP.

DEVELOPMENT OF DIRECTORS' REMUNERATION POLICY

Shareholder context

The Remuneration Committee has sought alignment between the Directors' remuneration policy and shareholder interests.

When proposing changes to the Executive Directors' remuneration arrangements, the Remuneration Committee has sought the views of the Company's largest shareholders. The Remuneration Committee sought shareholder input on the Directors' remuneration policy and new incentive arrangements for 2013 and 2014. Changes have been made to incentive arrangements in response to the feedback received (for example, changes to the design and performance measures for the LTIP and changes to the GIP). The Company is committed to ongoing dialogue with shareholders on the Directors' remuneration and will continue to seek their views on any significant changes to the remuneration arrangements or exercises of discretion.

Employee context

The Directors' remuneration policy is designed in line with the remuneration principles outlined on page 96, which reflect the remuneration principles for the Group. A key remuneration principle for the Group is that share schemes be used to recognise and reward good performance and attract and retain employees, wherever possible and appropriate. This is reflected by the operation of the ESOS which allows all employees an opportunity to share in the Group's success via share ownership. This philosophy will be maintained via awards to all employees under the Share Incentive Plan, rather than the ESOS.

The remuneration arrangements for employees below Board level reflect the seniority of the role. The components and levels of remuneration for different employees differ from the remuneration framework for the Executive Directors. The Group operates some tailored bonus and long-term incentive arrangements for certain groups of employees, but has not adopted a universal approach to these elements of remuneration for all employees.

The Remuneration Committee receives an annual report from management on Group-wide remuneration. This review covers changes to pay, benefits, pension and share schemes for all employees in the Group, including the percentage increases in base pay for monthly and hourly paid employees. The Remuneration Committee's work includes monitoring and commenting on the level and structure of remuneration for the Management Committee in relation to various changes to base pay and incentive plans. This provides some of the context for the Remuneration Committee's decisions concerning changes to base pay and other elements of remuneration for the Executive Directors. The Company did not consult with employees when drawing up the Directors' remuneration policy, nor take into account any remuneration comparison measurements.

DIRECTORS' REMUNERATION REPORT continued

REMUNERATION POLICY TABLE: ELEMENTS OF DIRECTOR REMUNERATION

The Directors' remuneration policy as it applies to the Executive Directors consists of the elements set out in the table below:

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Fixed pay				
Base pay Attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Paid monthly in cash. Reviewed annually by the Remuneration Committee, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process, business performance, total remuneration, appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company, and an individual's contribution to the Group.	Not performance linked.	To avoid setting the expectations of Executive Directors and other employees, no maximum salary is set under the policy. However, normally, maximum salary increases for Executive Directors will be within the normal percentage range and guidelines that are applied to the monthly paid employees of the Company in that year. Where appropriate and necessary, larger increases may be awarded in exceptional circumstances; for example, if a role has increased significantly in scope or complexity. Larger awards may also be considered appropriate and necessary to bring a recently appointed executive in line with the market and the other executives in the Company where their initial salary has been positioned below the market.	No contractual provisions for clawback or malus.
Benefits Attract and retain the right calibre of senior executive required to support the long-term interests of the business.	The Company provides a range of benefits which are aligned with those provided to monthly paid employees. These may include: private medical insurance, life assurance, travel insurance, critical illness cover, travel allowance, free parking, access to financial and legal advice and Company-wide employee benefits including an employee assistance programme, staff product discount and subsidised staff canteens and discounts. Any travel arrangements or travel costs required for business purposes will be provided by the Company. Additional benefits or payments in lieu of benefits may also be provided in certain circumstances, if required for business needs. Any benefits allowances will be paid in cash monthly and will not form part of pensionable salary.	Not performance linked.	Benefits for Executive Directors are set at a level which the Remuneration Committee considers to be appropriate against appropriate market data for comparable roles for companies of equivalent size and complexity in similar sectors and geographical locations to the Company.	No contractual provisions for clawback or malus.

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Pension Attract and retain the right calibre of senior executive required to support the long-term interests of the business.	Contributions, allowances and pension choices for the Executive Directors are on the same terms as for other employees. Executive Directors can choose to participate in the defined contribution Group personal pension scheme or an occupational money purchase scheme. Where lifetime or annual pension allowances have been met, employer contributions may be paid into a personal pension arrangement. These will not be treated as salary for the purposes of incentive awards. The Group's contributions under the defined contribution scheme are set as a percentage of salary based on length of scheme membership. Contributions under the occupational money purchase scheme are aligned with the legislative minimum.	Not performance linked.	Contributions to the defined contribution scheme for Executive Directors will normally be in line with the other scheme participants; however, the Remuneration Committee may exceed this standard maximum in order to be market competitive and attract and retain the right calibre of senior executive talent needed to support the long-term interests of the business. Pension contributions for UK Executive Directors will not exceed 30% of base salary. For Executive Directors outside the UK, provision for an executive pension will be set taking into account local market rates.	No contractual provisions for clawback or malus.
Variable pay: Short-term incentives				
Annual Incentive Plan ("AIP") Provide a direct link between measurable and predictable annual Company and/or role specific performance and reward. Incentivise the achievement of outstanding results aligned to the business strategy.	Measures and targets are set annually and bonus payments are determined by the Remuneration Committee following the year-end based on performance against the targets. Bonus payments, if made, are payable in cash after the results of the Group have been audited. To the extent that an Executive Director does not meet the minimum shareholding requirement, up to 50% of any bonus payment will be deferred into shares, vesting after a period of three years.	The Remuneration Committee sets annual targets that are closely aligned to the delivery of the Group's strategic objectives for that year. These will be a mix of strategic and financial targets with the majority being financial. For threshold performance, 25% of the maximum opportunity will be earned. For stretch performance, the maximum opportunity will be earned. A straight-line sliding scale applies between the threshold and the maximum. The performance conditions for the relevant financial year are described in the Annual report on remuneration.	The maximum bonus is 200% of base salary. For the 2014 performance year, the maximum bonus is 100% of base salary for the Executive Directors and 125% for the Chief Executive Officer.	The AIP rules provide for clawback and malus for three years from date of payment of a bonus or grant of a deferred award in certain exceptional circumstances.

DIRECTORS' REMUNERATION REPORT continued

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Variable pay: Longer-term incentives				
Long Term Incentive Plan ("LTIP") Attract, retain and incentivise senior executives. Align the interests of the senior executives and the shareholders.	An award over a fixed number of shares is granted annually. Awards made in the form of nil-cost options or conditional share awards will ordinarily vest three years from award, subject to continued service and the achievement of performance conditions and other conditions. Dividend equivalents may be paid in cash or additional shares on LTIP awards that vest. The award may be satisfied either by a new issue of shares, the transfer of treasury shares or shares held in the Company's EBT or by market purchase of shares.	The Remuneration Committee sets targets that are closely aligned to the delivery of the Group's strategic objectives for the performance period. These may be a mix of strategic and financial targets with the majority being financial. For threshold performance, 25% of the maximum opportunity will vest. For stretch performance, the maximum opportunity will vest. Vesting will be on a straight-line basis between the threshold and the maximum. The measurement period for performance conditions will ordinarily comprise at least three financial years of the Company. The performance conditions for the final year of the three-year vesting period are described in the Annual report on remuneration.	The Remuneration Committee may grant awards, with a maximum total market value of 150% of annual base salary of a participant. In the case of the Chief Executive Officer, the maximum total market value of an LTIP Award is 200% of annual base salary. In exceptional circumstances, the Remuneration Committee may grant awards with a maximum total market value of 300% of annual base salary of a participant or, in the case of the Chief Executive Officer, 400% of annual base salary.	Clawback and malus provisions may be applied to LTIP awards in certain exceptional circumstances.
Joint Share Ownership Scheme ("JSOS") Attract, retain and incentivise senior executives. Align the interests of the senior executives and the shareholders, by driving share price growth over four years.	The JSOS was established prior to the Company's listing on the London Stock Exchange in 2010. The participants and Appleby Trust (Jersey) Limited, the EBT Trustee, acquire separate beneficial interests in ordinary shares of the Company. The participant may lose his interest in the shares. No future annual awards will be made under the JSOS to Executive Directors.	Interests in shares vest annually over a four-year period subject to leaver provisions. The participant benefits from the increase in value of the shares above a predetermined market price for each tranche (the "hurdle price"). Awards under the JSOS will have no value unless the hurdle price is achieved. Interests in the Company's shares are granted in tranches, with a different hurdle rate for each tranche.	The JSOS rules contain a 7.5% issued share capital limit for the cumulative total of awards under the plan and the ABI's 5% and 10% in ten year dilution limit for total awards, which constrain the number of interests that may be issued under the JSOS.	Certain leaver provisions described on page 108 allow the Company to recover share interests in certain circumstances.

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Growth Incentive Plan ("GIP") Attract, retain and incentivise senior executives. Align the interests of senior executives and shareholders, by incentivising senior executives to deliver exceptional levels of growth and return to the shareholder over the long term.	Awards will be granted on a one-off basis. An Executive Director will be granted options over shares in the Company with a nil exercise price. While all Executive Directors are eligible to participate in this plan, only the Chief Executive Officer and two existing Executive Directors will receive an initial grant. New Executive Directors may be invited to participate at a level dependent on the point during the performance period at which they joined. To participate, the Executive Directors are required to hold a level of shares throughout the performance period. For the Chief Executive Officer, this shareholding must be at least one times salary and for other Executive Directors, this shareholding must be at least half times salary.	Options will be subject to a single performance condition to be satisfied over the five years from the date of grant. The share price of the Company is the sole performance measure and will be assessed relative to the growth of the FTSE 100 Share Index over that period. Performance will be assessed based on the three month average share price of the Company and of the FTSE 100 Share Index at the beginning and end of the performance period. The performance target schedule is as follows: • Growth of less than the FTSE 100 Share Index plus 5% p.a.: 0% of the award vests. • Growth in FTSE 100 Share Index plus 5% p.a.: 25% of the award vests. • Growth in FTSE 100 Share Index plus 10% p.a.: 50% of the award vests. • Growth in FTSE 100 Share Index plus 15% p.a.: 75% of the award vests. • Growth in FTSE 100 Share Index plus 20% p.a. (or more): 100% of the award vests.	Four million shares will be awarded to the Chief Executive Officer. One million shares will be awarded to each of the other participating Executive Directors. Awards to new participating Executive Directors will not exceed the proposed award levels to existing participants.	Clawback and malus provisions may be applied to GIP awards in certain exceptional circumstances.
All-employee share plans				
Sharesave Provide all employees, including Executive Directors, the opportunity to voluntarily invest in Company shares and be aligned with the interests of shareholders.	All employees are eligible to participate in this HMRC approved employee share scheme. The Company grants options over shares in the Company to employees, including the Executive Directors. To obtain an option an eligible individual must agree to save a fixed monthly amount for three years up to the maximum monthly amount in line with HMRC limits. The amount saved will determine the number of shares over which the option is granted. Options are granted at a discount to the market price at the time of grant. Options may be exercised in a six month period three or five years from the date of grant, subject to continued service.	Not performance linked.	Options may be granted at a maximum discount to the market price up to a maximum amount in line with HMRC limits. Employees are limited to saving a maximum in line with these HMRC limits.	The scheme rules do not provide for malus or clawback provisions.

DIRECTORS' REMUNERATION REPORT continued

Purpose and link to strategy	How it operates	Performance conditions	Maximum opportunity	Recovery or withholding
Share Incentive Plan ("SIP") Provide all employees, including Executive Directors, the opportunity to receive and invest in Company shares and be aligned with the interests of shareholders.	All employees are eligible to participate in this HMRC approved employee share scheme. The SIP allows for: • the Company to grant free shares to all employees allocated on an equal basis; • all employees to buy partnership shares monthly from their gross salary; and • the Company may offer matching shares to employees who purchase partnership shares. Dividend shares are also covered by the SIP arrangements.	Not performance linked.	Maximum opportunity for awards will be in line with HMRC limits.	The scheme rules do not provide for malus or clawback provisions.
Executive Share Option Scheme ("ESOS") Provide all employees, including Executive Directors, the opportunity to receive Company share options and be aligned with the interests of shareholders.	All employees are eligible to participate in this HMRC approved employee share scheme and the unapproved part of the scheme. The Company grants options over shares in the Company to employees. There are currently no plans to make awards to the Executive Directors under this plan. Options over shares vest on the third anniversary of grant, subject to continued service and satisfaction of any performance conditions. If vested, the options may be exercised at any time between the third and tenth anniversaries of grant at the executive's discretion.	If awards are made the Remuneration Committee will set targets. Targets will be closely aligned to the delivery of the Group's strategic objectives. These may be a mix of strategic and financial targets with the majority being financial. For threshold performance, up to 25% of the maximum opportunity would be received.	Maximum opportunity for awards will be in line with HMRC limits for the HMRC approved part of the scheme. Maximum opportunity for awards under the unapproved part of the scheme are limited by the scheme rules which limit an award to 300% of annual base salary, except in exceptional circumstances.	The scheme rules do not provide for malus or clawback provisions.
2014 Executive Share Option Scheme ("2014 ESOS") Provide all employees, including Executive Directors, the opportunity to receive Company share options and be aligned with the interests of shareholders.	The 2014 ESOS was approved by shareholders at the 2014 annual general meeting. The 2014 ESOS is based on the ESOS, described above. There are currently no plans to make awards to the current Executive Directors under this plan.	Same as for ESOS described above.	Same as for ESOS described above.	Same as for ESOS described above.

The Directors' remuneration policy as it applies to Non-Executive Directors consists of the elements set out in the table below:

Purpose and link to strategy	How it operates
Non-Executive Director fee Core element of remuneration, paid for fulfilling the role in question.	Paid monthly in cash. Fee structure includes an annual base fee for a Non-Executive Director and a Senior Independent Director, and additional fees for being a Board Committee chair. Reviewed annually by the Executive Directors and Chairman, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process, business performance and appropriate market data for comparable roles for companies of equivalent size and complexity to the Company. Non-Executive Directors are not usually eligible for annual bonus, all-employee share incentive schemes, pensions or other benefits with the exception of the staff product discount offered to all employees.
Chairman fee Core element of remuneration, paid for fulfilling the role in question.	Paid monthly in cash. Reviewed annually by the Remuneration Committee, with any changes normally becoming effective in April each year. The review takes into account a number of factors including: the Group's annual review process, business performance and appropriate market data for comparable roles for companies of equivalent size and complexity to the Company.
Chairman's Share Matching Award To attract and retain the right calibre of Chairman necessary to support the long-term interests of the business.	The Chairman is not usually eligible for annual bonus, any incentive schemes, pensions or other benefits. The current Chairman received a one-off initial share award upon his appointment as Chairman. Shares will not vest until the Chairman has served for three years. The Chairman will not be entitled to sell any shares awarded to him until the first anniversary of when he ceases to be a member of the Board. The award is not subject to performance conditions. Certain leaver provisions described on page 108 allow the Company to recover the award in certain circumstances.

Notes to the Policy table:

1. No other items in the nature of remuneration are provided by the Company to its Non-Executive Directors, save for the amounts paid to Robert Gorrie as described on page 117.
2. The Non-Executive Directors are entitled to be reimbursed for out of pocket expenses incurred in carrying out their responsibilities to the Company.
3. Other than as described in the policy table, there are no components of the Executive Directors' remuneration that are not subject to performance measures. In the case of the Sharesave and SIP, these HMRC approved all-employee schemes are subject to rules constrained by legislation and so awards are made on the same terms (not comprising performance conditions) to all employees including Executive Directors. Prior to the Company's listing in 2010, some option awards were made to the Executive Directors under the ESOS without performance conditions. Although awards will not usually be made to existing Executive Directors, the rules of the ESOS and 2014 ESOS require the Remuneration Committee to impose performance conditions on any awards made to a Director under each plan. The Chairman's Share Matching Award was a one-off award of shares made to the Chairman on appointment. No performance conditions attached to the receipt of the award (only continued service as Chairman until the end of the three-year vesting period). In structuring the Chairman's Share Matching Award without any performance related elements, the Remuneration Committee complied with the 2012 Code and sought to ensure the Chairman's independence on appointment. The Chairman is not entitled to sell any awarded shares until a year after he leaves the Board. The award was approved by shareholders at the 2013 annual general meeting. Performance targets apply to the AIP, LTIP and GIP.
   a. AIP – The Remuneration Committee adjusts the design (including measures and weightings) of the AIP each year to incentivise the delivery of key business objectives and individual performance for that financial year. Management proposes suitable metrics and levels of performance to form the threshold and stretch levels of performance. Any individual objectives applicable for the AIP are linked to the Executive Director's role and/or his business area(s) and are in line with the Group's strategy. The measurable objectives are agreed between the Executive Director and the Chief Executive Officer (or in the case of the Chief Executive Officer, between him and the Chairman). The Remuneration Committee reviews the proposed targets to assess whether they are appropriately aligned with the strategy and shareholders' interests and whether the reward that would accrue to the Executive Director is appropriate in the circumstances. Usually, full vesting will only occur where exceptional performance levels have been achieved and significant shareholder value created. Details of the performance measures applying to the 2014 AIP are outlined in the Annual report on remuneration.
   b. LTIP – The Remuneration Committee reviews the design of the LTIP each year to ensure that the performance conditions remain relevant to the Company's key strategic objectives. The Remuneration Committee reviews the performance measures in light of the long-term strategic plan and agrees the threshold and stretch conditions that must be achieved. Full vesting will only occur where exceptional performance levels have been achieved and significant shareholder value created. In light of shareholder feedback from the shareholder consultation conducted in March 2013, the Remuneration Committee revised the targets from 2013 and decided to put in place two performance objectives for the 2014 awards. The underlying measurement period for performance conditions will ordinarily comprise at least three financial years of the Company. In the case of the 2013 and 2014 awards the measurement period is the last financial year.
   c. GIP – the GIP performance measure was designed to incentivise outstanding growth in value of the Group over the five-year performance period. The performance measure requires the growth in the Company share price to be significantly more than the growth of the FTSE 100 Share Index over that period. This helps to ensure alignment with shareholders, as full vesting will only occur where outstanding shareholder value is created. The GIP was approved by shareholders at the 2014 annual general meeting.
4. The Directors' remuneration policy contains formal components for short and long-term incentives with performance conditions attached. While the Group has a policy of remunerating its employees through share scheme participation, it does not have formal arrangements for all employees akin to the components of Directors' remuneration. Senior management participate in an annual bonus plan and the long-term incentive schemes including the LTIP and JSOS, with award levels set at lower percentages of salary than those of the Directors. The performance conditions and other terms of these schemes are the same as for the Executive Directors. The bonus plan does not include provision for share deferral of a payment. The Group operates some tailored bonus and long-term incentive arrangements (such as the JSOS) for other small groups of employees but aside from the JSOS and the all-employee share schemes (the SIP, the ESOS and the Sharesave), the variable remuneration of employees is not closely aligned with that of Directors.

DIRECTORS' REMUNERATION REPORT continued

DIRECTOR SHAREHOLDING OBLIGATION

It is the policy of the Company that the Directors are expected to build up over a period of time, and hold, a minimum level of shareholding in the Company. This is considered an effective way to align the interests of the Executive Directors and shareholders in the long term. These shareholding requirements are outlined in the table below.

Director	Shareholding requirement
Executive Directors	Executive Directors are required to hold 100% base salary (150% for the Chief Executive Officer) in shares. This can be built up over three years from appointment. Share awards may count if vesting is not subject to any further performance conditions or other conditions such as continued employment. Share interests and share awards which are vested, but remain subject to a holding period and/or clawback, may count towards the holding requirement. Until the minimum shareholding is met, an Executive Director must defer up to 50% of any cash bonus payable under the AIP as an award of shares.
Non-Executive Directors	Non-Executive Directors are required to hold the equivalent of one year's annual fee in shares. This can be built up over three years.
Chairman	The Chairman is required to hold the equivalent of one year's annual fee in shares. This can be built up over three years from appointment.

Should the requirement be achieved but the market value of the Company's shares subsequently fall below the required level, compliance with this requirement will be based on the higher of the original share purchase price or current market price.

APPROACH TO REMUNERATION OF DIRECTORS ON RECRUITMENT

Recruitment of Executive Directors

When determining the remuneration of a newly appointed Executive Director, the Remuneration Committee will apply a number of principles.

The Remuneration Committee will seek to align the remuneration package of a newly appointed Executive Director with the Directors' remuneration policy outlined above. However, the Remuneration Committee retains the discretion to include any other remuneration component or award in the remuneration package which it considers to be appropriate.

In determining the remuneration arrangements for a new Executive Director, the Remuneration Committee will take into account all relevant factors including (but not limited to) the specific circumstances, the calibre of the individual, the market practice for the candidate's location, the nature of the role they are being recruited to fulfil and any relevant market factors, including any competing offers the candidate may be considering. The Remuneration Committee is at all times conscious of the need to pay no more than is necessary. The Remuneration Committee's considerations would be subject to the overall limit on variable remuneration outlined below.

Where promotion to an Executive Director role is from within the Company, any performance-related pay element arising from their previous role will continue on its original terms, provided such element was not made in contemplation of such person becoming an Executive Director.

To facilitate recruitment, the Remuneration Committee may, to the extent permitted by relevant plan rules or Listing Rules, make a one-off award to "buy out" incentives or any other compensation arrangements forfeited by the appointee on leaving a previous employer. In doing so the Remuneration Committee will ensure that any such awards offered should be on a comparable basis, taking into account all relevant factors including any performance conditions, the likelihood of those conditions being met, the proportion of the vesting or performance period remaining and the form of the award. In determining whether it is appropriate to use such judgement, the Remuneration Committee will ensure that any awards made are in the best interests of both the Company and its shareholders.

In addition, one-off payments in respect of relocation or ongoing relocation allowances may be made to a newly appointed Executive Director. However, these payments must reflect actual financial loss or cost of moving the Executive Director, their family or assets, and the market practice in the geographical location to which the Executive Director is moving to or from. The Company may provide relocation costs by funding services or cash payment or a combination of both.

The maximum level of variable pay which may be awarded upon recruitment (excluding any "buy out" awards or costs and allowances on relocation and awards made to appointees under the GIP) is 600% of base salary. GIP awards will be subject to the award limits set out in the remuneration policy table.

Recruitment of Non-Executive Directors

The remuneration package for newly appointed Non-Executive Directors will be in line with the structure set out in the remuneration policy table for Non-Executive Directors.

LOSS OF SERVICE OR TERMINATION POLICY

Service contracts for Executive Directors

Each of the Executive Directors is employed pursuant to a service contract with Ocado Central Services Limited.

The Directors' remuneration policy provides that an Executive Director's employment may be terminated by the Company giving to the Executive Director not less than 12 months' notice or by the Executive Director giving to the Company not less than six months' notice.

The Directors' remuneration policy provides that if an Executive Director's service contract is terminated without cause, Ocado Central Services Limited can request that the Executive Director work their notice period, take a period of garden leave or pay an amount in lieu of notice equal to one times their basic salary, benefits and pension for the remainder of their notice period. While the service contracts do not specify this, the Company's remuneration principles provide that any payments should be reduced in certain circumstances where the Executive Director's loss has been mitigated, for example, where he moves to other employment.

The service contracts do not contain any specific provisions relating to a change of control of the business.

If employment is terminated by the Company, the Remuneration Committee retains a discretion to settle any other amounts reasonably payable to the Executive Director including legal fees incurred by the Executive Director in connection with the termination of employment and obtaining independent legal advice on a settlement or compromise agreement, and the relocation costs for returning the departing Executive Director and his family to their original country of origin. The Company may provide relocation costs by funding services, or cash payment or a combination of both.

Other than described above, there are no relevant contractual provisions that are, or are proposed to be, contained in any Executive Director service contract that could give rise to remuneration payments or payments for loss of office, but which are not disclosed elsewhere in the Directors' remuneration policy.

Letters of appointment for Non-Executive Directors

Each of the Non-Executive Directors has a letter of appointment with the Company. The Directors' remuneration policy provides that a Non-Executive Director's appointment may be terminated by either party giving to the other not less than one month notice, or in the case of the Chairman, not less than six months' notice.

Other than described above, there are no relevant contractual provisions that are, or are proposed to be, contained in any Non-Executive Director's letter of appointment that could give rise to remuneration payments or payments for loss of office, but which are not disclosed elsewhere in the Directors' remuneration policy.

Payments on cessation of employment for Executive Directors

The Executive Director service contracts do not oblige the Company to pay a bonus if the Executive Director is under notice of termination. But under the rules of the AIP, the Executive Director may receive a proportion of the bonus or deferred award that the Remuneration Committee determines would otherwise have been payable or granted to him under the rules for the financial year.

The treatment of outstanding share awards is governed by the relevant scheme rules, all of which have been approved by shareholders. The table on page 108 provides a summary of these leaver provisions. The Remuneration Committee generally has discretion to determine the treatment of a leaver, but will be conscious of the remuneration principle that it should not reward poor performance or behaviour.

Payments on cessation of service for Non-Executive Directors

The table on page 108 provides a summary of the leaver provisions applicable to the Chairman's Share Matching Award. The Remuneration Committee has discretion in defining the type of leaver category applicable to the departing Chairman.

DIRECTORS' REMUNERATION REPORT continued

SHARE SCHEME LEAVER PROVISIONS

Remuneration element	Bad leavers	Good leavers
JSOS	If a participant is a "bad leaver" (i.e. he is neither a "good leaver" nor a "very bad leaver"), he would retain his vested interests but unvested interests may be acquired by the EBT Trustee for the lower of the market value and the initial subscription price. In the case of a "very bad leaver" (i.e. has or could have been dismissed for cause or is in material breach of an obligation binding after termination), both vested and unvested interests may be acquired by the EBT Trustee for the lower of the market value and the initial subscription price.	The participant's interest shall continue to vest on the same dates as if that participant had remained in employment so long as the participant remains a good leaver. Should the participant die before a tranche vests, the participant's interest will vest entirely on the date of death.
LTIP	Generally, unvested LTIP awards (and vested LTIP options) will lapse on the date the participant ceases to be an employee.	If a participant ceases to be an employee of the Group for a good leaver reason (e.g. ill health, injury or permanent disability), then his awards which have not vested will vest on the vesting date (or earlier as the Remuneration Committee shall determine) but only to the extent that the performance conditions have been satisfied subject to operation of malus and clawback provisions. Unless the Remuneration Committee decides otherwise, the award will be reduced pro rata to reflect the proportion of the performance period that has elapsed to the date of cessation of employment. If a participant dies, his LTIP awards will vest on the date of his death and the performance conditions will not apply but (unless the Remuneration Committee decides otherwise) the LTIP award will be reduced pro rata to reflect the proportion of the performance period that has elapsed at the date of death. To the extent that LTIP options vest in accordance with the above provisions, they may usually be exercised for a period of 12 months following vesting and will otherwise lapse at the end of that period. To the extent that a participant who leaves in circumstances other than dismissal for cause or who dies holding vested LTIP options, they may be exercised at any time during the usual exercise period and will otherwise lapse at the end of that period.
GIP	See LTIP above, as the same leaver rules apply.	See LTIP above, as the same leaver rules apply.
Deferred shares under the AIP	Deferred share awards will lapse on the date the Executive Director ceases to be an employee.	An Executive Director will retain his deferred share award on ceasing employment with the Group and will receive the award at the usual vesting date in accordance with the plan rules, subject to the operation of clawback and malus provisions.
All-employee share plans	Leavers will be treated within the HMRC approved scheme rules.	Leavers will be treated within the HMRC approved scheme rules.
Chairman's Share Matching Award	If the Chairman ceases to be a Director of the Company prior to vesting for any reason other than a good leaver reason, the share award will be forfeited.	If the Chairman ceases to be a Director of the Company prior to vesting for a "good leaver reason" (death, illness, injury or disability or any other reason determined by the Board) then a pro rata proportion of the share award will vest and the remainder shall lapse.

CHANGE OF CONTROL

The incentive schemes contain change of control provisions, as set out in the relevant scheme rules.

Under the LTIP, in the event of a takeover of the Company, LTIP awards will vest early subject to: (i) the extent that the performance and other conditions have been satisfied at that time, (ii) the operation of malus or clawback, and (iii) (unless the Remuneration Committee decides that prorating would be inappropriate in the particular circumstances) prorating to reflect the proportion of the normal performance period that has elapsed at the date of that event.

Under the GIP, if there is a change of control of the Company, options may be exercised early subject to the performance target being satisfied, and in proportion to the amount of the performance period that has elapsed.

Under the AIP, deferred share awards vest early on a change of control, though the Remuneration Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company.

Under the terms of the Chairman's Share Matching Award, in the event of a change of control a pro rata proportion of the share award will vest, subject to the Board's discretion to determine that a greater number of shares should vest.

Under the terms of the JSOS rules, in the event of an offer a participant may request the EBT Trustee to accept the offer with respect to shares that have vested under the JSOS.

For further information on agreements impacted by a change of control see the Directors' report on page 86.

OTHER REMUNERATION

External appointments for Executive Directors

It is the Company's policy and a requirement of the contract of employment that the Executive Director may not take up non-executive directorships or other appointments without the approval of the Board. Any outside appointments are considered by the Nomination Committee or the Board to ensure they would not cause a conflict of interest and are then approved by the Board. The Board would not usually agree to an Executive Director taking on more than one non-executive directorship of a listed or public company or the chairmanship of such a company. It is the Company's policy that remuneration earned from such appointments may be kept by the individual Executive Director.

Remuneration arrangements prior to policy

The Remuneration Committee has the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Directors' remuneration policy, where the terms of the payment were agreed either before the policy came into effect or at a time when the relevant individual was not a Director of the Company, and in the opinion of the Committee, the payment was not consideration for the individual becoming a Director of the Company. For these purposes, "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

ILLUSTRATION OF DIRECTORS' REMUNERATION POLICY

The bar charts on page 110 provide estimates of the potential future reward opportunity for each of the Executive Directors based on the Directors' remuneration policy outlined on pages 96 to 110.

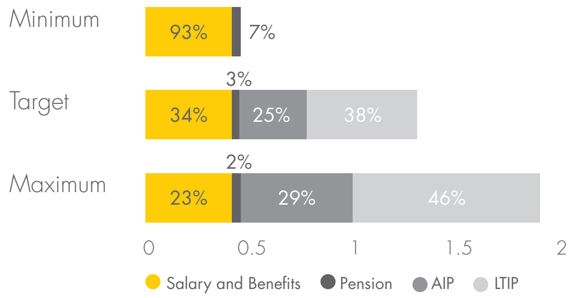
	AIP	LTIP	Base salary, benefits and pension
Minimum	Performance is below threshold on each metric.	Performance is below threshold on each metric.	Fixed.
Target or at expectation	Threshold performance is reached on each metric.	Threshold performance is reached on each metric.	Fixed.
Maximum	Maximum performance is achieved on each metric.	Maximum performance is achieved on each metric.	Fixed.

DIRECTORS' REMUNERATION REPORT continued

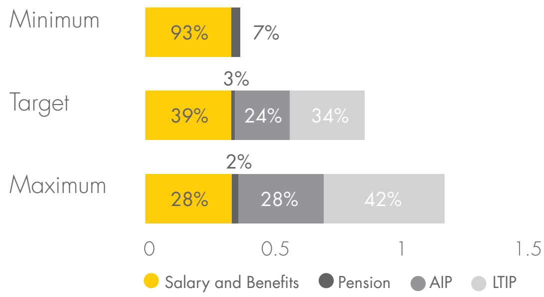
The figures use the prior year base salary and pension (see 2013 annual report on pages 88 to 89) and value of benefits received for 2013 (see 2013 annual report on page 89). The performance related pay figures are based on the potential awards for 2014 (see 2013 annual report on pages 102 to 103), but it should be noted that LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant. For the purposes of illustrating the Directors' remuneration policy, it is assumed that the LTIP awards granted in 2014 will also be vesting in 2014. The impact of the GIP has not been included. The estimated remuneration for each Executive Director is based on three different levels of performance, set out below.

In all scenarios, the impact of share price movements on the value of LTIP awards has been excluded.

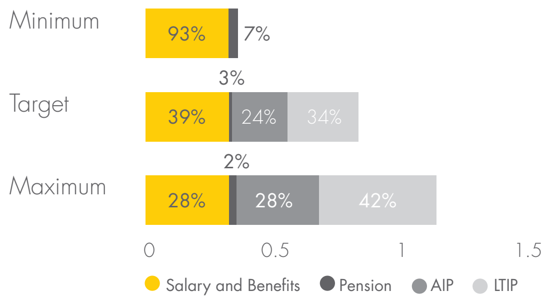
TIM STEINER, CHIEF EXECUTIVE OFFICER (£ million)



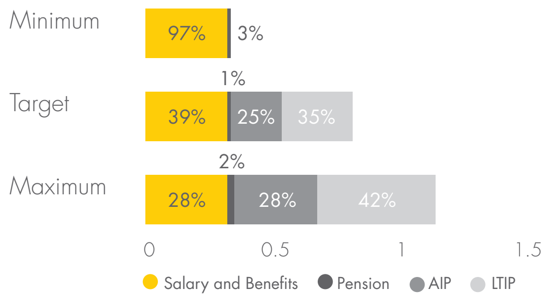
MARK RICHARDSON, OPERATIONS DIRECTOR (£ million)



JASON GISSING, COMMERCIAL DIRECTOR (£ million)



DUNCAN TATTON-BROWN, CHIEF FINANCIAL OFFICER (£ million)



NEILL ABRAMS, LEGAL AND BUSINESS AFFAIRS DIRECTOR (£ million)