The principles of our Remuneration Policy

We set out below the principles the Remuneration Committee has followed in designing the new Policy:

Competitive
- Salaries are targeted to be at a conservative level and variable pay is targeted at or above median so that combined, total remuneration should be competitive when compared with companies of similar size and scale, i.e. peers in the FTSE 350 real estate sector and the FTSE 250.
- LTIP should ensure a competitive market positioning, provided that the executive team delivers long-term sustainable performance.

Performance linked
- A significant part of the Executive Directors' reward is determined by the Company's success in delivering its strategy.
- Failure to achieve threshold levels of annual and long-term performance may result in no bonus and/or no vesting under the LTIP.
- The fixed element of the Policy remains conservative against industry and sector peers.
- The Committee retains discretion to adjust pay outcomes if they do not reflect wider business performance in line with best practice.

Shareholder alignment
- A considerable part of the reward is paid in shares combined with significant shareholding requirements.
- Annual bonus over 100% of salary will be deferred in shares and vest after 3 years subject to continued employment.
- In the case of the LTIP, deferral applies over a period of 5 years from grant. This allows the build up and retention of meaningful shareholdings by the Executive Directors.
- Post-employment shareholding requirement increases lock-in over longer term and incentivises effective long-term decision making.

Simple and transparent
- All aspects of the remuneration structure are clear to participants and openly communicated.
- The new annual bonus simplifies the structure for the executives and is aligned to market practice.
- The LTIP is also aligned to standard market practice and is simple for participants and shareholders alike to understand.
- The overall framework for remuneration is therefore aligned with good governance.

New Remuneration Policy
In accordance with the regulations, the New Policy (the "Policy") as set out below will operate from 1 January 2023 and be put to a binding shareholders' vote and become formally effective if approved at the 2023 Annual General Meeting on 27 April 2023. It will apply for a period of three years until the 2026 AGM, unless a revised Policy is approved by shareholders before then.

The current Policy, which was approved on 23 April 2020, remains operative until this time and can be found on our website at www.clsholdings.com and on pages 104 to 115 of our 2019 Annual Report. Note, awards under the legacy in-flight PIP Element A will continue to apply to the existing policy.

The Committee uses constituents from the FTSE 350 Real Estate Supersector and the FTSE 250 as comparators for executive remuneration.

Summary of proposed changes to the Policy

The table below summarises the changes to the current Policy for the 2023 AGM. The proposed changes will help simplify the remuneration structure, motivate the executive team to deliver on the business strategy and align our approach closer to the market.

Element	Proposed changes	Rationale
Executive Directors		
Base Salary	Removal of cap • Remove the 5% cap on salary increases.	• This cap could become overly restrictive in the current inflationary environment. • Change aligns with standard practice.
	New joiner salary • Enhance flexibility for increases to new joiner salary.	• Provides more scope for the Committee to move new recruits/internal promotes towards its preferred market positioning over time if warranted by performance.
Benefits	• No changes proposed.	
Pension	Alignment to wider workforce • Simplify wording in the Policy table regarding alignment to the wider workforce for incumbents and new hires, so they are treated the same.	• Aligns with the IA guidance for incumbents and new hires to be treated the same and in line with the wider workforce.
Annual Bonus ("Bonus")/ Performance incentive Plan Element A (the "PIP")	Quantum: No change to maximum opportunity of 150% of salary.	
	Structure • Replace the existing bonus banking plan (the PIP Element A) with a market standard Annual Bonus Plan.	• CLS is unique in the real estate sector in operating a bonus banking style plan. • Initially, this was put in place to bridge the gap between the annual bonus and LTIP when there was no formal long-term incentive plan measured over a 3 year performance period in place. • Given CLS now operates a standard LTIP, a move to a more standard market aligned bonus construct is appropriate. • Simplifies the remuneration structure.
	Deferral • Under the new annual bonus plan, payment will be in cash up to 100% of salary subject to the satisfaction of performance criteria. • Any balance over 100% of salary will be deferred (at that point) into shares and vest after 3 years, subject to continued employment. • Dividend equivalents will be payable on deferred shares.	• Moves to a deferral mechanism well used in the real estate sector and better aligned with market practice • Maintains the efficacy/capability of malus/ clawback provisions
	Performance measures • Amend Policy wording to state that financial measures will account for no less than 50% of the bonus opportunity. • Remove requirements for performance measures to be directly linked to the business KPIs.	• Aligns approach to market practice. • Increases flexibility for the Committee to choose appropriate measures, responding to business/ strategic changes and include ESG based targets.
	Approach to awards under the legacy PIP Element A • The annual contribution earned in 2022 (year 2 in the cycle 4) will be the last made into the executives' PIP element A account. • Payments from the account will run off, to the end of the 4 year cycle in 2024 (50% of the account balance will pay out at the ends of 2022 and 2023, with the final 100% of the account paying out at the end of 2024). • Forfeiture of the participant's account balance during this runoff period will continue to be subject to a holistic assessment by the Committee with malus and clawback unchanged.	• This is in line with the Policy, approved by shareholders at the 2020 AGM.

Remuneration Policy continued

Element	Proposed changes	Rationale
Long-term Incentive Plan ('LTIP')	Structure • No change to structure.	• LTIP structure is already aligned to market and best practice.
	Quantum • Increase Policy maximum from 150% of salary to 200% of salary.	• To provide the Committee with the flexibility to award at a higher level to support recruitment, retention and incentivisation of the executive team in delivering the business strategy over the coming years. • Whilst the proposed change positions the LTIP opportunity at or above the median of the FTSE 350 Real Estate companies and FTSE 250, total maximum remuneration is still at the lower end of the market. • Note: Increased remuneration levels will only be earned for strong performance under the LTIP measures. • Note: Reflecting on the current economic climate and the fall in CLS' share price since the grant of the 2022 LTIP, which has the potential to lead to windfall gains, the Committee has determined that this would not be an appropriate time to increase the LTIP award towards the Policy maximum of 200% of salary. Therefore, the 2023 LTIP awards will remain unchanged at 150% and 120% of salary respectively for the CEO and CFO. This will be kept under review for 2024 and the Committee intends to use the proposed Policy increase only when this is appropriate.
	Performance measures • Amend Policy wording to state that financial measures will account for no less than 50% of the LTIP opportunity. • Remove requirements for performance measures to be directly linked to the business KPIs.	• Aligns approach to market practice. • Increases flexibility for the Committee to choose appropriate measures, responding to business/ strategic changes and include ESG based targets.
Shareholding Requirement	• No changes proposed other than to clarify that the Company has established nominee accounts to ensure that it can enforce shareholding requirements. • It is noted that the shareholding requirements of 250% and 200% of salary for the CEO and CFO remain at or above the market median.	
Non-Executive Directors (including Non-Executive Chairman and Non-Executive Vice Chair)		
Fees	• Amend wording to allow fees to be paid for any potential new Committees.	• Ensures fees any new Committee could be paid without the need to renew the Policy.

Remuneration Policy Table

This section of the report is the detailed Policy table that forms part of the Remuneration Policy for Executive and Non-Executive Directors which will be put to shareholders for approval and, if approved, be effective from the conclusion of the 2023 AGM for the following three years:

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
Executive Directors			
Base Salary Provides a base level of remuneration to support recruitment and retention of Directors with the necessary experience and expertise to deliver the Group's strategy. Key element of core fixed remuneration.	Reviewed annually and usually fixed for 12 months. Factors taken into account include: • remuneration practices within the Group; • the general performance of the Group; • experience and individual performance; • changes in the scale, scope or responsibilities; • salaries within the ranges paid by the companies in the comparator groups used for remuneration benchmarking (when the Committee determines a benchmarking exercise is appropriate); and • the economic environment. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases, subsequent increases in salary may be higher than the general rise for employees until the target positioning is achieved.	Salaries will be set to be competitive in the range for the Company's comparator groups. The Committee intends to review the list of companies each year and may add or remove companies from the groups as it considers appropriate. Any changes to the comparator groups will be disclosed in the part of the report setting out the operation of the policy for the future year. In general, salary rises to Executive Directors will be in line with the rise to UK based employees. However, larger increases may be offered if there is a material change in the scope and responsibilities of the role, including significant changes in Group size and/or complexity or if it is necessary to remain competitive to retain a Director.	None, although individuals' performance and contribution are taken into account.

Remuneration Policy continued

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
Benefits To provide a competitive level of benefits and encourage the wellbeing and engagement of employees.	The key benefits provided to the Executive Directors include private medical insurance, life insurance, income protection, gym contribution and staff lunch provision. The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel. Accordingly, the Committee would expect to be able to adopt benefits such as relocation expenses, tax equalisation and support in meeting specific costs incurred by Executive Directors to ensure the Company and the individuals comply with their obligations in the reporting of remuneration. Where the Company offers a flexible benefits approach (where the value of one benefit may be exchanged for another) to employees generally an Executive Director would have the option to participate. Other benefits (in line with those received by the general workforce) may be offered at the discretion of the Committee, such as long service awards or recognition of life events.	Market level in the range for the Company's comparator groups. The maximum will be set at the cost of providing the benefits described.	None.
Pensions Provide retirement planning and protection to employees and their family during their working life. Provides a standard UK market level of retirement funding to enable the Company to recruit and retain Directors with the experience and expertise to deliver the Group's strategy.	Employer retirement funding is determined as a percentage of gross basic salary, up to a maximum limit of 10%. Where this exceeds the maximum annual pension contribution that can benefit from tax relief or an Executive Director may be impacted by the lifetime allowance, any excess may be provided in the form of a salary supplement, which would not itself be pensionable or form part of salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	The maximum Company contribution is 10% for Executive Directors, in line with the pension policy in force for the wider UK workforce.	None.
All employee share plan The Company's Share Incentive Plan ("SIP") allows all employees, including Executive Directors, to share in the potential value created by the Company. Increase share ownership throughout the organisation.	In line with the legislation for this type of plan.	The maximum opportunity will be in line with the limits set by HMRC.	None.

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
Annual Bonus Plan ('Bonus') The Annual Bonus provides a significant incentive to the Executive Directors linked to achievement of delivering annual goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus supports the Company's objectives by: • allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that performance metrics can be used that are relevant and suitably stretching whilst also providing sufficient incentive linked to potential to be achievable; • requiring deferral of bonus into shares. • amounts deferred are also forfeitable on an Executive Director's voluntary cessation of employment which provides an effective lock-in; and • enables the Company to recruit top executive talent in a highly competitive market.	Performance measures and appropriately stretching targets will be set at the start of the financial year. At the end of the year, the Remuneration Committee will assess the extent to which these have been met and determine the award level, taking into account the underlying Company performance and experience of shareholders. Annual bonus up to 100% of salary will be paid in cash. Amounts over this level will be deferred into shares for 3 years with vesting subject to continued employment. Malus and clawback provisions apply. The Committee has discretion to provide dividend equivalents on deferred shares. The Committee will have overriding discretion to change formulaic outcomes (both upwards and downwards) if the outcomes are out of line with the underlying performance of the Company.	The maximum bonus opportunity is 150% of salary for Executive Directors. At threshold 25% of the maximum is payable. At on-target, 50% of the maximum is payable.	The performance measures for the bonus are set individually by the Committee and can be based on a combination of financial and non-financial measures, aligned to the business strategy. Financial measures will not account for less than 50% of the bonus opportunity. The bonus is measured over a period of one financial year. The Committee retains discretion in exceptional circumstances to change performance measures and targets for each element and the weightings attached to performance measures 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.

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
Long-term Incentive Plan ('LTIP') Incentivises long-term shareholder value creation. Drives and rewards achievement of key long-term Company objectives aligned with shareholder interests. Contributes towards building a meaningful shareholding aligning interests with wider shareholders.	LTIP Awards will be granted on an annual basis and may be granted as nil-cost options or conditional awards. Awards under the LTIP will vest after three years subject to a three-year performance period whereby specified performance conditions are satisfied, and the Participant must remain employed by the Company. A two-year post-vesting holding period will apply to all vested LTIP awards. Malus and clawback provisions will operate over the full 5-year lock in period. The Committee will have overriding discretion to change formulaic outcomes (both upwards and downwards) if the outcomes are out of line with the underlying performance of the Company. The Committee has discretion to provide dividend equivalents on vested shares.	The maximum LTIP opportunity is capped at 200% of salary each year. For threshold performance 25% of the maximum award will vest, with straight-line vesting between Threshold and Maximum performance.	The performance measures for the LTIP are set individually by the Committee and can be based on a combination of financial and non-financial measures, aligned to the business strategy. Financial measures will not account for less than 50% of the LTIP opportunity. The LTIP is measured over a period of three financial years. The Committee retains discretion in exceptional circumstances to change performance measures and targets for each element and the weightings attached to performance measures 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.
Shareholding Requirement Encourages long-term commitment and alignment with shareholder interests.	Executive Directors are expected to build up and retain a significant shareholding. The CEO is required to hold and maintain a shareholding of 250% of salary and the CFO is required to hold and maintain a shareholding of 200% of salary. The Executive Directors will have five years from the approval of this policy, or their recruitment date if later, to meet the requirement. Any shares beneficially owned, the post-tax value of any vested but unexercised LTIP awards, the post-tax value of in-flight deferred bonus awards and SIP awards will count towards the requirement. Post-employment requirement: Post-employment, an Executive Director shall continue to hold shares equivalent to the minimum of their actual shareholding on cessation of employment and their in-employment shareholding requirement for a period of two years following termination of their employment. The Company will establish nominee accounts to ensure that it can enforce shareholding requirements.	None.	None.

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
Non-Executive Directors (including Non-Executive Chairman and Non-Executive Vice Chair)			
Fees Provide a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	Fees are reviewed annually and fixed for 12 months commencing 1 January. The fees are based on equivalent roles in the comparator groups used to review salaries paid to the Executive Directors. Fees are set at a competitive level to the comparator groups. The Committee is responsible for setting the Chairman's fee. The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. Non-Executive Directors are paid a base fee and additional fees for Chair and membership of committees and other specific work outside their role as a Non-Executive Director, including a per day fee for Chair of the Workforce Advisory Panel. The Senior Independent Director also receives an additional fee. Additional fees may be paid for new Board Committees as deemed appropriate by the Board, provided these are not greater than fees payable for the existing Board Committees.	Competitive in the range for the Company's comparator groups. Non-Executive Directors do not participate in any variable remuneration. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and the general rise in salaries across UK based employees. The Company will pay reasonable expenses incurred by the Non-Executive Directors, in connection to performing their role, and may settle any tax incurred in relation to these. Other benefits include travel, accommodation and membership subscriptions related to the Company's business.	None.

Legacy PIP Element A awards

Subsisting PIP Element A awards operate in line with the Policy, approved by shareholders at the 2020 AGM as set out below:

- The annual contribution earned in 2022 (year 2 in the cycle 4) will be the last made into the executives' PIP element A account.
- Payments from the account will run off, to the end of the cycle in 2024 (50% of the account balance will pay out at the ends of 2022 and 2023, with the final 100% of the account paying out at the end of 2024).
- Forfeiture of the participant's account balance during this runoff period will continue to be subject to a holistic assessment by the Committee with malus and clawback unchanged.

Remuneration Policy continued

Performance Measures and Targets

The table below sets out the performance measures, their weightings and how the targets have been set for the annual bonus and LTIP awards for the year ended 31 December 2023:

Incentive	2023 Performance measures	2023 Performance targets
Annual Bonus	• EPRA EPS – 40% weighting • Total Accounting Return (based on EPRA NTA) – 20% weighting • EPRA vacancy rate – 20% weighting • Strategic objectives (including ESG) – 20% weighting	No award will be made if threshold performance, as determined by the Committee, is not achieved. At threshold performance 25% of the maximum is payable and at on-target performance, 50% of the maximum is payable. The performance ranges for the financial measures will be considered carefully to ensure that they appropriately represent stretching levels of performance and are set by reference to internal budgets and strategic plans, industry backdrop and external expectations. Strategic objectives will reflect CLS' strategic priorities for the year and align with our purpose. In line with market practice for traditional annual bonus arrangements and with the bonus increasingly being driven by commercially sensitive targets, the Committee has decided not to disclose detailed annual bonus targets for 2023. However, full and transparent disclosure of the targets and performance outcomes will continue to be set out on a retrospective basis in next year's Directors' Remuneration Report.
LTIP	• Relative TSR – 35% weighting • Relative EPRA NTA Growth – 65% weighting The Committee has refined its approach to the peer group for both metrics, such that it continues to be based on the FTSE350 Supersector Real Estate Index but will now exclude certain companies that are deemed to be less relevant for comparison. The comparator group will still constitute around 20 companies.	No award will be made if median performance is not achieved. 25% of awards vest for median performance rising on a straight-line basis to 100% for upper quartile performance. On the basis both performance metrics are measured in relative terms the Committee is not required to set targets.

Differences between Executive Directors' and employees' remuneration

The following differences exist between the Company's Policy for the remuneration of Executive Directors as set out in the Policy table above and its approach to the payment of employees generally:

- All employees are eligible to receive a discretionary annual bonus, which is calculated against business targets and objectives. A lower level of maximum annual bonus opportunity applies to employees when compared to the Executive Directors.
- Executive Directors may opt to receive a cash supplement in lieu of pension.
- Executive Directors participate in the LTIP. Currently 13 employees within our senior management levels are invited to participate in the LTIP at the Remuneration Committee's discretion. For the wider workforce, the LTIP is replaced by a time-based, company growth related loyalty bonus.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the greater emphasis placed on performance-related pay for Executive Directors.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the current Executive Directors. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and is aware of guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance conditions associated with an award.

Where an existing employee is promoted to the Board, the Policy would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

The Company's policy when setting remuneration for the appointment of a new director is set out in the table below:

Remuneration element	Recruitment policy
Base salary and benefits	The salary level will be set taking into account the responsibilities of the individual, experience and the salaries paid to similar roles in comparable companies. The Committee will apply the Policy set out on salaries for the current Executive Directors in the Policy table. In particular individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases, subsequent increases in salary may be higher than the general rise for employees until the target positioning is achieved. The Executive Director shall be eligible to receive benefits in line with the Company's benefits policy as set out in the Policy table. Maximum value of benefits will be set at the cost of providing them.
Pension	The Executive Director will be entitled to receive contributions into a pension plan up to a maximum limit of 10%, or alternatively to receive a salary supplement in lieu of pension contributions, in line with Company's pension policy as set out in the Policy table.
Annual Bonus	The Executive Director will be eligible to participate in the Annual Bonus Plan as set out in the Policy table. The maximum potential opportunity under this Plan is 150% of salary (excluding any Buy Out incentive).
LTIP	The Executive Director will be eligible to participate in the LTIP as set out in the Policy table. The maximum potential opportunity under this Plan is 200% of salary (excluding any Buy Out incentive).
"Buy Out" of incentives forfeited on cessation of employment	The Company's policy is not to provide buy-outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justify the provision of a buy-out, the equivalent value of any incentives to be forfeited on cessation of a 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 conditions having a material effect on their value ("lapsed value"). The Committee may then grant up to the equivalent value as the lapsed value, where possible, under the Annual Bonus and/or the LTIP. To the extent that it was not possible or practical to provide the buy-out within the terms of the Company's Annual Bonus Plan and LTIP, a bespoke arrangement would be used.
Relocation Policies	Where the new Executive Director is required to relocate from one work-base to another, the Company may provide one-off/ongoing compensation as part of the Director's relocation benefits to reflect the cost of relocation for the Executive Director in cases where they are expected to spend significant time away from their country of domicile. 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 and schooling. The maximum period for which an allowance will be provided is 2 years from the point of recruitment.

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.

Remuneration Policy continued

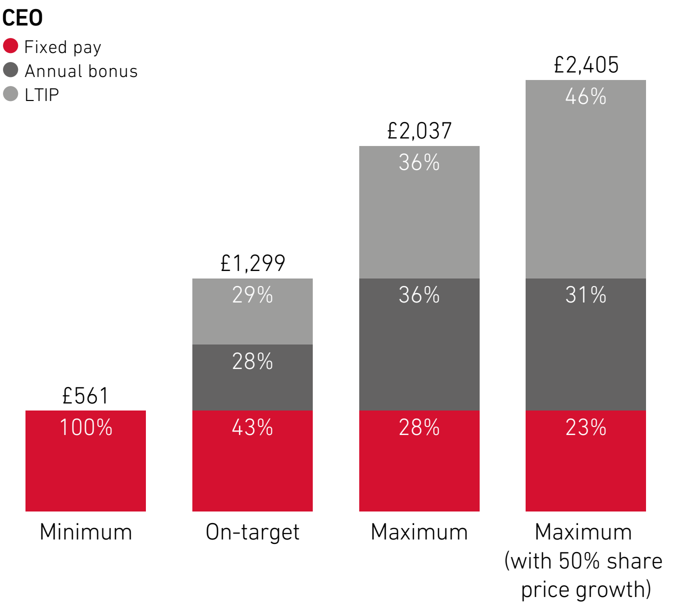
Directors' service contracts and letters of appointment

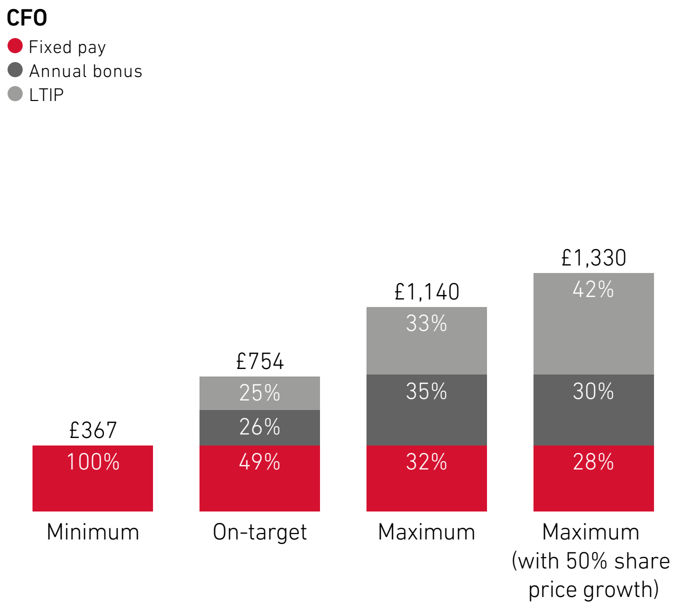
Each of the Executive Directors has a service contract of no fixed term. There is no provision in the contracts of Mr Widlund or Mr Kirkman for contractual termination payments, save for those payments normally due under employment law. Each Non-Executive Director has a letter of appointment but, in accordance with best practice, none has a service contract. All of the Non-Executive Directors are appointed until such time as they are not re-elected.

In compliance with the Code, with the exception of Christopher Jarvis, all Company Directors will face annual re-election at the Company's AGM. If a director fails to be re-elected the terms of their appointment will cease. It is the Company's policy not to offer notice periods of more than 12 months exercisable by either party. Details of the service contracts or letters of appointment of those who served as Directors during the year are as follows:

Name	Role	Contract Date	Notice Period
Fredrik Widlund	Executive Director	3 November 2014	12 Months
Andrew Kirkman	Executive Director	30 March 2019	12 Months
Lennart Sten	Non-Executive Chairman	1 August 2014	3 Months
Anna Seeley	Non-Executive Vice Chairman	11 May 2015	3 Months
Elizabeth Edwards	Senior Independent Director	13 May 2014	3 Months
Bill Holland	Non-Executive Director	20 November 2019	3 Months
Denise Jagger	Non-Executive Director	1 August 2019	3 Months
Chris Jarvis	Non-Executive Director	25 November 2018	3 Months
Bengt Mortstedt	Non-Executive Director	7 March 2017	3 Months

Illustration of application of Remuneration Policy





The chart above provides an illustration of some of the potential reward opportunities for executive directors in respect of the operation of the Directors' Remuneration Policy in 2023 showing the potential split between the different elements of remuneration under different performance scenarios: 'minimum', 'on-target', 'maximum' and 'maximum with 50% share price appreciation'.

Element	Minimum	On Target	Maximum	Maximum with 50% share price appreciation
Fixed	2023 Base Salary 10% of salary Pension Benefits in year ending 31 December 2022			
Annual Bonus	No Annual Bonus	50% of Maximum	100% of Maximum	100% of maximum pay-out
LTIP	No Vesting	50% of Maximum	100% of Maximum	100% of maximum pay-out + 50% assumed share price growth on LTIP awards three year LTIP performance period.

Assumptions used:

- The 'minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to performance during the year under review.
- The 'on-target' scenario reflects fixed remuneration as above, plus an on target payout of 50% of the maximum annual bonus and 50% vesting for the LTIP.
- The 'maximum' scenario reflects fixed remuneration as above, plus full payout of both the annual bonus and LTIP.
- The 'minimum', 'on-target' and 'maximum' illustrations are based on initial award value and do not, therefore, reflect potential share price appreciation or any dividend equivalent received over the vesting/deferral periods.
- The 'maximum with 50% share price appreciation' shows the impact of a 50% increase in the value of the LTIP share award from grant; it does not reflect any potential dividends received over the vesting period.
- Annual bonus includes both the cash bonus and the amount of the bonus deferred.
- Matching SIP awards are not included.

Policy on malus and clawbacks

Malus provisions apply to the Annual Bonus and the LTIP. Malus is the adjustment of the Annual Bonus in the year it is earned, unvested deferred Annual Bonus shares or unvested LTIP awards because of the occurrence of one or more circumstances. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of cash payments made under the Annual Bonus or vested LTIP awards as a result of the occurrence of one or more circumstances. Clawback may apply to all or part of a participant's cash payment under the Annual Bonus or LTIP awards and may be achieved, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Group or any Group company;
- the assessment of any performance target or condition in respect of a payment or award under the Annual Bonus or LTIP was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the Annual Bonus or the LTIP award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which, in the reasonable opinion of the Committee, amounts to fraud or gross misconduct;
- events or the behaviour of a participant have led to the censure of a Group member by a regulatory authority or have had a significant detrimental impact on the reputation of any Group member provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant;
- a material failure or risk management of the Company, a Group member or a business unit of the Group; and
- the Company or any Group Member or business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of the Plan Shares is materially reduced provided the Board determines following an appropriate review of accountability that the participant should be held responsible (in whole or in part) for that insolvency or corporate failure.

The following table sets out the periods during which malus and clawback may be applied:

	Annual Bonus – Cash	Annual Bonus – Deferred shares	LTIP
Malus	Up to the date of a payment	Any time prior to vesting	Any time prior to vesting
Clawback	Three years post the date of any payment	Not applicable as malus operated until vesting date	Two years from the date of vesting

The run off of cycle 4 of PIP element A will also be subject to the clawback and malus measures.

The Committee believes it has the necessary powers under the rules of the Plans to enforce malus and clawback provisions.

Policy on payment for loss of office

When determining any loss of office payment for a departing Director the Committee will always seek to minimise the cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. 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.

It is the Company's policy not to offer notice periods of more than 12 months exercisable by either party.

Remuneration

Remuneration Policy continued

The following table sets out how the Committee will consider and apply the policy on payment for loss of office.

<table>
<tr><th>Remuneration element</th><th>Approach</th><th>Application of Committee discretion</th></tr>
<tr><td>Salary and Benefits</td><td>In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation.

In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be a maximum of twelve months salary and benefits. Such payments will be equivalent to the monthly salary and benefits that the Executive Director would have received if still in employment with the Company. These will be paid over the notice period. Executive Directors will be expected to mitigate their loss within a twelve-month period of their departure from the Company.</td><td>The Company has discretion to make a lump sum payment in lieu.</td></tr>
<tr><td>Pension</td><td>Pension contributions or payments in lieu of pension contribution will be made during the notice period.</td><td>The Company has discretion to make a lump sum payment in lieu.</td></tr>
<tr><td>Annual Bonus (“Bonus”)/PIP Element A</td><td>Bonus
For the Year of Cessation
Good leavers: Performance conditions will be measured at the normal measurement date. Bonus will normally be pro-rated for the period worked during the financial year. Bonus up to 100% of salary will be paid in cash. Bonus in excess of 100% of salary will be deferred into shares for 3 years in line with Policy.

Other leavers: No bonus payable for year of cessation.

Deferred shares
Good leavers: Deferred shares will normally vest on their usual vesting date.

Other leavers: Deferred shares will be forfeited.

PIP element A: Approach will be in line with the 2020 Policy.</td><td>Bonus
For the Year of Cessation
The Committee has the following elements of discretion:
• to determine that an Executive is a good leaver. It is the Committee’s intention to only use this discretion 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 awards to time. The Committee’s normal policy is that it will pro-rate for time. It is the Committee’s intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; and
• to determine whether a bonus may be paid at the date of cessation. The Committee’s normal policy is that a cash bonus will be paid on the normal payment date. It is the Committee’s intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Deferred shares
The Committee has the following elements of discretion:
• to determine that an Executive is a good leaver. It is the Committee’s intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and
• to determine whether deferred shares should vest at the date of cessation. The Committee’s normal policy is that deferred shares will vest on their normal vesting date. It is the Committee’s intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders.

PIP element A: Approach will be in line with the 2020 Policy.</td></tr>
</table>

Remuneration element	Approach	Application of Committee discretion
LTIP	**Good leavers:** Unvested awards will vest on the normal vesting date subject to: • the extent any applicable performance targets have been satisfied at the end of the normal performance period; and • prorating to reflect the period of time between grant and cessation of employment as a proportion of the vesting period that has elapsed. Vested awards will remain subject to the holding period as stated in the Policy. **Other leavers:** Other leavers will forfeit all unvested awards and vested awards will remain subject to the holding period as stated in the Policy.	The Committee has the following elements of discretion: • to determine that an Executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine whether to pro-rate the award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine whether the LTIP award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; and • to determine whether the Holding Period will apply in full or in part. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Buy-out Award	Where cessation of employment occurs in relation to an Executive Director who has been granted a buy-out award, the treatment would be in line with the terms of the buy-out award.	
Other contractual obligations	There are no other contractual provisions other than those set out above that could impact the quantum of the payment.	None.

A good leaver is a person whose cessation of employment is for one of the following reasons:

- death;
- ill-health;
- injury or disability;
- redundancy;
- retirement with the agreement of the employing Group Company;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; or
- where the person is designated a good leaver at the discretion of the Committee (as described above).

A person who ceases employment in circumstances other than those set out above is designated an "other leaver".

Remuneration Policy continued

Change of Control

Remuneration element	Approach	Application of Committee discretion
Annual Bonus/PIP Element A	**Bonus – For the Year of the Change of Control** Performance conditions will be measured at the date of the change of control. Bonus will normally be pro-rated to the date of the change of control. **Bonus – deferred shares** Deferred shares will vest on the change of control. **PIP element A:** Approach will be in line with the 2020 Policy	**Bonus – For the Year of the Change of Control** The Committee has the following element of discretion: • to determine whether to pro-rate the bonus for time served in the year of the change of control. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. **Bonus – deferred shares** The Committee has the following elements of discretion: • to determine whether to pro-rate unvested deferred shares based on proportion of the vesting period served. The Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of change of control; and • to determine whether the satisfaction of deferred share awards should be in cash or shares or a combination of both. • in the event of an internal corporate reorganisation, the Committee may decide to replace unvested deferred share awards with equivalent new awards over shares in the acquiring company **PIP element A:** Approach will be in line with Award will be as per the 2020 Policy
LTIP	The awards will vest on the date of the change of control and the Holding Period will fall away. Performance conditions will be measured at the date of the change of control. The award will normally be pro-rated to the date of the change of control. The Committee will determine the level of vesting taking into account: • the extent that any applicable performance targets have been satisfied at that time; • the bid consideration received; and • the portion of the vesting period that has then elapsed.	The Committee has the following elements of discretion: • to determine whether the satisfaction of LTIP awards should be in cash or shares or a combination of both; • to determine whether to pro-rate the LTIP award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; and • in the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.
Buy-out Award	Where change of control occurs in relation to an Executive Director who has been granted a buy-out award, the treatment would be in line with the terms of the buy-out award.	

Consideration of employment conditions elsewhere in the Company
As part of our commitment to fairness across the business, and in line with requirements under the UK Corporate Governance Code, we have set out in this report information on the pay conditions of the wider workforce and comparisons with Executives, as well as our diversity policies and statistics. We are committed to transparency internally and externally in relation to developments on these important issues and will continue to consider how our disclosures can be enhanced going forward.

In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions recognising the central importance of all our teams in delivering success. In order for the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at the Remuneration Committee meetings, setting out key details of remuneration throughout the Company. The Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration. In the Committee's opinion the approach to executive remuneration aligns with wider Company pay policy and there are no anomalies specific to the Executive Directors.

Pay structures across the Group
We aim to provide a remuneration package for our employees which is aligned to our values and remuneration principles across the Group. The Group aims to provide a remuneration package for all employees which is market competitive and operates the same core structure as for Executive Directors. The Company's remuneration philosophy for all senior management from the Executive Directors downwards is that all employees should have a significant annual element of performance-based pay.

For all employees, the Group operates a performance-based annual bonus scheme. The Company also has a Share Incentive Plan (SIP) in order to increase levels of share-ownership throughout the Company and to allow employees to share in the success of the Company in a tax-efficient manner. Additionally, the Group's pension contributions to an employee's pension scheme are determined by their length of service from a minimum of 5% of salary up to a maximum of 10%.

Executive Directors and senior management are participants in the LTIP, with the number of employees eligible to participate being 11. For the wider workforce, the LTIP is replaced by a time-based, company growth related loyalty bonus. This ensures a focus on long-term sustainable value creation to align experience with those of shareholders throughout the company.

Employee engagement
We regularly communicate with our employees on a range of issues, including executive pay. We have established a Workforce Advisory Panel, chaired by Elizabeth Edwards, our Senior Independent Director, aimed at discussing and providing feedback on workforce policies and practices. The Committee will continue to use the voice of employees as valuable insight when making wider remuneration decisions.

The outcomes of these discussions and key decisions made in respect of Executive and senior management pay are communicated to employees through one of several channels used by the Company, as described on pages 126-127.

Consideration of Shareholders Views
In 2022, the Committee consulted with its 12 largest shareholders, including The Sten and Karin Mortstedt Family & Charity Trust, (representing over 75% of the Company's issued share capital) and the main shareholder representative bodies (IA, ISS, Glass Lewis). A letter was shared with this group on 16 December 2022 outlining our remuneration proposals, including the proposed new Policy, and invited feedback from all recipients.

We received responses through emails and had a number of meetings to discuss the proposals. The Committee took time to review feedback in detail and address any questions that were raised.

One particular area of preference, highlighted by shareholders in their feedback, was in relation to the deferral treatment for bonus being based on a fixed proportion of the total bonus opportunity. The Committee concluded that in light of the potential quantums involved and that there was no consistent approach amongst its peer group, it did not adopt this feedback.

At the end of the consultation the majority of shareholders consulted indicated they were supportive of the proposals.
The Committee is grateful for the time that shareholders have taken to consider proposals and provide feedback.