CORPORATE GOVERNANCE COMPLIANCE STATEMENT

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Introduction

The purpose of this document is to record how Wm Morrison Supermarkets PLC (the "**Company**") complies with the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council. That code is referred to in this document as the "**Code**" and each of its provisions are quoted in this document. Against each provision the Main Board (the "**Board**") gives a brief statement of how the Company complies.

Those compliance statements also refer to the terms of reference for the various Committees of the Board. These are available on the Investor Centre website which can be found here:
https://www.morrisons-corporate.com/Investor-centre/corporate-governance/

The compliance statement has been formally adopted by the Board for the purposes of the Code. The compliance statement provides the basis upon which the Directors will report on corporate governance matters in the Company's Annual Report and Financial Statements (the "**Annual Report**"). It also provides the source material for investors and other interested parties to undertake their reviews of the Company's compliance with the Listing Rules.

By Order of the Board

Jonathan J Burke

Company Secretary
9 March 2021
Wm Morrison Supermarkets PLC

Code of Best Practice and Compliance Statement

Set out below in bold is the text of each paragraph of the Code and, below each paragraph of the Code, the Board's statement as to compliance by the Company.

1. Board Leadership and Company Purpose

Code Provisions

1. **The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy.**

   The Directors assess the viability of the Group on an annual basis. The Directors use a three year period for the viability assessment as the Group's forecasts associated with the detailed strategic and financial plans are prepared over this period. More details on the Company's viability can be found in the Annual Report.

   The Annual Report also details the opportunities and principal risks.

   The Governance Structure and activities for the year are detailed in the Annual Report.

2. **The board should assess and monitor culture. Where it is not satisfied that policy, practice or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board's activities and any action taken. In addition, it should include an explanation of the company's approach to investing in and rewarding the workforce.**

   To assess and monitor culture, the board receives updates on the annual 'Your Say' survey in which every colleague is invited to take part in. Approximately three-quarters of colleagues within Morrisons share their thoughts on the Group through this survey every year.

   Kevin Havelock, as designated Non-Executive Director, joins David Potts (CEO) at the National Your Say Forums which includes a representative from each store region, manufacturing site and distribution centre.

   Information about the Board's activities throughout the year are provided in the Annual Report. An explanation of the Company's approach to investing in and rewarding the workforce is also outlined in the Annual Report.

3. **In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. Committee chairs should seek engagement with shareholders on significant matters related to their**

areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.

All Board members normally attend the AGM where shareholders can ask questions and have informal discussions afterwards. In line with Government Guidance the 2020 AGM was a limited meeting and responses to shareholder questions were circulated as a video on our Website and shared with all members of the Board.

Major shareholders are given the opportunity to meet the Chair, Senior Independent Director and Committee Chairs. The Chair regularly writes to the largest shareholders to formally invite them to meet with him on Governance matters if they wish to do so.

The CFO actively engages with major shareholders after the Full and Half Year results announcements to seek views on governance and performance against the strategy.

Additionally, the Group's brokers seek independent feedback from analysts and investors following the Full and Half year results meetings which are reported to the Board.

The Group consults regularly with major shareholders through the Investor Relations Team and the Board receives an update on any feedback from this process as views arise.

Where issues relevant to the Board as a whole are raised by shareholders, the Chair relays these issues to the Board. Where shareholders wish to raise concerns then the Chair deals with these issues as appropriate.

4. **When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.**

In accordance with this provision, in respect of two of the resolutions put to our shareholders at the 2020 Annual General Meeting (AGM) that received less than 80% support of the votes cast, we have:

1) included an explanation of these in our AGM voting results announcement,
2) published an update on the key actions that have been taken by the Board of Directors and Remuneration Committee on 1 December 2020; and
3) a final summary is included in our 2021 Annual Report

5. **The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective. For engagement with the workforce, one or a combination of the following methods should be used:**

    - **a director appointed from the workforce;**
    - **a formal workforce advisory panel;**
    - **a designated non-executive director.**

    If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that these are effective.

    As part of the ways of working, Morrisons has identified 5 primary stakeholder groups (customers, colleagues, suppliers, shareholders, and community & environment). The impact on the long-term interests of each stakeholder group is taken into account during any decision making. More information on this can be found in our Annual Report.

    Kevin Havelock, the Chair of the Remuneration Committee, is the designated Non-Executive Director for the engagement with the workforce. Kevin and David Potts (CEO) attend and feed back to the Board on the National Your Say Forum which includes a representative from each store region, manufacturing site and distribution centre.

    Our corporate responsibility programme ensures we operate in a way that is right for our customers, colleagues, suppliers and shareholders, and community & environment and all other stakeholders. More information on this can be found in the Annual Report or in the Annual Corporate Responsibility Report which can be found at www.morrisons-corporate.com/cr

    Morrisons operates a culture of maintaining high standards of business conduct and acts fairly between the members of the company.

6. **There should be a means for the workforce to raise concerns in confidence and - if they wish - anonymously. The board should routinely review this and the reports arising from its operation. It should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.**

    The Company has established a "Whistleblowing Statement" which is available on our corporate website.

    There is an independent whistleblowing service set up and administered by a third party which is coordinated through Internal Audit to allow colleagues to anonymously raise any concerns. Concerns are escalated to the Board as appropriate throughout the year and the Board receives a summary on an annual basis of all whistleblowing cases received into the business.

7. **The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement.**

   Morrisons is committed to conducting all of its business in an honest and ethical manner. Conflicts of Interest are reviewed before each Board or Committee meeting to ensure that the influence of third parties does not compromise or override independent judgement.

   To improve governance, the Board has established an External Appointment Approvals Sub-Committee consisting of the Chair, Senior Independent Director and Chief Executive to consider and approve requests from serving Directors to be permitted to undertake external appointments.

8. **Where directors have concerns about the operation of the board or the management of the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns.**

   The Company Secretary ensures that the minutes of Board meetings reflect any concerns raised by Directors regarding the running of the Company or any proposed action. The Non-Executive Directors have been made aware of this provision.

2. Division of Responsibilities

Code Provisions

9. **The chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of chair and chief executive should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of this appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.**

   The roles of the Chair and of the Chief Executive are separate. The Chair has a formal letter of appointment setting out his duties in relation to the Company. A statement of the division of responsibilities between the Chair and Chief Executive is set out in Appendix 2: Chair and CEO Roles and Responsibilities which has been approved by the Board.

   On appointment, the Chair met, and continues to meet, the independence criteria set out in Provision 10.

10. **The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:**

    - **is or has been an employee of the company or group within the last five years;**
    - **has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee or a body that has such a relationship with the company;**
    - **has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;**
    - **has close family ties with any of the company's advisers, directors or senior employees;**
    - **holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;**
    - **represents a significant shareholder; or**
    - **has served on the board for more than nine years from the date of their first appointment.**

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.

The Annual Report does, and will continue to comply with this requirement.

The Board considers that all of the Non-Executive Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Board regularly reviews the number and activities of its Non-Executive Directors to ensure that there are sufficient independent Non-Executive Directors to provide impartial advice to, and supervision of, the activities of the Board.

The up to date biographies for the Directors including any external roles are found on the Company Website here:

https://www.morrisons-corporate.com/about-us/board-members-biographies/

The Board is satisfied that the Non-Executive Directors of the Company met on appointment, and continue to meet, the requisite criteria for independence.

11. At least half of the board, excluding the chair, should be non-executive directors who the board considers to be independent.

There are currently six Non-Executive Directors (excluding the Chair) on the Board out of a total of ten Directors (including the Chair). All Non-Executive Directors are considered to be independent.

12. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chair's performance, and on other occasions as necessary.

Rooney Anand, who is an independent Non-Executive Director, has been identified by the Board as its Senior Independent Director.

The role responsibilities of the Senior Independent Director can be found on the Corporate Website.

The Board has resolved that meetings of the Non-Executive Directors without the Chair present shall be held no less than annually. These meetings are incorporated into the Company's Board performance assessment programme and led by the Senior Independent Director. Where requested by the Non-Executive Directors, further meetings will be convened.

The Chair is subject to the same evaluation process as the rest of the Board. There is an annual evaluation and performance review carried out by the Non-Executive Directors led by the Senior Independent Director and taking account of the views of all Directors. The Chair takes no part in that review but its conclusions are fed back to the Chair by the Senior Independent Director and are built into the training and development plan for the Chair.

13. **Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present.**

    The Board formally reviews the performance of the individual Executive Directors against agreed performance objectives annually and informally reviews this performance at each Non-Executive Directors meeting.

    The Board has resolved that meetings of the Non-Executive Directors including the Chair and without the Executive Directors present shall be held no less than annually, and are currently held ahead of every Board Meeting. These meetings are incorporated into the Company's Board performance assessment programme.

14. **The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors.**

    The responsibilities of the Chair, Chief Executive, Senior Independent Director, Board and Committees as agreed by the Board are made publicly available on the Company's website here:

    https://www.morrisons-corporate.com/investor-centre/corporate-governance/

    The Annual Report does, and will continue to, comply with this requirement. Non-Executive Directors must comply with minimum attendance requirements under the terms of their appointment letters. Their other significant commitments are disclosed to the Board before appointment and the Board are kept informed of any changes.

15. **When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. Full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.**

    The Board takes into account other demands on the director's time as part of the appointment and on-going appraisal process. The Board has established an External Appointment Approvals Sub-Committee consisting of the Chair, Senior Independent Director and Chief Executive to consider and approve requests from serving Directors to be permitted to undertake external appointments.

None of the Executive Directors are Non-Executive Directors or a Chair of a FTSE 100 company.

16. **All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board.**

The Board has resolved that all Directors have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter reserved for decision by the Board as a whole.

3. Composition, Succession and Evaluation

Code Provisions

17. **The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline of succession. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.**

    The Board has appointed a Nomination Committee, the terms of reference of which are set out in Appendix 5: Nomination Committee Terms of Reference.

    The Committee is comprised of six Non-Executive Directors and the Chair of the Board, all of whom are considered to be independent of management.

    This Committee is responsible for the development of an orderly and diverse pipeline of succession in line with the Board approved Board, Executive Committee and Leadership Team Diversity Policy.

    To ensure the development of a diverse pipeline of succession, the Committee, amongst other things, ensures that the Non-Executive Directors search 'long lists' include 50% women candidates, that there is sufficient diversity on the Non-Executive Directors recruitment panel, and that the Company only engages executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice. The Company also considers candidates for appointment as non-executive directors from a wider pool including those with little or no previous FTSE board experience.

    The Senior Independent Director will chair any meeting to deal with the succession of the Chair.

18. **All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.**

    The Company will comply with this Code provision and submit all Directors for re-election annually at the Annual General Meeting.

    The Board has resolved that sufficient biographical details and other relevant information on Directors subject to re-election will be included in the Company's Annual Report and in the notice of the Annual General Meeting to enable shareholders to take an informed decision on their re-election.

    The notice of Annual General Meeting will provide details (as appropriate) as to why the Board believes the Non-Executive Directors should be re-elected.

19. **The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and**

the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.

Andrew Higginson was appointed as Deputy Chair and Chair Elect in October 2014 and became Chair in January 2015.

20. **Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.**

Explanations are given in the Annual Report regarding the external search consultancies and open advertising of appointments.

21. **There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.**

The Group has established a performance evaluation process for its Board, its Committees, the Chair and individual Directors. The Board has resolved that it will carry out an externally facilitated evaluation of the Board's performance and effectiveness at least once every three years. The last external evaluation was completed in 2020/21.

Appropriate reporting of these reviews and any main conclusions, together with disclosure of any connections between the external facilitator and the company (or an appropriate negative confirmation) is included in the Annual Report.

22. **The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified.**

As part of the annual appraisal process, the Chair discusses the contributions and strengths of each Director.

The Chair reviews with each Director their training and development needs as part of the annual appraisal process. Those needs are factored into the annual plan for each Director and monitored by the Chair with support from the Group People Director and Company Secretary. Further, the training and development needs of all Directors are addressed in the formulation of the rolling programme of Board training and continuing education.

23. The annual report should describe the work of the nomination committee, including:

- **the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;**

- **how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition;**

- **the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and**

- **the gender balance of those in the senior management and their direct reports.**

The Annual Report each year describes the work of the Nomination Committee.

The Annual Report details the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline.

The Group has established a performance evaluation process for its Board, Committees, and individual Directors, developed by the Company Secretary. This is referred to in the Annual Report.

The gender balance of senior management and their direct reports is disclosed in the Annual Report.

The Annual Report also details the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives.

4. Audit, Risk and Internal Control

Code Provisions

24. The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates.

The Company has constituted an Audit Committee. The members of this Committee are all Non-Executive Directors and the Chair is not a member of this Committee. The Terms of Reference for this Committee are compatible with this Code provision.

The Board is satisfied that the Chair of the Committee, Jeremy Townsend, has recent and relevant financial experience.

The Board is also satisfied that all members of the Committee have appropriate knowledge and understanding of financial risk and accounting matters to contribute effectively to the Committee.

25. The main roles and responsibilities of the audit committee should include:

- **monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;**
- **providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;**
- **reviewing the company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself;**
- **monitoring and reviewing the effectiveness of the company's internal audit function or, where there is not one, considering annually whether there is a need for one and making a recommendation to the board;**
- **conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;**
- **reviewing and monitoring the external auditor's independence and objectivity;**

- **reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;**
- **developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and**
- **reporting to the board on how it has discharged its responsibilities.**

The terms of reference of the Audit Committee are set out in Appendix 7: Audit Committee Terms of Reference and include the items referred to above.

26. The annual report should describe the work of the audit committee, including:

- **the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed;**
- **an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;**
- **in the case of a board not accepting the audit committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment);**
- **where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and**
- **an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.**

The Board has resolved that the Company will comply with this Code provision.

27. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

The Board has resolved that the Directors will comply with this Code provision and a statement of responsibility is, and will continue to be, included in the Annual Report.

28. **The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.**

    There is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group which is regularly reviewed in detail by the Audit Committee and reported to the Board for their review.

    The Board has resolved that the Directors will comply with this Code provision and such statements have been included in the Annual Report.

29. **The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.**

    The review and monitoring of risk management and internal control systems is an integral part of the activities and functions of the Board. A report on the review is, and will continue to be, included in the Annual Report.

30. **In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.**

    The Board has resolved that the Directors will comply with this Code provision and such statements have been included in the annual and interim reports.

31. **Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.**

    The Board has resolved that the Directors will comply with this Code provision and such statements have been included in the Annual Report.

5. Remuneration

Code Provisions

32. **The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.**

    The Board has constituted a Remuneration Committee. Its membership is set out in Appendix 4: Board and Board Committee Membership and its terms of reference are set out in Appendix 6: Remuneration Committee Terms of Reference.

    The Chair is a member of the Committee and was considered independent on appointment. The Chair for this Committee is Kevin Havelock, a Non-Executive Director. Kevin has served on the Remuneration Committee since February 2018 and was appointed as Chair of this Committee in April 2020.

33. **The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.**

    The remuneration of the Chair, Non-Executive Directors, Executive Directors and Executive Committee members is reviewed and determined by the Remuneration Committee.

    The terms of reference of the Remuneration Committee reflect this Code provision.

    As outlined in the Annual Report, when setting the Executive Director remuneration, the Committee considers, amongst other things, the wider workforce remuneration and company culture.

34. **The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements.**

    The remuneration of Non-Executive Directors is reviewed and determined by the Chair and the Executive members of the Board.

    Levels of remuneration for Non-Executive Directors reflect the individual's commitments to the Group, including the Committees on which they serve, as well as taking into account market conditions and remuneration paid by comparable companies. Non-Executive Directors including the Chair are not included in share option or incentive schemes.

35. **Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management.**

    The Committee uses the services of external advisors where necessary. Willis Towers Watson are appointed as independent advisors to provide advice on (a) the design of Executive and Non-Executive remuneration; (b) the design of long-term incentive plans; (c) proposed performance criteria for incentive arrangements; and (d) benchmarking.

36. **Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.**

    From 2019, Long Term Incentive Plan Share Options are subject to a 3 year vesting and 2 year holding period.

    The Remuneration Committee has established a formal policy for post-employment shareholding requirements which is outlined in the Annual Report.

37. **Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.**

    The Remuneration Committee retains discretion to override formulaic outcomes of remuneration schemes.

    Provisions enabling the Company to recover sums paid or withhold payment are included in the annual bonus and deferred bonus schemes and the Long Term Incentive Plan.

38. **Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.**

Michael Gleeson was appointed to the Board in 2020 with a pension cash allowance of 5% of base salary which is in line with the majority of our workforce.

David Potts and Trevor Strain currently receive a pension supplement of 24% of base salary.

Both David Potts and Trevor Strain have voluntarily committed to a reduction in their pension levels to those available to the workforce by the end of 2022.

39. Notice or contract periods should be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods should reduce to one year or less after the initial period. The remuneration committee should ensure compensation commitments in directors' terms of appointment do not reward poor performance. They should be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.

The service contracts and appointment letters of all of the Directors comply with this provision.

40. When determining executive director remuneration policy and practices, the remuneration committee should address the following:

- **clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;**
- **simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;**
- **risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;**
- **predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;**
- **proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and**
- **alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.**

The Remuneration Committee considers the above when determining Executive Director remuneration policy and practices. This detail is provided in the Annual Report.

41. There should be a description of the work of the remuneration committee in the annual report, including:

- **an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;**
- **reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;**
- **a description, with examples, of how the remuneration committee has addressed the factors in Provision 40;**
- **whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;**
- **what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;**
- **what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and**
- **to what extent discretion has been applied to remuneration outcomes and the reasons why.**

The work of the Remuneration Committee is described in the Directors Remuneration Report section of the Annual Report. This detail complies with the above requirements.