

# Directors' remuneration report

## Introduction

This Directors' remuneration report, prepared by the Remuneration Committee on behalf of the Board, has been drawn up in accordance with the 2010 Code, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008, the Listing Rules and the Disclosure and Transparency Rules.

This Directors' remuneration report has been approved by both the Remuneration Committee and by the Board, and a resolution to approve the report will be proposed at the AGM of the Company on 23 May 2012.

The relevant regulations require that a company's auditors report on the 'audited information' in a directors' remuneration report and to state that this section has been properly prepared in accordance with these regulations. For this reason this Directors' remuneration report is divided into part A (containing the unaudited information) and part B (containing the audited information). The Company's auditors, PricewaterhouseCoopers LLP, have reviewed Part B of this Directors' remuneration report.

## Part A: Unaudited information

### (a) Remuneration Committee

**Role and operations:** The Remuneration Committee's role and duties, together with other information regarding the operation of the Remuneration Committee, are described in the statement of corporate governance on pages 38 to 39, and is incorporated into this Directors' remuneration report by reference.

### (b) Remuneration policy

**Policy outline:** The Company's current remuneration policy for the Executive Directors is to provide remuneration packages for Executive Directors and other senior executive managers in the Group which:

- align management's interests with those of shareholders by incentivising management to deliver the Group's long-term strategy and enhance shareholder value;
- provide management with the opportunity to earn competitive remuneration through variable based pay;
- provide rewards comparable with those of other similar companies to the Group; and
- enable the Group to attract and retain management of the calibre required to run the business and drive shareholder value creation.

Any Director who is appointed to any executive office shall be entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, either in addition to or in lieu of their remuneration as a Director. In addition, any Director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a

Director, may be paid such extra remuneration as the Board or any committee authorised by the Board may determine. Each Director may be paid their reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board, or committees of the Board or of the Company or any other meeting which as a Director they are entitled to attend, and shall be paid all other costs and expenses properly and reasonably incurred by them in the conduct of the Company's business or in the discharge of their duties as a Director. The Company may also fund a Director's or former Director's expenditure and that of a Director or former Director of any holding company of the Company for the purposes permitted under the Companies Act and may do anything to enable a Director or former Director or a Director or former Director of any holding company of the Company to avoid incurring such expenditure as provided in the Companies Act.

The Board or any committee authorised by the Board may exercise the powers of the Company to provide benefits by the payment of gratuities or pensions or by insurance or in any other manner for any Director or former Director or their relations, dependants or persons connected to him, but no benefits (except those provided for by the Articles) may be granted to or in respect of a Director or former Director who has not been employed by or held an executive office under the Company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the Company.

**Performance-related versus fixed remuneration:** It is the Company's policy that a substantial proportion of the Executive Directors' remuneration should be variable and performance related in order to encourage and reward superior business performance and shareholder returns and that remuneration should be linked to both individual and Company performance.

**Employee share schemes:** Currently, the Company's remuneration policy for Executive Directors is that a relatively large proportion of the Executive Directors' remuneration be linked to their shareholding in the JSOS incentive scheme. For the purposes of Listing Rule 9.8.8(10), the Company's current policy is that all employees, including Executive Directors, are issued options under the ESOS shortly after commencing employment with the Group. The Company does not have an arrangement for the annual issue of options or shares to Executive Directors under the existing employee share schemes (namely ESOS and JSOS schemes). Exceptionally, additional options may be granted to senior employees (but not Executive Directors) under the ESOS, from time-to-time. The Company does not have any other long-term incentive schemes.