Note: This is Huntsworth plc's (the Company) Directors' Remuneration Policy as approved by shareholders at the Annual General Meeting held on 26 May 2016, as disclosed in the Company's Annual Report and Accounts 2015.

REPORT OF THE DIRECTORS ON REMUNERATION CONTINUED
DIRECTORS' REMUNERATION POLICY

Introduction
In this section of the Report of the Directors on Remuneration we provide details of the Company's new Remuneration Policy for Directors that will govern the Company's future remuneration payments. This new policy is being introduced in order to implement the changes described in the Chair of the Committee's statement above.

Subject to approval by shareholders, the policy is intended to apply for three years and will be applicable from the date of the 2016 AGM. This part of the Report of the Directors on Remuneration will be displayed on the Company's website immediately after the 2016 AGM.

The Remuneration Committee has established the policy on the remuneration of the Executive Directors and the Chairman, whereas the Board has established the policy on the remuneration of the Non-Executive Directors.

The policy is designed around the following key principles:
- providing a strong link between reward and the performance of both the individual and the Company in order to align the interests of Executive Directors with those of shareholders;
- maintaining a competitive package against comparable businesses, both in terms of size and sector, with reference to the breadth of the role and experience the role holder brings to the Company;
- encouraging a personal stake in the business and a long-term focus on sustained growth through long-term shareholding;
- providing a balanced remuneration package;
- ensuring compliance with the latest standards of best practice through application of malus and clawback provisions to all elements of variable pay; and
- taking into account the associated risks of each aspect of remuneration.

Remuneration structure (Policy table)
Policy for Executive Directors

The table below sets out the key elements of the Company's remuneration policy for the Executive Directors:

Base salary

Objective and link to strategy	To provide a market-competitive base salary which recognises individual contribution, changes in responsibilities and attracts and retains talent in the labour market in which the Executive Director is employed.
Operation	Base salary is normally set annually with any changes effective from 1 January. When determining the salary of the Executive Directors the Committee takes into consideration: • the level of base salary for similar positions with comparable status, responsibility and skills, in comparable organisations of broadly similar size and complexity; • the individual Executive Director's experience and responsibilities; • pay and conditions throughout the Group; and • existing contractual arrangements.
Opportunity	While the Committee has not set a monetary maximum on salary, any base salary increases will have due regard to those applied to the wider employee population of the Group. The 2016 annual salaries for the Executive Directors are set out in the Statement of Implementation of Remuneration Policy on page 52.
Performance conditions and assessment	N/A

Remuneration structure (Policy table) continued

Annual bonus	
Objective and link to strategy	Aligns reward to strategy by ensuring the annual performance targets which are set for the financial year are aligned with the Company's KPIs. As such, the annual bonus targets are primarily based on key objectives relating to the Group's financial operational performance.
Operation	The annual bonus is reviewed annually at the start of the financial year to ensure bonus opportunity, performance measures and weightings support the Company's strategy. The performance period for the annual bonus targets is normally linked to the Company's financial year. The Committee has discretion to defer annual bonus payments into share awards under The Huntsworth 2016 Deferred Share Bonus Plan ('2016 DSBP'). The Committee's intention for 2016 is for bonus awards to be paid in cash for any payment up to 100% of salary but for half of any bonus payment exceeding 100% of salary to be deferred. Where any element of the annual bonus is deferred, it will be deferred into a conditional award of, or nil cost options over, Huntsworth shares for a period of normally not less than two years. These shares will not be subject to any further performance conditions but are conditional on the individual's continued employment with the Group, will remain subject to malus and clawback provisions, and will normally vest at the end of the deferral period. For further details on malus and clawback provisions, please refer to the section on malus and clawback on page 59.
Opportunity	Maximum bonus potential level: 150% of salary. Threshold bonus potential: 0% of salary. On-target bonus potential: 75% of salary.
Performance conditions and assessment	Each year the Committee determines the bonus measures and weightings. Measures will predominantly be based on financial performance but up to 20% may be based on individual or other strategic objectives. The precise nature and weighting of measures will depend on the strategic focus of the Company in any given year. Further details on the measures for 2016 are set out in the Statement of Implementation of Remuneration Policy on page 52.

Remuneration structure (Policy table) continued

The Huntsworth 2016 Long-Term Incentive Plan ('2016 LTIP')	
Objective and link to strategy	Rewards and retains executives, aligning them with shareholder interests over a longer time frame. Ensures an alignment between the operation of the Company's remuneration policy and the Company's objectives of achieving strong longer-term performance.
Operation	The 2016 LTIP is being submitted for approval by shareholders at the 2016 Annual General Meeting. Participants will be eligible to receive a conditional allocation of shares or nil cost options subject to performance conditions set by the Committee. The Committee reviews the quantum of awards annually. Awards normally vest following the end of the performance period, although may vest early on leaving employment or on a change of control (see page 67). The Committee may choose to impose an additional holding period after the end of the relevant performance period. If they choose to do so for any given award, the terms of the holding period will be detailed at the time of the relevant award. Awards under the 2016 LTIP will be subject to malus and clawback provisions. For further details, please refer to the section on malus and clawback on page 59.
Opportunity	Maximum awards under the 2016 LTIP in respect of any one year of 200% of salary. Normal awards will be 100% of salary in respect of any one year. Awards of 200% will be made in exceptional circumstances only, at the discretion of the Committee. Threshold vesting level: 25% of salary.
Performance conditions and assessment	Performance will be measured over at least a three-year period. Performance for awards will typically be based on share price based measures (such as TSR) and financial measures (such as EPS). Further details on the measures for the coming financial year are set out in the Statement of Implementation of Remuneration Policy on page 52.

Pension	
Objective and link to strategy	To provide a competitive retirement benefit and ensure that Executive Directors' total remuneration remains competitive.
Operation	Executive Directors may receive a contribution to their personal pension plan or receive a cash equivalent. Any cash equivalent would not be treated as salary for the purposes of determining bonus or incentive awards.
Opportunity	The maximum opportunity under this policy is to make annual pension contributions of up to 20% of salary for Executive Directors.
Performance conditions and assessment	N/A

Remuneration structure (Policy table) continued

Other benefits

Objective and link to strategy	To provide competitive employment benefits and support individuals carry out their roles.
Operation	The level of benefits provided is reviewed regularly to ensure they remain market competitive. Benefits may include: • car or car-related allowance or benefits; • private health insurance for the Executive Director and his family; • life insurance; • permanent health insurance; and • assistance with administrative burden of tax compliance arising from the directorship. Additional benefits may be provided in line with local market practice. The Committee retains the discretion to provide further minor benefits or amendment to existing benefits where it is disproportionate to seek specific shareholder approval for these. Where an Executive Director has to be relocated, the Company may provide compensation to reflect this cost of relocation in line with the policy as set out for new recruits on pages 63 to 64. The level of relocation benefit will be assessed on a case-by-case basis. For further detail see pages 63 to 64.
Opportunity	Although no changes are expected to the current benefits provided to the Executive Directors as disclosed above, benefit values will vary year-on-year depending on the cost of insurance or method of providing the benefits. Accordingly, no maximum monetary value of benefits has been set.
Performance conditions and assessment	N/A

Payments from existing awards

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 29 June 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Legacy arrangements

The table below sets out the key elements of the Company's legacy incentive schemes for the Executive Directors where awards under them are still outstanding. No further awards will be made under these plans after they expire on 3 July 2016.

2006 Executive Share Option Scheme ('ESOS')	
Objective and link to strategy	Designed to reward and retain executives, aligning them with shareholder interests over a longer time frame. This plan was not normally used for Executive Directors and was in practice used primarily for recruitment awards, where appropriate.
Operation	The ESOS was approved by shareholders at the 2006 Annual General Meeting. The ESOS allowed for the grant of market-priced or premium-priced options to participants, which normally became exercisable three years after grant, subject to the achievement of performance conditions, until the tenth anniversary of grant. There was no operation of clawback (of unexercised or exercised awards) in respect of these awards. However, the ESOS award to be made to Neil Jones on joining the Group will be made subject to the malus and clawback provisions described on page 59.
Opportunity	Maximum award opportunity of 100% of salary in respect of any financial year (200% of salary when the Committee determines exceptional circumstances exist). No more than 25% of the shares under option vest for threshold performance.
Performance conditions and assessment	Service and performance measures must normally be met over a three-year performance period.

2006 Performance Share Plan ('PSP')	
Objective and link to strategy	Designed to reward and retain executives, aligning them with shareholder interests over a longer time frame. Ensured an alignment between the operation of the Company's remuneration policy and the Company's objectives of achieving sustained EPS growth and superior shareholder returns.
Operation	The PSP was approved by shareholders at the 2006 Annual General Meeting. Participants were eligible to receive a conditional allocation of shares or nil cost options which normally vested three years after grant. There was no operation of clawback (of unexercised or exercised awards) in respect of these awards. However, the PSP award to be made to Neil Jones on joining the Group will be subject to the malus and clawback provisions described on page 59.
Opportunity	Maximum PSP award in respect of any one year (excluding any awards made under another plan) of 200% of salary. Threshold PSP vesting level: 25% of salary.
Performance conditions and assessment	Service and performance measures must normally be met over a three-year performance period. Performance measures for awards comprised two or three of the following: • Revenue • EPS • TSR Further details on the measures for outstanding awards are set out in the Statement of Implementation of Remuneration Policy.

Notes to the Future Policy table for Executive Directors

Dividend equivalents

Awards under the 2016 LTIP and 2016 DSBP may incorporate the right to receive (in cash or shares) the value of dividends which would have been paid on the shares that vest between the date of grant and the date of vesting (or in the case of awards under the 2016 LTIP that are subject to a holding period, the date of release). When calculating the relevant dividend amounts, the Committee may assume that the dividends were reinvested in the Company's shares on a cumulative basis.

Award adjustment

Awards granted under the Company's share plans may, at the discretion of the Committee, be settled in cash. They may also be adjusted in any manner considered appropriate by the Committee in the event of a variation of the Company's share capital or such other circumstances as the Committee considers appropriate.

Performance conditions applicable to 2016 LTIP, PSP and ESOS awards may be amended if an event or series of events occurs as a result of which the Committee considers it fair and reasonable to make the change to take account of legal changes or to get or keep favourable tax, exchange control or regulatory treatment for the award, provided that the amended conditions are not materially easier than the original conditions.

Malus and clawback

In respect of future awards granted under the annual bonus, 2016 DSBP and 2016 LTIP, in accordance with the 2014 UK Corporate Governance Code and in line with best practice the Committee will apply certain recovery provisions to reduce the risk of payment for failure.

Malus and clawback provisions will exist whereby in the event of gross misconduct by the participant, a material misstatement of the Company's published accounts between grant and release (in the case of awards under the 2016 LTIP) or in respect of the bonus year (for annual bonus and awards under the 2016 DSBP), or a material breach of a law or regulation which resulted in significant reputational damage or harm to the Company during the same period, the Committee may:

- in respect of a bonus, or an award under the 2016 DSBP or 2016 LTIP which has yet to be paid or to vest or to be exercised, in its absolute discretion, reduce or cancel the award;
- in respect of a bonus or an award under the 2016 DSBP or 2016 LTIP which has been paid or has vested, in its absolute discretion, claw back the award (either in part or in full). This provision may be invoked for up to two years following payment of a bonus, two years following the original vesting date of a deferred bonus, or two years following the original release date of an LTIP award.

In the event that the Committee decides that a clawback circumstance has arisen, the Committee may decide that, in its absolute discretion, rather than trying to claw back a paid bonus or vested share award, the Committee could instead make a reduction of an equivalent amount to (i) any unvested share awards the individual may have under any share scheme operated by Huntsworth; and/or (ii) any future bonus payment which would otherwise be payable; and/or (iii) any salary payments or other remuneration which are due or would otherwise have been payable.

Minor amendments and waiver

An Executive Director may at any time waive any element of remuneration. Minor and administrative amendments may be made to the policy where, in the opinion of the Committee, it would be disproportionate to seek prior shareholder approval, in which case full disclosure will be made in the subsequent Annual Report on Remuneration.

Comparison of Remuneration Policy for other employees and Executive Directors

All employees of Huntsworth are entitled to base salary and benefits at levels commensurate with their role and local market practice.

Certain employees are eligible to receive an annual bonus based on key performance indicators measured at Group, divisional or local business level, alongside performance against personal objectives. The maximum opportunity available is based on the seniority and responsibility of the role.

Long-term incentive awards will be available to senior executives and selected employees throughout the organisation through the 2016 LTIP, subject to shareholder approval at the 2016 AGM.

Typically the more senior the employee, the greater the proportion of their pay is based on performance. Executive Directors receive remuneration packages which reflect their role and responsibilities and consequently they are amongst the highest paid in the Group.

REPORT OF THE DIRECTORS ON REMUNERATION CONTINUED

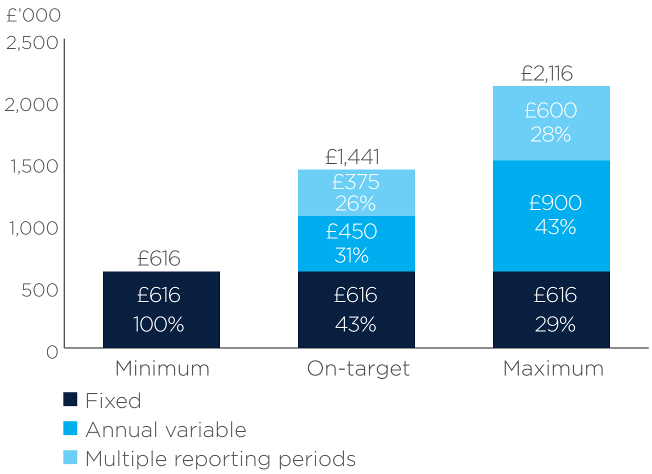
DIRECTORS' REMUNERATION POLICY

Remuneration scenario graphs for Executive Directors

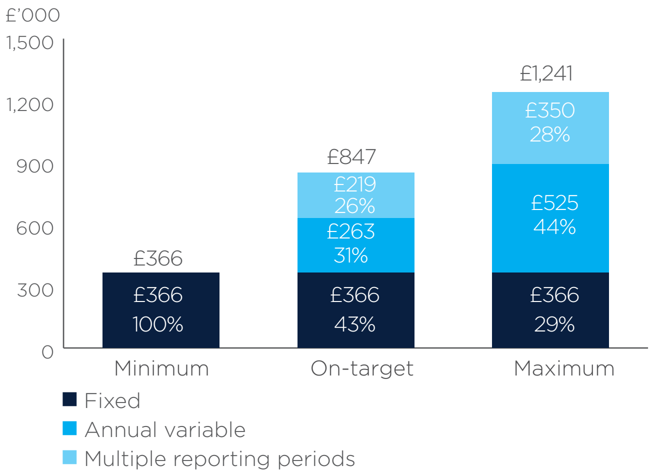
The chart below illustrates the remuneration that would be paid to each of the Executive Directors in 2016, based on the above policy, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable; and (iii) Long-term variable, which are set out in the future policy table.

Paul Taaffe



Neil Jones



Fixed:

Fixed elements do not vary with performance and comprises:

- 2016 base salary; and
- benefits.

Annual variable:

This comprises the Annual bonus and is calculated as follows:

Minimum	On-target	Maximum
0%	75% salary	150% salary

Multiple reporting periods:

This comprises awards under the 2016 LTIP and is calculated as follows:

Minimum	On-target	Maximum
0%	62.5% salary[1,2]	100% salary[2]

1. 62.5% is the mid-point of the performance range, i.e. straight-line vesting between 25% threshold and 100% maximum vesting.
2. 100% of salary face value of 2016 LTIP awards is normal policy.

In accordance with the regulations, no allowance has been made for share price appreciation.

Policy for Non-Executive Directors

The table below sets out the Remuneration Policy for Non-Executive Directors ('NEDs'):

Fees	
Objective and link to strategy	To attract individuals of a suitable calibre for the Company and to pay fees which are reflective of responsibilities, competitive with peer companies.
Operation	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board. NEDs are paid a base fee with one additional fee of the highest value for Committee representation. Fees may also be paid for additional time spent on the Company's business outside of the normal duties. In some circumstances no fees will be paid. Fee levels reflect market conditions and are sufficient to attract individuals with appropriate knowledge and experience. Fees are reviewed periodically. Any increases in fees will be determined based on workload and level of responsibility and current market rates. NEDs do not participate in any variable remuneration element.
Maximum potential value	Current fees are set out in the Statement of Implementation of Remuneration Policy. Fee increases are determined by reference to individual responsibilities, inflation and an appropriate comparator group. In accordance with the Company's Articles of Association, the total aggregate fees which can be paid to the Chairman and other NEDs in any given financial year may not exceed £500,000. In the event that this limit set out in the Articles of Association is amended by way of ordinary resolution of the Company's shareholders, this amended limit will supplant the current limit within this policy as well.
Performance conditions and assessment	N/A

Benefits	
Objective and link to strategy	To facilitate the NED's performance of his or her role.
Operation	The Company pays travel and accommodation expenses in respect of attendance at Board meetings by NEDs, which may in some circumstances be taxed as benefits in kind. Additionally, the Company may provide office facilities for NEDs which are not restricted to use in respect of the Company's business.
Maximum potential value	Expense benefit values, if any, will vary year-on-year depending on the frequency and location of meetings. The value of any other benefits is considered to be minimal. No maximum level of benefits has therefore been set.
Performance conditions and assessment	N/A

REPORT OF THE DIRECTORS ON REMUNERATION CONTINUED
DIRECTORS' REMUNERATION POLICY

Notes to the Future policy tables for all Directors

Shareholding policy

To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon, all Executive Directors are expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of one times their salary. Executive Directors will be required to retain 50% of all after-tax vested share awards until their shareholding requirement is met.

Non-Executive Directors are not subject to a minimum shareholding requirement. However, they are encouraged to hold shares in the Company.

Changes to Remuneration Policy from previous policy

As discussed in the Chair's letter, the following key changes from the Remuneration Policy approved by shareholders in 2014 are reflected in the new policy:

- new long-term incentive plan (the 2016 LTIP) to replace former plans (PSP and ESOS) due to expire in 2016;
- introduction of bonus deferral arrangements;
- introduction of malus and clawback provisions to all incentive schemes; and
- changes to the Directors' shareholding policy.

Shareholders will be asked to vote on this policy at the 2016 AGM.

Service agreements

Huntsworth's policy is to have Executive Directors' service contracts of no fixed term and with notice periods of no more than one year and for those contracts to contain contractual termination payments in certain circumstances as set out in the table below. The Non-Executive Directors have letters of appointment which provide for an initial period of three years following their first re-election at the Company's Annual General Meeting. Subject to re-election at Annual General Meetings, Non-Executive Directors would be expected to serve for a second three-year term. Non-Executive Directors may be requested to serve for a further (third) three-year term subject to rigorous review at the relevant time, and their agreement.

The following table sets out the dates of each Director's service agreements and their unexpired term:

Executive	Date of contract	Unexpired term
Paul Taaffe	19 December 2014	1 year
Neil Jones	15 October 2015	1 year

Non-Executive	Date of original letter	Date when next subject to appointment or re-election
Derek Mapp	20 November 2014	2018 AGM
Tim Ryan	19 December 2014	2018 AGM
Terence M. Graunke	9 May 2012	2016 AGM
Andy Boland	30 October 2014	2018 AGM
Nicky Dulieu	19 December 2014	2018 AGM
Pat Billingham	17 November 2015	2016 AGM

With specific approval of the Board, Executive Directors may accept external appointments as non-executive directors of other companies and retain any fees paid to them.

Service contracts and letters of appointments are available for inspection at the Company's registered office.

Recruitment arrangements

The table below summarises the Company's key policies with respect to recruitment remuneration:

Remuneration element	Policy
General	The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. Our principle is that the pay of any new Director would be assessed on the basis of the same policy principles as for the Executive Directors and Non-Executive Directors, unless specific circumstances arise where the Committee deems it appropriate, to secure a desired candidate. The terms of any appointment should also be accompanied by a clear business case. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and is cognisant 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.
Notice periods	The policy of the Company is to have service contracts for Executive Directors with notice periods of one year. It is sometimes necessary when recruiting a new Executive Director to give a service contract with an initial term of longer than one year. In such circumstances it is the policy of the Company that the notice period should reduce to one year after the initial period of service.
Base salary or fee and benefits	The salary or fee level will be set taking into account the responsibilities and experience of the individual and the salaries paid to similar roles in comparable companies in line with the current process undertaken by the Committee when reviewing the salary/fee levels for its existing Directors. When an Executive Director is recruited on a below-market standard salary, larger than normal increases may be offered to transition him to a market standard salary in line with his experience in the role. The Director shall be eligible to receive benefits in line with Huntsworth's benefits policy as set out in the remuneration policy table above.
Pension	The Executive Director will be able to receive a pension contribution in line with the Company's pension policy as set out in the remuneration policy table.
Annual bonus and long-term incentives	The Executive Director will be eligible to participate in the annual bonus arrangements and long-term incentive plans as set out in the remuneration policy table. Therefore, the maximum level of variable remuneration (excluding share buy-outs/replacement awards described below) which can be awarded to a new Executive Director (in line with the policy set out above) in respect of his recruitment is 350% of salary.
Share buy-outs/ replacement awards	Awards may be granted to replace those forfeited by the Executive Director on taking up the appointment where considered by the Committee to be appropriate. Such awards may be made in addition to any annual bonus and long-term incentive awards described above. Such awards will normally be made in the form of an award under the 2016 LTIP. Executive Directors may receive one exceptional award under the 2016 LTIP, which may not be subject to performance conditions, where the terms of his recruitment provide for him to be granted any award in order to compensate (wholly or partly) for incentives lost at his previous employer. The maximum level of buy-out award that may be granted under the plan rules is not restricted. The Committee will seek to structure any replacement awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining quantum and structure of these commitments, the Committee will seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone. The Committee would seek to structure buy-out and variable pay awards on recruitment to be in line with the Company's remuneration framework so far as practical, but, if necessary, the Committee may also grant such awards outside of the framework as permitted under Listing Rule 9.4.2 subject to the limits on variable pay set out above. The exact terms of any such awards (e.g. the form of the awards, time frame, performance conditions, and leaver provisions) would vary depending on the specific commercial circumstances.

REPORT OF THE DIRECTORS ON REMUNERATION CONTINUED

DIRECTORS' REMUNERATION POLICY

Recruitment arrangements continued

Remuneration element	Policy
Relocation policies	In instances where the Executive Director is non-UK based or needs to be relocated, the Company may provide one-off or 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 normal home country. 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, schooling and may include support with tax and other administrative obligations relating to the move.
Internal appointments	Where an internal candidate is appointed to the Board, the individual's existing contractual or award terms and conditions will continue to apply to any elements of remuneration (e.g. long-term incentive awards) made prior to his or her appointment. These will be disclosed to shareholders in the following year's Report of the Directors on Remuneration.

Payment for loss of office

When determining any loss of office payment for a departing individual, the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time. The Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Remuneration element	Approach	Committee discretion
General	The Company's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. It is the Committee's policy not to reward poor performance. The Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time.	Subject to existing contractual commitments, the Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.
Base salary and benefits	Salary will be paid over the notice period. Benefits will normally be provided over the notice period. Non-Executive Directors' fees will be paid over the notice period. There is no entitlement to a payment in lieu of notice.	The Committee has discretion to make a payment in lieu of notice of up to 12 months' salary, benefits allowance, pension contribution or salary supplement in lieu of pension and accrued but untaken holiday. This may be made in the form of a lump sum payment or in instalments. Subject to contractual provisions, the Company will seek to mitigate any payments due. The Company may provide benefits related to the termination such as outplacement advice, or tax and legal advice. It may additionally pay amounts which, based on legal advice, are required or recommended to be paid in settlement of any actual or potential lost legal rights.
Pension	No additional payments will be made in respect of pension contributions for loss of office. Company pension contribution/salary supplements in lieu of pension contributions will normally be provided over the notice period. In all cases the Company will seek to mitigate any payments due.	The Committee has discretion to make lump sum payments in lieu of pension contributions payable over the notice period.

Payment for loss of office continued

<table>
<tr><th>Remuneration element</th><th>Approach</th><th>Committee discretion</th></tr>
<tr><td>Annual bonus</td><td>Where an Executive Director's employment is terminated after the end of a performance year but before the payment is made, the Executive Director may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct.

Where an Executive Director's employment is terminated during a performance year, and if the individual is a good leaver, a pro-rata annual bonus payment for the period worked in that performance year may be payable subject to an assessment based on performance achieved over the period.

<u>Unvested awards under the 2016 DSBP</u>
Where an Executive Director's employment is terminated when he holds Deferred Share bonus awards under the 2016 DSBP, and he is determined to be a good leaver for any reason other than due to his death, the awards will normally vest in accordance with the original terms of deferral. Where the Executive Director's employment terminates by reason of death, or in such other circumstances as the Committee may determine, any shares so deferred will vest immediately.

Where an Executive Director's employment terminates and he is determined by the Committee not to be a good leaver, his awards under the 2016 DSBP will lapse in full.

<u>Leaver status</u>
Good leavers are those leaving under the following specified conditions:
• death;
• ill-health, injury or disability;
• redundancy, sale of the employing Company, or the sale of the business for which he or she works, outside of the Group; or
• any reason, at the absolute discretion of the Committee.

All other leavers are bad leavers.</td><td>The Committee has discretion to determine whether an Executive Director is a good leaver for the purposes of the annual bonus arrangements.

It is not the Committee's intention to exercise this discretion unless there is a strong business case to do so. Where discretion is exercised, the Committee will provide a full explanation of the basis of the exercise of its discretion to shareholders.

The Committee may at its discretion determine that any non-contractual amounts in respect of the current year are instead paid after the end of the relevant year once performance for the year can be assessed.</td></tr>
<tr><td>Long-term incentive</td><td colspan="2">The treatment of unvested long-term incentive awards is governed by the rules of the LTIP, to be approved by shareholders at the 2016 AGM. Individuals are defined as either a good or bad leaver for the purposes of unvested incentive awards.

Good leavers are those leaving under the following specified conditions:
• death;
• ill-health, injury or disability;
• retirement (in the case of only the legacy PSP or ESOS awards);
• redundancy;
• sale of the individual's employing company, or business outside of the Group; or
• any other reason, with the approval of the Committee.

All other leavers are bad leavers.</td></tr>
</table>

Payment for loss of office continued

If an individual is a bad leaver then share awards will lapse in full. The following table sets out for good leavers examples of the potential application of the Committee's policy in certain circumstances:

Reason for leaving	Timing of vesting	Calculation of Committee discretion
Resignation	Awards lapse.	N/A
Injury, ill-health, disability, redundancy, retirement (in the case of the PSP and ESOS only), sale of business or employing company, or other reason at the discretion of the Committee.	Vesting under the 2016 LTIP Awards will vest based on the performance achieved either up to the date of cessation or to the end of the performance period and pro-rated to reflect the proportion of the performance period served unless the Committee determines otherwise. Awards will normally vest at the usual time, unless the Committee determines that awards should vest following the individual's departure. Vesting under the PSP Awards will normally vest based on the performance achieved up to the date of cessation and pro-rated to reflect the amount of time elapsed since the award date, unless the Committee determines otherwise in exceptional circumstances. PSP awards must be exercised within 12 months of the termination date. Vesting under the ESOS Awards will normally vest based on the performance achieved up to the end of the performance period and pro-rated to reflect the amount of time elapsed since the award date. ESOS awards must be exercised within 12 months of the vesting date or later termination date.	Designation as good leaver Where the specified good leaver circumstances do not apply and there is no contractual obligation to do so (see below), the Committee has discretion to determine whether an Executive Director is a good leaver for the purposes of the 2016 LTIP, PSP or ESOS. It is not the Committee's intention to exercise this discretion unless there is a strong business case. Where discretion is exercised the Committee will provide a full explanation of the basis of the exercise of its discretion to shareholders. Vesting under the 2016 LTIP The Committee retains discretion to disregard time pro-rating when determining the level of vesting. This would only be considered in exceptional circumstances. Vesting under the PSP The Committee retains discretion to disregard performance and time pro-rating when determining the level of vesting. This would only be considered in exceptional circumstances. Vesting under the ESOS In respect of a vested ESOS award, an individual who is a discretionary good leaver may, at the discretion of the Committee, exercise the award, such discretion being exercised within 30 days of cessation. In respect of an unvested ESOS award, a specific or discretionary good leaver may, at the discretion of the Committee, exercise the award after the end of the performance period based on the performance achieved, pro-rated to reflect the time in the performance period elapsed at the date of cessation (provided, in the case of retirement, that the ESOS award was made more than 12 months prior to cessation – otherwise it will lapse). There is no discretion to ignore time pro-rating.
Death	Immediately (with time pro-rating applying to unvested ESOS options). Under the 2016 LTIP, the Committee may choose to apply the good leaver rules described above, or to deem any performance targets to be met in full at the date of death and/or to disapply any time pro-rating. Under the ESOS, any performance targets will be deemed to have been met in full at the date of death. Under the PSP, awards will be time pro-rated unless the Committee determines otherwise in exceptional circumstances. Performance conditions will be deemed to be satisfied.	The Committee retains discretion to disregard time pro-rating when determining the level of vesting under the PSP.

Payment for loss of office continued

Vested awards held by the Executive Directors which are outstanding under the ESOS and PSP will be exercised in accordance with the terms of the relevant plan rules under which the maximum post-termination exercise period is 12 months from the date of vesting of the relevant award (or cessation of employment, if later).

Change of control

Annual bonus

On a change of control of the Company, the Executive Directors will be entitled to receive a bonus payment based on performance level achieved during the performance period up to the change of control and the proportion of the performance period that has elapsed at the relevant date.

Where an Executive Director holds any awards under the 2016 DSBP, these will usually vest immediately on a change of control. However, the Committee retains absolute discretion to require deferred share awards to be rolled over into equivalent awards in the new entity.

Long-term incentive plans

In accordance with the rules of the 2016 LTIP, PSP and ESOS, vesting will occur immediately on a change of control or winding up of the Company. Performance against targets will be assessed by the Committee on a change of control. The number of shares vesting under an award will, unless the Committee determines otherwise, be reduced pro rata to reflect the amount of time elapsed at the time of the change of control as a proportion of the original performance period (or vesting period, where no performance condition applies). The Committee retains discretion to disregard performance and/or time when determining the level of vesting having regard to, amongst other things, the underlying performance of the Company. Whether, and the extent to which, any discretion is applied will depend on the circumstances of the change of control. Alternatively, the Committee may choose to convert awards into equivalent awards in the acquiring company.

Consideration of employment conditions elsewhere in the Company in developing policy

The Company's approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay. Remuneration surveys and meetings with sector specialists are used, where appropriate, to establish market rates.

In setting the remuneration policy for Directors, the pay and conditions of other employees of Huntsworth are taken into account, including any base salary increases awarded.

The Company did not consult with employees when drawing up the policy report.

Consideration of shareholder views

The Committee takes the views of shareholders very seriously. The views of major shareholders are considered when evaluating and setting ongoing remuneration strategy and the Committee commits to consulting with major shareholders prior to any significant changes to its remuneration policy.