DIRECTORS' REMUNERATION POLICY

This section of the Remuneration Report contains details of the Company's Directors' Remuneration Policy that will govern the Company's future remuneration payments. The policy described in this part is intended to apply for three years and will be applicable from the Company's AGM in September 2014 subject to approval by shareholders at the AGM. The policy part will be displayed on the Company's website, in the investor relations area, immediately after the 2014 AGM.

The Committee has established the policy on the remuneration of the Executive Directors; the Board has established a policy on the remuneration of the Non-executive Directors.

REMUNERATION POLICY

The objective of Berkeley's remuneration policy is to encourage, reward and retain the current Executives and ensure their actions are aligned with the Company's strategy. The core philosophies of the policy are:

- **Fixed remuneration:** The Committee sets salaries for the Executive Directors based on their experience, role, individual and corporate performance. Salaries on appointment to the Board are set at a lower quartile level of the comparator group which, based on appropriate levels of individual and corporate performance, will be increased with experience gained over time.
- **Annual performance related pay:** The Committee believes that shareholders' interests are best served by remuneration packages that have a large emphasis on performance-related pay which encourage the Executive Directors to focus on delivering the business strategy.
- **Long-term sustainable performance:** The long-term incentives which extend to 2021 have been designed to lock in the Executive team for a far longer period than is typical in most publicly listed companies. This helps to ensure that the Executive team are focused on generating long-term sustainable value for shareholders, not just on meeting short term performance targets.
- **Substantial equity holdings:** In order to align the interests of Executive Directors and shareholders, the reward strategy is designed so that, provided performance is delivered, the Executive team become material (in relation to their overall compensation) shareholders in the Company.

REMUNERATION POSITIONING

The policy is to set the main elements of the Executive Directors' remuneration package against the following quartiles in the Company's comparator group:

Base salary	Benefits	Pension	Annual Bonus	Long-term Incentives
Experience & Role	Market practice	Lower quartile	Upper decile	Upper decile

For the purposes of benchmarking remuneration the Committee used the following comparator group of companies for the 2014/15 financial year.

Amec PLC	Bellway PLC	Marshalls PLC	Taylor Wimpey PLC
Balfour Beatty PLC	Bovis Homes Group PLC	Persimmon PLC	Travis Perkins PLC
Barratt Developments PLC	Carillion PLC	Redrow PLC	

The Committee also considers the remuneration in the FTSE 250 as an additional benchmark to the main comparator group set out above due to its relatively small number of constituent companies. On an annual basis the Committee will review the comparator groups to ensure that they remain appropriate.

REMUNERATION POLICY DISCRETION

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

DIRECTORS' REMUNERATION REPORT continued

FUTURE POLICY – EXECUTIVE DIRECTORS

The table below sets out the key elements of the policy for Executive Directors:

Objective and link to strategy	Operation	Maximum opportunity	Performance condition and assessment
Base salary			
Core element of remuneration, set at a level which is sufficiently competitive to recruit and retain Executive Directors of the appropriate calibre and experience to achieve the Company's business strategy. **Policy: Experience and role**	Salaries are reviewed annually and any changes are effective from 1 May each year. In setting levels of base salary, the Committee takes into account the following factors in setting individual salary levels: • the individual Executive Director's experience and responsibilities; • the levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity; • the performance of the individual Executive Director and the Group; • pay and conditions throughout the Group.	The annual salary for each Executive Director is set out in the statement of implementation of remuneration policy for 2014/15 on page 77. The Committee has a policy on appointment of bringing Executive Directors on to the Board at lower quartile levels of salary and increasing salaries as experience is gained and performance in the role can be evaluated. Where an Executive is extremely experienced and has a long track record of proven performance salaries may be in the upper decile. In setting salaries, the Committee looks at companies of broadly similar size and complexity, in particular those companies within the comparator group and those in the FTSE 250. In general salary rises will be limited to the level provided to employees of the Company as a whole.	There are no performance conditions on salary. However, the performance of the individual and the Company are reflected in the salary they are paid.
Benefits			
To provide competitive levels of employment benefits. **Policy: Market practice**	In line with market practice, the Company's policy is to provide Executive Directors with the following additional benefits: • a fully expensed company car or cash allowance alternative; • medical insurance; • other benefits may be provided from time to time. Benefits are reviewed periodically to ensure they remain market competitive. The payments are not included in salary for the purposes of calculating any benefit or level of participation in incentive arrangements.	Benefit values vary year on year depending on premiums and the maximum value is the cost of the provision of these benefits.	None.

Objective and link to strategy	Operation	Maximum opportunity	Performance condition and assessment
Annual Bonus			
The Bonus Plan aligns rewards to the key objectives linked to short to medium term performance whilst ensuring that there is a balance between incentivising the Executive Directors, providing a sustainable ongoing level of return to shareholders and ensuring the long-term sustainability of the Company. The Notice of AGM sets out details of the proposed replacement for the Bonus Plan which will form part of the policy, subject to shareholder approval, for the financial year 2015/16 and subsequent years. **Policy: Upper decile**	At the beginning of the plan period of five financial years (first bonus year started in FY 2010/11), participants had a plan account to which Company contributions were made. No Company contribution is made to a participant's plan account unless the annual performance criteria are met. The Company contribution will be set annually as a percentage of salary for each Executive Director. Having regard to the strategy of the Company, the Committee will set: • The performance levels (including minimum performance thresholds) for the performance conditions for each plan year; • The maximum annual Company contribution for each participant for the plan year. Participants will be entitled to an annual payment of 50% of their plan account at the end of each financial year. All balances will be deferred in shares or notional shares. At the end of the five year plan period 100% of the balance of participants' accounts will be paid. Dividends paid during a financial year will be added to a participant's plan account on an annual basis.	The maximum bonus potential for all Executive Directors is 300% of salary for any plan year. At threshold performance no bonus can be earned. At target performance 50% of the maximum bonus can be earned. Bonus is earned on a straight line basis between points.	There are two types of performance condition; Group and Divisional. Both are measured at the end of each financial year. The bonus payable to each of the Group Chairman, Group Managing Director and Group Finance Director is determined by reference to Group performance. For the Divisional Directors, 50% of the potential bonus payable is determined by reference to Group performance and 50% by reference to Divisional PBT performance for which they have responsibility. The Group performance condition is a matrix of Return on Equity (ROE) and Land Bank Growth. The Divisional performance condition is based upon Divisional Profit before Tax (PBT). There is a risk adjustment mechanism built into the operation of the Bonus Plan. If the threshold levels of ROE, Land Bank Growth or Divisional PBT are not met for any financial year during the five years of operation of the Bonus Plan part of a participant's plan account will be forfeited. This adjustment mechanism ensures: • Performance must be maintained over the five years of operation of the Bonus Plan or the value in the participant's plan account will not increase; • If there is a material deterioration in performance, 50% of the balance of the participant's account will be forfeited. The Committee has the discretion to adjust targets or weightings for any exceptional events that may occur during the year. The Committee intends to provide full prospective and retrospective disclosure of Group performance targets. The Committee is of the view that the Divisional performance targets are commercially sensitive both at the time of setting the targets and at the point when they are measured and the bonus determined. It is therefore the opinion of the Committee that these Targets cannot be disclosed for a material period of time.

DIRECTORS' REMUNERATION REPORT continued

Objective and link to strategy	Operation	Maximum opportunity	Performance condition and assessment
Long-Term Incentive Plan			
No Plan available for new grants during the Policy Period. **Policy: Upper decile**	The maximum number of shares approved by shareholders under The Berkeley Group Holdings plc 2011 Long-Term Incentive Plan has been granted. Therefore, no additional awards can be made under this Plan (unless on cessation of employment by an existing participant shares become available). No other Long Term Incentive Plan arrangement will be implemented by the Company during the Policy Period.		
Pension			
To provide competitive levels of retirement benefit. **Policy: Lower quartile**	The Company's policy is either to provide a contribution to a pension arrangement or provide payments in lieu of pension. Messrs Pidgley, Perrins, Fry and Whiteman currently receive payments in lieu of pension. Messrs Simpkin and Ellis currently receive a pension contribution. All payments in lieu of pension are subject to income tax and national insurance. Pension is not included in salary figures for the purposes of determining any other benefit entitlement.	The maximum contribution or payment in lieu is 25% of salary. The annual rate for each Executive Director is set out in the statement of implementation of remuneration policy for 2014/15 on page 77.	None.
Shareholding requirement			
To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon. **Policy: Market practice**	The Committee operates a system of shareholder guidelines to encourage long-term share ownership by the Executive Directors. This should be achieved within five years of appointment for Executive Directors.	In the case of the Group Chairman this is 400% of base salary, for other Executive Directors 200% of base salary. The Committee retains the discretion to increase shareholding requirements. Shareholdings as at 30 April 2014 are provided on page 75.	None.

NOTES TO THE FUTURE POLICY TABLE

RATIONALE BEHIND SELECTION OF PERFORMANCE MEASURES AND TARGETS FOR BONUS PLAN

The annual bonus plan measures provide direct alignment with the short to medium-term strategic objectives of the Company:

Two Group performance targets – The balance of operating a return based measure (ROE) and a value based measure (Land Bank Growth) should ensure that there is a balance between incentivising the Executive Directors to provide a sustainable ongoing level of return to shareholders whilst ensuring the long-term sustainability of the Company, as follows:

- the Bonus Plan incentivises the delivery of increased profits in order to achieve ROE at the same time as growing the land bank. It should be noted that the ROE will be set from a challenging base as the Company has not taken any land write downs as is the case with the majority of its competitors;
- ROE is a compound measure and therefore if shareholder funds are reinvested and not paid as dividends, earnings growth will be compounded to achieve the targets;
- the fact that the Bonus Plan targets also include growth in the land bank value, means that Executive Directors are encouraged to acquire land in the current market on favourable terms as well as maximise sustainable profit growth;
- ROE as a measure highlights the inefficiency of retaining surplus cash on the balance sheet. In order to deliver the targeted level of returns, this will encourage the Company to invest or return cash to shareholders.

Level of targets – The Committee wishes to incentivise the Executive Directors to achieve a good level of returns to shareholders whilst ensuring the long-term sustainability of the Company. Therefore the targets set have to take into account an appropriate level of risk. The Bonus Plan allows a close tailoring by the Committee of the performance conditions to the budget and performance of the Company for each financial year.

Divisional PBT targets – The Divisional targets were chosen to ensure the Divisional Directors are appropriately focused on the profitability of their respective Divisions which ultimately enhance the delivery of returns to shareholders. The targets are set by the Committee at the beginning of the financial year at a level which is challenging taking into account the potential level of bonus payments, the market, development availability and other relevant issues.

RECOVERY PROVISIONS

Under the terms of the Bonus Plan, there is a risk adjustment mechanism built in so that should threshold levels of performance not be achieved, 50% of the balance of the participant's account will be forfeited.

No recovery provisions apply to salary, benefits and pension.

CHANGES TO REMUNERATION POLICY FROM PREVIOUS POLICY

There have been no changes to the operation, maximum opportunity or performance measures in relation to the salary, annual bonus, pension and other benefits.

DIFFERENCES IN REMUNERATION POLICY FOR ALL EMPLOYEES

The Group seeks to establish remuneration packages that will attract, retain and motivate high quality employees. Salary and benefit packages for all employees are linked to both individual and business performance.

The Company's business comprises of a number of operating Divisions. The annual and longer term cash based compensation arrangements for these other senior employees of the Company are therefore linked to the performance of the relevant Division for which they work. Some elements of the cash bonus plans are annual while other elements are deferred to ensure long-term consistent delivery by each Division. It is the view of both the Committee and the Board as a whole that these arrangements are very effective at ensuring the delivery of Divisional performance for which these senior employees are responsible.

All other eligible employees participate in bonus plans, which, together with salary reviews linked to business performance, enable all employees to share in the success of the Group.

ELEMENTS OF PREVIOUS POLICY THAT WILL CONTINUE TO APPLY

The following subsisting awards will continue to operate on the terms and conditions set out in the relevant plan rules, as approved by shareholders in relation to the 2009 LTIP and 2011 LTIP. Full details of the subsisting awards are set out in previous year's Committee Reports.

Awards under these arrangements do not form part of the ongoing remuneration policy; however payments may be made in the future subject to the achievement of the relevant performance conditions.

Objective and link to strategy	Operation	Maximum opportunity	Performance condition and assessment
Awards granted under the Berkeley Group Holdings plc 2009 Long-Term Incentive Plan (2009 LTIP)			
The 2009 LTIP aligns Executive Director interests with those of shareholders by focusing on delivering sustainable superior returns to shareholders. Approved by shareholders at the 2009 EGM and amended at the 2011 AGM. Further details on the 2009 LTIP are set out in the 2009 Notice of EGM and 2011 Notice of AGM.	Following shareholder approval on 15 April 2009, a maximum of 7,100,000 shares were capable of being granted under Part B of the 2009 LTIP. The grants under Part B of the 2009 LTIP will vest in two tranches, subject to certain conditions: • 50% on 15 April 2015; • 50% on 15 April 2016. Shareholder approval was received at the 2011 AGM to amend the rules of the 2009 LTIP (covering both Part A and Part B) so that the terms of existing options granted can be adjusted in the event of the payment of a cash dividend or dividend in specie. This provides that where such a dividend is paid the adjustment will be a reduction in the exercise price of an option by the amount or value of the dividend provided that the exercise price can never be less than zero and a reduction will only be made to the exercise price of an option that is not then capable of exercise. Awards under Part A of the 2009 LTIP were all exercised in January 2014.	A total of 6,090,000 options are outstanding under Part B of the 2009 LTIP (held by Executive Directors and other senior employees) and no new awards will be granted.	The grants under Part B of the 2009 LTIP are options which will vest subject to: • continued employment to the relevant vesting date; • the satisfaction of the underpin condition that Net Assets Per Share are at least £9.00 at each of the vesting dates. The Committee determined to increase the Net Asset Per Share underpin for the vesting of options from £5.94 set at the date of grant to £9.00 and to require that this underpin be met at each of the vesting dates.

DIRECTORS' REMUNERATION REPORT continued

<table>
<tr><th>Objective and link to strategy</th><th>Operation</th><th>Maximum opportunity</th><th>Performance condition and assessment</th></tr>
<tr><td colspan="4">Deferred balances under the Berkeley Group Holdings plc Bonus Plan (the Bonus Plan)</td></tr>
<tr><td>Provides long-term shareholder alignment for Executive Directors by deferring a proportion of the annual award under the Bonus Plan.</td><td>Participants are entitled to an annual payment of 50% of their plan account at the end of each financial year.

All balances will be deferred in shares or notional shares. At the end of the five year plan period 100% of the balance of participants' accounts will be paid.

See Annual Bonus Plan on page 71 for further details.</td><td>Deferred awards under the Bonus Plan from previous financial years will be part of the Company's ongoing arrangements.

Full details of the subsisting awards are set out in previous year's Committee Reports.</td><td>See pages 71 to 73.</td></tr>
<tr><td colspan="4">Awards granted under the Berkeley Group Holdings plc 2011 Long-Term Incentive Plan (2011 LTIP)</td></tr>
<tr><td>The 2011 LTIP aligns Executive Director interests with those of shareholders by focusing on creating sustainable superior returns to shareholders over a 10 year period.

Approved by shareholders at the 2011 AGM and amended at the 2012 AGM.

Further details on the 2011 LTIP are set out in the 2011 Notice of AGM and 2012 Notice of AGM.</td><td>The 2011 LTIP is a ten year plan which supports the Company's long term plan to make a priority return of approximately £1.7 billion to shareholders, representing 183% of the Net Assets per Share at 30 April 2011 (£7.09/share), through a combination of dividends and share buy-backs, by September 2021.

The plan aims to make the returns to shareholders in cash over a sustained period, ensuring the Group remains at the right size and balances investment and returns to shareholders.

If the Company returns £1.7 billion to shareholders over a ten year period via a series of dividend payments (£13/share) and share buy-backs by the dates referred to in the footnote to this table, participants will be entitled to exercise options and receive a number of ordinary shares in the residual capital of the Company at the end of the ten year period after the returns have been distributed.

The exercise price of options granted under the 2011 LTIP will be £13 per share less an amount equal to the value of all dividends paid between the date of approval of the 2011 LTIP and 30 September 2021, provided the exercise price cannot be less than zero.</td><td>The maximum number of shares capable of being earned by all participants is 19,616,503 shares, being 13% of the fully diluted share capital of the Company at the date of approval of the plan.

The awards for each Executive Director are set out below:

<table><tr><th>Executive Director</th><th>Number of shares</th></tr><tr><td>A W Pidgley</td><td>5,000,000</td></tr><tr><td>R C Perrins</td><td>5,000,000</td></tr><tr><td>N G Simpkin</td><td>3,250,000</td></tr><tr><td>S Ellis</td><td>2,250,000</td></tr><tr><td>K Whiteman</td><td>1,000,000</td></tr><tr><td>G J Fry</td><td>1,866,503</td></tr></table>
Including awards to other senior employees of the Company, options over a total of 19,616,503 shares are outstanding.

No new awards will be granted under the 2011 LTIP to the current Executive Directors.</td><td>Performance will be measured against cumulative distribution targets.

The notes to this table set out the cumulative distributions required by the relevant dates and the consequences of failing to deliver these distributions.</td></tr>
</table>

NOTES TO ELEMENTS OF PREVIOUS POLICY THAT WILL CONTINUE TO APPLY

RATIONALE BEHIND SELECTION OF PERFORMANCE MEASURES AND TARGETS

The 2009 LTIP and 2011 LTIP measures were selected as the Committee believes they provide direct alignment with the long-term strategic objectives of the Company and shareholders. The 2011 LTIP plan aims to maximise returns within a given level of risk, disciplining the business to make significant returns to shareholders in cash over a sustained period and balances investment and returns to shareholders.

2011 LTIP PERFORMANCE TARGETS

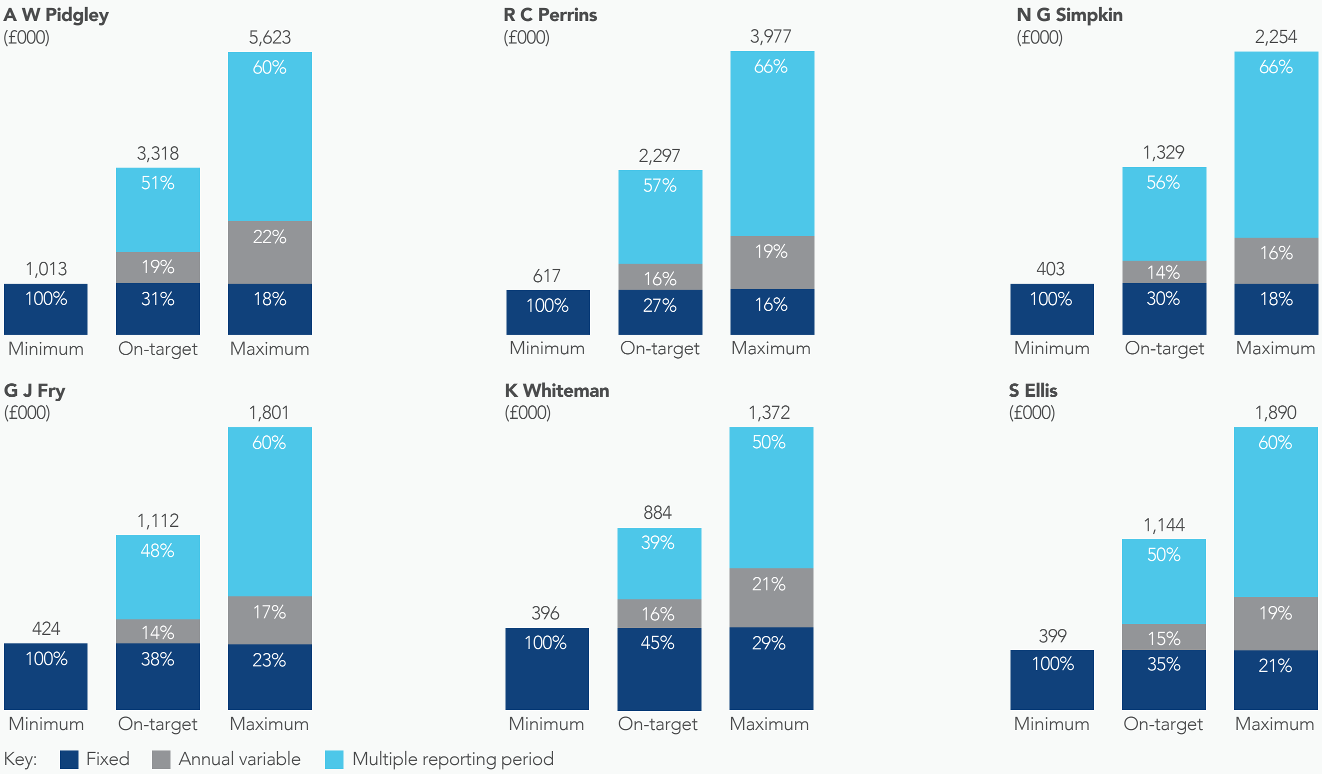
The following table sets out the cumulative distributions, the relevant dates and the consequences of failing to deliver these distributions by these relevant dates:

Required date	Cumulative distribution (on or before required date)	Consequences of failing to make the cumulative distributions on or before the required date
30 September 2015	£568.7m	Options lapse, no shares vest and 2011 LTIP terminates on 1 October 2015.
30 September 2018	£1,136.1m	Where the cumulative distributions on or before 30 September 2018 is less than £1,136.1m, the following process determines the number of shares vesting:- 1 The number of shares capable of vesting is calculated on the level of dividend paid and capable of being paid as at 30 September 2018. 2 The exercise price of the shares capable of vesting is set by reducing the original exercise price of £13 by the level of cumulative dividend actually paid on or before 30 September 2021. 3 No shares will vest until the end of the 2011 LTIP period on 30 September 2021 subject to the participant's continued employment at this date.
30 September 2021	£1,703.6m	The process is the same as above with the relevant date being 30 September 2021.
£1,703.6 m paid in full prior to 30 September 2021 (including £13/share in dividends)	£1,703.6m	In circumstances where £1,703.6 m of cumulative distributions (including £13/share in dividends) are made prior to 30 September 2021 awards shall vest in full. Participants will be able to exercise their awards of options from the date this cumulative target is met and may also sell any shares necessary to pay their tax liability on exercise. In respect of the balance of their shares participants shall only be able to sell a maximum of 10% p.a. of this balance until 30 September 2021 at which date the sale restrictions shall lapse.

DIRECTORS' REMUNERATION REPORT continued

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

The graphs below seek to demonstrate how pay varies with performance for the Executive Directors based on our stated remuneration policy for 2014/15 financial year. Whilst the historic long-term incentive plans do not form part of the future remuneration policy for 2014/15, the Executive Directors are working towards the achievement of the relevant targets and they have therefore been included in the illustrations below.



Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	On-target	Maximum
Fixed Elements	Fixed elements do not vary with performance and comprise: • 2014/15 base salary • Estimated benefits for 2014/15 • Pension (or cash in lieu of) contributions.		
Annual Variable Element			
Bonus Plan Annual cash element where performance measures relate to one financial year	0%	25% of maximum award [1,2]	50% maximum award [1]
Multiple Reporting Period Elements			
Bonus Plan Deferred element where performance measures relate to more than one financial year	0%	25% of maximum award [1,2]	50% maximum award [1]
2011 LTIP	0%	50% vesting [3]	100% vesting [3]
2009 LTIP Part B	0%	50% vesting [4]	100% vesting [4]

Notes

1. The total under all elements of the Bonus Plan is a maximum of 175%-300% of salary p.a. dependent upon Executive Director.
2. A level of 50% vesting for 'on-target' performance reflects the mid-point of the performance range under the Bonus Plan Group performance matrix and PBT Divisional targets. See page 78 for more details.
3. The 2011 LTIP is a one-off award granted over a 10 year period therefore we have used one tenth of the IFRS 2 fair value of the options at the date of grant as the Maximum and 50% of this value for On-Target.
4. The 2009 LTIP Part B is a one-off award which vests over 6 and 7 years (50% in 2015 and 50% in 2016). Therefore we have used one sixth and one seventh of IFRS 2 fair values of the options at the date of grant as the Maximum and 50% of this value for On-Target.
5. In accordance with the Regulations, no allowance has been made for share price appreciation.

FUTURE POLICY – NON-EXECUTIVE DIRECTORS

The table below sets out the key elements of the policy for Non-executive Directors:

Objective and link to strategy	Operation	Maximum	Performance conditions and assessment
To attract Non-executive Directors with the requisite skills and experience to contribute to the strategy of the Company and to review its implementation.	All Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association. Each Non-executive Director receives a fee which relates to membership of the Board and additional fees are paid for Committee Chairmanship. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of the normal duties. The Board reviews the fees of the Non-executive Directors annually taking into account the following factors: • the workload and level of responsibility of the Non-executive Directors under the changing corporate governance expectations of shareholders and their representative bodies; • the current market rate for fees for Non-executive Directors based on the comparators used for the Executive Directors. Changes are effective from 1 May each year. The Company has a shareholding requirement for Non-executive Directors, linked to net fee they receive from the Company. This is equal to 100% of net fees. This should be achieved within three years of appointment for Non-executive Directors.	Current fee levels are set out in the statement of implementation of remuneration policy on page 79. In general fee rises will be limited to the level provided to employees of the Company as a whole. In setting fees, the Board looks at the upper quartile fee levels of companies of broadly similar size and complexity, in particular those companies within the comparator group and those in the FTSE 250. On an annual basis the Board will review the comparator groups to ensure they appropriately reflect the Company's size, operations and business complexities.	N/A

Non-executive Directors cannot participate in any of the Company's share incentive plans or performance based plans and are not eligible to join the Company's pension scheme.

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.

DIRECTORS' REMUNERATION REPORT continued

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 table below summarises our key policies with respect to recruitment remuneration:

Element	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 remuneration policy table. The Executive Director shall be eligible to receive benefits in line with Berkeley's benefits policy as set out in the remuneration policy table.
Pension	The Executive Director will be entitled to receive contributions into a pension plan or alternatively to receive a supplement in lieu of pension contributions in line with Berkeley's pension policy as set out in the remuneration policy table.
Annual bonus	The Executive Director will be eligible to participate in the Bonus Plan as set out in the remuneration policy table. The maximum potential opportunity under this Plan is 300% of salary.
Long-Term incentives	On recruitment, a new Executive Director will be eligible to participate in the 2011 LTIP set out in the "Elements of previous policy that will continue to apply" section, provided awards are available under the Plan and the total number of awards granted to all participants does not exceed 19,616,503 shares under subsisting options as agreed with shareholders at the 2011 AGM.
Maximum Level of Variable Remuneration	300% of salary under the Bonus Plan and any available awards under the 2011 LTIP provided awards are available under the Plan and the total number of awards granted to all participants does not exceed 19,616,503 shares under subsisting options.
Share buy-outs	The Committee's policy is not to provide buy-outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a buy-out, the value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; • any other terms and condition 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 Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation policies	Where the new Executive Director is relocated from one work-base to another, the Company may provide one-off/on-going as part of the Director's relocation benefits compensation to reflect the cost of relocation for the Executive 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/schooling.

SERVICE CONTRACTS

Details of the service contracts or letters of appointment for the Directors are as follows:

Executive Directors	Date of contract	Expiry date	Notice period by Company or Director
A W Pidgley	24 June 1994	Rolling service contract with no fixed expiry date	12 months
R C Perrins	15 July 2002	Rolling service contract with no fixed expiry date	12 months
N G Simpkin	11 September 2002	Rolling service contract with no fixed expiry date	12 months
G J Fry	27 June 1996	Rolling service contract with no fixed expiry date	12 months
K Whiteman	15 January 1996	Rolling service contract with no fixed expiry date	12 months
S Ellis	5 May 2004	Rolling service contract with no fixed expiry date	12 months
Non-executives	**Letter of appointment**	**Expiry date**	**Notice period by Company or Director**
J Armitt	1 October 2007	Renewable annually on 1 May	n/a
D Howell	24 February 2004	Renewable annually on 1 May	n/a
A Nimmo	5 September 2011	Renewable annually on 1 May	n/a
G Barker	3 January 2012	Renewable annually on 1 May	n/a
V Wadley	3 January 2012	Renewable annually on 1 May	n/a
A Li	2 September 2013	Renewable annually on 1 May	n/a
A Myers	6 December 2013	Renewable annually on 1 May	n/a

All service contracts and letters of appointments are available for viewing at the Company's registered office.

The Company's practice is to appoint the Non-executive Directors under letters of appointment, which are renewable annually on 1 May. They are subject to the provisions of the Articles of Association dealing with appointment and rotation every three years, however in accordance with the UK Corporate Governance code are subject to annual re-election.

When setting notice periods for Executive Directors, the Committee has regard for market practice and corporate governance best practice. Notice periods will not be greater than 12 months.

PAYMENTS 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.

DIRECTORS' REMUNERATION REPORT continued

The table below sets out the Company's termination policy in respect of Executive Director contracts for each element of total remuneration. For each element the table also sets out the boundaries of Committee discretion to apply flexibility to the default position.

Element	Approach	Application of Committee discretion
Base salary and benefits	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. Such payments will be equivalent to the monthly salary and benefits that the executive would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a twelve month period of their departure from the Company.	The Committee has discretion to make a lump sum payment in lieu.
Pension	Pension contributions or payments in lieu of pension contribution will be made during the notice period. No additional payments will be made in respect of pension contributions for loss of office.	The Committee has discretion to make a lump sum payment in lieu.
Annual bonus The treatment of the Bonus Plan is governed by the rules of the plan.	**Cessation of employment**	
	If a participant ceases to be employed by a Group Company for any reason an award that has not vested shall lapse unless the Committee in its absolute discretion determines otherwise for 'good leaver' reasons (including, but not limited to, injury, disability, ill health, retirement, redundancy or transfer of the business). If the Committee, determines that deferred awards held in a participants plan account shall not lapse on cessation of employment, all deferred awards held in the participant's plan account shall vest immediately and the Committee shall determine: (a) whether the measurement date for that plan year is brought forward to the date of cessation or remains at the end of the plan year; (b) whether a reduction is applied to the payment to take account the proportion of the plan year elapsed and the contribution to the Group. If the Committee determines that the measurement date is the date of cessation, the Committee shall pro-rate the performance conditions to the date of cessation.	The Committee has the discretion to determine that an Executive Director is a good leaver. The Committee retains discretion to set the measurement date for the purposes of determining performance measurement and whether to pro-rate the contribution for that plan year. It should be noted that it is the Committee's policy only to apply such discretions if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.
	Change of control	
	On a change of control, all deferred awards held in a participant's plan account shall vest immediately and the Committee shall determine: (a) that the measurement date is the date of the change of control; (b) whether a reduction is applied to the payment to take account the proportion of the plan year elapsed and the participant's contribution to the Group. The Committee shall pro-rate the performance conditions to the measurement date. In the event of an internal reorganisation, the Committee may determine that awards are replaced by equivalent awards.	The Committee retains discretion to pro-rate the contribution for that plan year. It is the Committee's policy in normal circumstances to pro-rate to time; however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met the Committee will consider whether pro-rating is equitable.
2009 LTIP Part B The treatment of 2009 LTIP Part B awards is governed by the rules of the plan, as approved by shareholders at the 2009 EGM and the amendment approved at the 2011 AGM.	**Cessation of employment**	
	If a participant ceases to be employed by a Group Company for any reason other than death, injury, ill-health, disability, retirement, the employing Company ceasing to be a Group Company or a transfer of the business or any other reason determined by the Committee, the participant's option shall lapse. For 'good leaver' reasons noted above, the number of shares under option capable of vesting will be calculated by pro-rating to the amount of the relevant vesting period completed on the date of cessation of employment. Awards will only vest at the end of the relevant vesting period subject to the satisfaction of the performance condition. The exercise price shall be adjusted for the payment of any cash dividend or dividend in specie in accordance with the plan rules.	The Committee has the discretion to determine that an Executive Director is a good leaver. The Committee will only use its general discretion to determine that an Executive Director is a good leaver in exceptional circumstances and will provide a full explanation to shareholders, if possible in advance, of the basis for its determination.

Element	Approach	Application of Committee discretion
2009 LTIP Part B continued	**Change of control**	
	On a change of control of the Company or Court sanction of a scheme of arrangement, all options shall be exercisable. The number of shares under option exercisable on a change of control will be determined by pro-rating the time elapsed from the date of grant to the date of the change of control compared to the original vesting period and subject to the satisfaction (as determined by the Committee in its absolute discretion) of the performance condition at the date of the change of control. The exercise price shall be adjusted for the payment of any cash dividend or dividend in specie to the date of the relevant transaction in accordance with the plan rules. In the event of an internal reorganisation, options shall not vest unless the Board consents and the Board may determine that options are exchanged for an option over a successor company's shares.	The Committee have the discretion to determine how the performance condition taken into account on a change of control. The Board will only use this discretion in exceptional circumstances and will provide a full explanation to shareholders, if possible in advance, of the basis for its determination.
2011 LTIP The treatment of 2011 LTIP awards is governed by the rules of the plan, as approved by shareholders at the 2011 AGM Meeting and the amendment approved at the 2012 AGM.	**Cessation of employment**	
	If a participant ceases to be employed by a Group Company for any reason other than death, injury, ill-health, disability, redundancy, retirement, the employing Company ceasing to be a Group Company or a transfer of the business or any other reason determined by the Committee, the participant's option shall lapse. For 'good leaver' reasons noted above, the Committee will determine the number of shares capable of vesting taking into account dividends paid per share and share buy-backs as at the termination date and the number of shares under option held by the participant. The exercise price shall be adjusted for any dividends paid in accordance with the plan rules.	The Committee has the discretion to determine that an Executive Director is a good leaver. The Committee will only use its general discretion to determine that an Executive Director is a good leaver in exceptional circumstances and will provide a full explanation to shareholders, if possible in advance, of the basis for its determination.
	Change of control	
	An option will become exercisable in full immediately prior to a change of control of the Company, Court sanction of a scheme of arrangement or the disposal of all, or substantially all, of the assets of the Company and its subsidiaries. The exercise price shall be adjusted for any dividends made to the date of the relevant transaction in accordance with the plan rules. In the event of an internal reorganisation, options shall not vest unless the Committee consents and the Committee may determine that options are exchanged for an option over a successor company's shares.	Consideration shall be given by the Committee, in consultation with the participants, as to whether the type or timing of any consideration receivable by shareholders should affect either the timing of the exercise of options and/or alter the calculation of the exercise price such that the participants do not receive a greater or lesser benefit from the transaction than the shareholders beyond the ability to exercise their options.
Other contractual obligations	No contractual provision agreed prior to 27th June 2012 that could impact quantum of the payment.	None.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

In making annual pay decisions the Committee also gives consideration to pay and employment conditions in the rest of the Group, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors, and uses this information to ensure consistency of approach throughout the Company. No comparison metrics were used.

Although the Committee takes into account the pay and conditions of other employees, the Company did not consult with employees when drawing up the policy report.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.