WHITBREAD PLC

Revised Directors' Remuneration Policy

Remuneration policy report

Introduction

This Appendix I describes the Directors' Remuneration Policy (the "**Policy**"), which shareholders will be asked to approve at the General Meeting to be held on 6 December 2019, conditional on shareholders also approving the new Restricted Share Plan. Subject to these shareholder approvals, the Policy will be effective from the date of the 2019 General Meeting and is intended to apply for three years.

For Executive Directors, our approach continues to be designed so as to:

- align with the business strategy and the achievement of planned business goals;
- support the creation of sustainable long-term shareholder value;
- provide an appropriate balance between remuneration elements that attract, retain and motivate the highest calibre of executive talent; and
- encourage a high-performance culture by ensuring share–based remuneration constitutes a substantial proportion of the remuneration package and by linking maximum pay-out opportunity to outstanding results.

Whitbread is now an international focussed hotel business and our approach is also designed to enable the Company's long-term objective of expansion and growth both in the UK and Germany.

The policy table below provides more detail on each key element of remuneration for Executive and Non-Executive Directors, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics.

Future policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary	• Base salaries are set to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business.	Salaries are reviewed annually taking account of: • the salary review across the Group; • trading circumstances; • personal performance, including against agreed objectives; and • market data for an appropriate comparator group of companies.	• Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group. • On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and where the Committee judges that there is a risk in relation to attracting or retaining Executive Directors. • Where the Committee awards increases above the average for other employees, it will do so in accordance with policies applying across the Group and the resulting salary will not exceed the competitive market range.	• None.
Changes from previous policy None.				
Benefits	• Benefits are intended to be competitive in the market so as to assist the recruitment and retention of Executive Directors.	• Executive Directors are entitled to benefits relating to a car or car allowance and healthcare or personal insurance. • In exceptional circumstances, such as the relocation of a Director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, re-imbursement of expenses for temporary accommodation, travel and legal and/or financial assistance.	• In 2018/19 the benefits received by the Executive Directors amounted to between 2.6% and 5.1% of salary. We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a Director based overseas or a significant increase in the cost of the benefits.	• None
Changes from previous policy None.				

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme (AIS)	• To provide a direct link between annual performance and reward. • To incentivise the achievement of outstanding results across appropriate key stakeholder measures. • To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity.	• Targets for measures set at the beginning of the financial year. • Cash awards paid following the end of the financial year. • Deferred share awards normally vest after three years, subject to continued employment. • Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards as set out below.	• Up to 200% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred share awards). • The maximum bonus for 2020/21 for the current Executive Directors will be 170% of base salary. Any increase beyond this level in future years will only be applied in exceptional circumstances and will be at the discretion of the Committee.	• Awards are payable based on a mix of underlying profit performance, business performance measures and growth objectives. Performance measures under each area are determined annually and the Committee is able to adjust the weighting of the areas annually based on prevailing business needs. However, the underlying profit performance will represent no less than 50% of the total award at any time. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance will be used. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on target performance and the full incentive payment being paid for delivering stretch performance. These vesting levels may vary from year to year. • The Committee may at its discretion adjust the outcome under the formulaic measures where it considers it is appropriate to do so to better reflect overall company performance. • For 2019/20, the weighting of the annual incentive award (with a maximum opportunity of 167% of base salary) will be based on 50% underlying profit performance, 20% for growth objectives and 30% for a number of financial, customer and team measures.
Changes from previous policy • Increase in maximum opportunity from 167% of base salary to 200% of base salary in order to give the Committee the necessary flexibility and headroom over the three year life of the Policy.				
Restricted Share Plan (RSP)	• To enable the growth strategy in both the UK and Germany, which requires different strategies and approaches • To promote long-term value creation rather than focussing on specific targets at a time when the Executive Directors need to balance investment and growth. • To retain Executive Directors throughout an important time for the business to deliver the growth strategy.	• The first grant will be made in Whitbread's 2020/21 financial year. • Awards normally vest after a period of at least three years, subject to one or more performance underpins and continued employment. • After vesting there will be an additional holding period during which vested shares cannot be sold, such that the combined underpin measurement period and holding period is at least five years. • Subject to clawback and malus provisions as set out below. • Dividend equivalents may be provided on vested awards during a holding period.	• Annual awards to a maximum of 125% of base salary in respect of each financial year. • The normal maximum grant for 2020/21 for the current Executive Directors will be 125% of base salary for the CEO and 110% of base salary for the FD and HRD. Any increase beyond this level for the FD and HRD will only be applied in exceptional circumstances and will be at the discretion of the Committee.	• Vesting will be subject to two or more performance underpins, which will be disclosed at or around the time of grant in the DRR. Where there are two underpins, if one of the underpins is not met, then up to 50% of the award will lapse. If both underpins are not met, then up to 100% of the award will lapse, subject to the overall discretion set out below. • For the first grant the underpins are intended to be based on the Company's average lease-adjusted net debt to funds from operations leverage ratios and the Company's average return on capital employed for the UK business over the 3 year period to the end of the 2022/23 financial year. • The Committee may vary the underpins in future years in order to align with the Company's strategy, but will always include objective financial metrics, which will be disclosed prospectively at or around the time of grant, in the DRR. • It is anticipated that all performance underpins applicable to awards will be equally weighted although the Committee retains the discretion to adjust the weighting of any underpins in future years. • In addition, the Committee will have general discretion to determine the most appropriate vesting levels if it believes this will better reflect the underlying financial performance of the Company over the period and such other factors as it may determine.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Changes from previous policy The RSP replaced the previous performance based Long-Term Incentive Plan ("LTIP"). The RSP aligns to all three of our strategic priorities for the Company. It allows us to grow and innovate in the UK whilst investing and accelerating growth in Germany. The RSP aligns directly with long-term value creation rather than specific targets, at a time when management need to balance investment and growth.				
Sharesave Scheme	• To encourage long-term shareholding in the Company	• Annual invitation to all employees, including the Executive Directors • Option price calculated by reference to the market price discounted by 20% on the invitation date. • Options granted subject to participant agreeing to save over a three and/or five-year period.	• Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	• None.
Changes from previous policy None.				
Pension	• Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.	• Executive Directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). • Defined contribution scheme. • Can elect for cash in lieu of pension contributions.	• 25% of base salary (maximum of 10% for new joiners although the actual level will be determined based on all relevant factors at the time of appointment, including having regard to the pension contribution rates available to the majority of the workforce). • Contribution rates of incumbent Executive Directors will phase down to 15% of base salary over three financial years, with the first reduction in May 2020 to 21.5%. At the end of the three year Policy period, the Committee will review the pension levels further.	• None.
Changes from previous policy Pension contribution rates for new joining Executive Directors have been reduced to 10% in order to bring them in line with the wider workforce. Contribution rates for incumbent Executive Directors are being phased down over the next three years to 15% of salary with the first reduction in May 2020 to 21.5%. At the end of the Policy period, the Committee will review the pension levels further.				
Chairman and Non-executive Director fees	• To attract and retain a Chairman and Non-Executive Directors of the highest calibre.	• The Chairman receives an annual fee and the Non-Executive Directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees or any other board committee as may be constituted from time to time. • The Chairman and Non-Executive Directors are entitled to claim all reasonable expenses, and the Company may settle any tax incurred, but do not receive any other fees or remuneration in connection with their roles at Whitbread.	• The fees are reviewed annually by the Board (excluding the Non-Executive Directors), taking into account a range of factors including the time commitment required of the Directors, the responsibilities of the role and the fees paid by other similar companies.	• None.
Changes from previous policy None.				
Elements of previous policy which will continue to apply at all times including until when the final award is due to vest in 2020. No future awards will be granted to the Executive Directors under the LTIP.				
Long-Term Incentive Plan (LTIP)	• To align the interests of Executive Directors closely with sustainable long-term shareholder value creation. • To focus rewards on both the sustained delivery of absolute long-term earnings growth and the efficient use of capital over the long term. • To retain and motivate Executive Directors over the performance period of the awards and beyond.	• The 2018 and 2019 LTIP grants were replaced by a one-off grant under the Performance Share Plan — see detail after this table. • Awards vest after three years subject to performance conditions. • Two-year holding period post-vesting. • Subject to clawback and malus provisions.	• Annual awards to a maximum of 200% of base salary.	• Performance measures and weightings are EPS and ROCE, equally weighted. For threshold performance, 20% of the award vests and for maximum performance, 100% of the award vests.

The Performance Share Plan (PSP) Award (one-off award) vested on 3 January 2019 and has therefore not been included in the policy table for 2019. The award is subject to a two year holding period.

Share-based awards under the AIS, LTIP and RSP may:

a) be delivered as nil-cost options, forfeitable shares, conditional share awards or equivalent cash-settled instruments; and

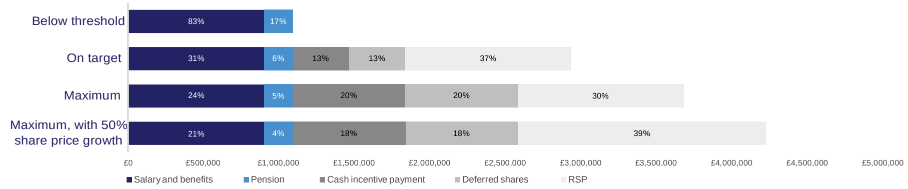
b) be adjusted in the event of any variation of the Company's share capital or any other circumstances the Committee considers it appropriate.

Illustration of application of remuneration policy

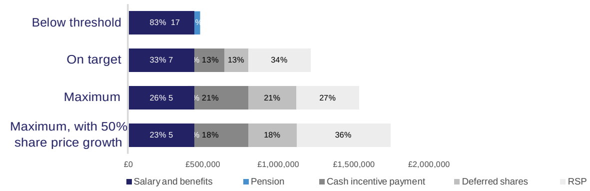
The graphs below show how the Policy will be applied in 2020/21, with details of expected remuneration levels for each Director for below threshold performance, for on-target performance and for maximum performance.

Executive Directors—potential value of 2020/21 package

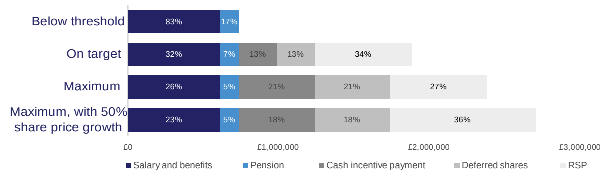
Alison Brittain



Nicholas Cadbury



Louise Smalley



The below sets out the assumptions used in the above scenario charts:

Below threshold	On target	Maximum
• Only the fixed pay elements are received (base salary and pension). • Benefits are included at the value in the 2018/19 single figure table and pension is calculated as 21.5% of each Director's base salary. • Base salaries of the three Directors are £877,000, £596,000 and £394,000 for the CEO, FD and HRD respectively.	• Fixed pay elements plus target annual bonus and RSP. • On target pay for the annual incentive award has been included at 50% of the maximum award (170% for each Director). • On target pay for the RSP has been included at 100% of the 2020/21 maximum award (125% of salary for the CEO and 110% of salary for the FD and HRD).	• Fixed pay elements plus maximum annual incentive award and RSP, with values as set out to the left. • An additional scenario sets out the value of the RSP assuming a 50% increase in share price between grant and vesting.

Performance measures

With the exception of base salary, benefits, pension and participation in the Sharesave scheme, all other elements of the remuneration packages of the Executive Directors are linked to performance. The RSP is subject to performance underpins, which if not met, may cause an award to be reduced.

Annual Incentive Scheme

The performance measures and targets for the Annual Incentive Scheme are selected annually to align with the business strategy.

There are a number of types of measure used to determine the level of awards under the scheme. There is a profit measure, other financial or strategic measures and some strategic growth objectives. The growth objectives will be quantitative measures linked to individual responsibilities in the context of our strategic objectives and will be reviewed in advance by the Committee. Targets are set taking into account the business plan, and the link between targets and the Group's strategy can be seen on pages 72 and 73 of the Annual Report and Accounts 2018/19.

Restricted Share Plan

The RSP has been introduced to enable the growth strategy in both the UK and Germany, to support shareholder alignment through direct exposure to share price and to retain Executive Directors throughout an important time for the business to deliver the growth.

The RSP awards to be granted in 2020/21 will be subject to the following performance underpins:

- the Company's average Lease-adjusted net debt to Funds From Operations leverage ratio being less than 4.5x; and
- the Company's average Return on Capital Employed for the UK business to be at least equal to the weighted cost of capital plus 1%.

These underpins have been set taking into account the business plan and the Group's strategy as set out on pages 72 and 73 of the Annual Report and Accounts 2018/19 so as to protect against a payment for failure.

Malus and clawback

Malus and clawback provisions apply to the LTIP and RSP for the duration of the vesting period and for two years following vesting respectively, which can result in a reduction of the award (including to zero). Malus and clawback provisions apply to the deferred annual bonus and cash portion of the bonus respectively for the duration of three years from the date of the award (or, if earlier, in the case of a deferred share award, the date of vesting).

Malus and clawback can be triggered where, in the opinion of the Committee, there are exceptional circumstances including: (i) a material misstatement of results; (ii) misconduct on the part of the participant; (iii) where the participant is deemed to have caused a material loss for the Company and/or the Group as a result of (a) reckless, negligent or wilful actions or (b) inappropriate values or behaviour; or (iv) where there has been an event that has caused, or is likely to cause material reputational damage to the Group; (v) an error in assessing the performance conditions or underpin that result in the award vesting/bonus being awarded to a greater degree than would have been the case had that error not occurred; or
(vi) insolvency or corporate failure.

For awards already granted, malus and clawback provisions as in place at the time of that grant will continue to apply.

Shareholding requirements

The CEO is required to build and hold a shareholding at least equal to 300% of salary, whilst the other Executive Directors are expected to reach a holding equal to the value of 200% of salary. Until they reach this level, Executive Directors are expected to retain 100% of vested awards (after the deduction of income tax, national insurance contributions and dealing fees). In addition, a newly appointed Executive Director is expected to build a shareholding in the Company during the vesting of any share awards. The failure to adhere to these requirements may lead to the Executive Director being excluded from participation in future share plan awards.

Shares held outright (including by a connected person) count towards the shareholding requirement. In addition, any vested but unexercised options, deferred bonus shares or vested LTIP, RSP or PSP share awards subject to a holding period count towards the shareholding requirement on a notional net of tax basis. Any awards still subject to performance conditions, including awards subject to a performance underpin under the RSP, cannot count towards a shareholding requirement.

Additionally, Executive Directors will continue to have shareholding requirements post-cessation. It will be a term of grant of all future deferred bonus and RSP awards that the award cannot be exercised if an individual is not, at that point in time, meeting their post-cessation shareholding requirement.

The post-cessation shareholding requirements have been set at:

- 100% of the normal shareholding requirement for the first year post-cessation of employment;
- 50% for the second year post-cessation of employment; and
- 25% for the third year post-cessation of employment.

In cases where the individual has not had sufficient time to build up shares to meet the above levels, the requirement is set at the individual's actual level of shareholding at cessation of employment. The Committee retains the flexibility to waive the post-cessation shareholding requirements in certain exceptional circumstances.

The Committee recognises that it will be unable to enforce the post-cessation shareholding requirement by restricting the sale of shares vesting under share awards where the awards have already been granted to the Executive Directors, as no such conditions were part of these awards when granted and the Committee believes it is inappropriate to retrospectively amend these. The Committee has therefore decided to establish transitional arrangements for the current Executive Directors whereby post-cessation shareholding requirements will build as future awards (i.e. those granted under this Policy) vest. Any newly appointed Executive Directors will be subject, in full, to the post-cessation shareholding requirement.

Changes to the Policy in 2019/20

The primary change to this Policy as detailed in the Policy table is the introduction of the RSP in place of the current LTIP, and increased quantum for the maximum annual incentive award (although as noted on page 14, annual incentive awards for the 2020/21 year will still not exceed 170% of salary). Reductions to the pension contribution rates for both new and incumbent Executive Directors are proposed under the new Policy, in order to bring them in line with the wider workforce, and to introduce formal post-cessation shareholding requirements. Other minor wording changes have been made including to the malus and clawback provisions.

Service contracts and external appointments

The key terms of the Executive Directors' service contracts are as follows:

- notice period — six months by the Director and 12 months by the Company;
- termination payment — see policy on payment for loss of office below;
- sickness — full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- non-compete — for six months after leaving or being put on garden leave.

The dates of the Executive Directors' service contracts are as follows:

Alison Brittain	21 May 2015
Nicholas Cadbury	3 September 2012
Louise Smalley	25 October 2012

The Executive Directors are entitled to retain fees from external directorships.

Policy on payment for loss of office

Base salary and contractual benefits

All of the Executive Directors have a rolling service contract with a 12-month notice period from the Company. The Company may make a payment in lieu of notice to include up to 12 monthly payments of base salary and the cash equivalent of pension contributions. The Company may also either allow for contractual benefits to continue during this time or, at its sole discretion, pay the value of those benefits on a monthly basis. Neither notice nor payment in lieu of notice would be given if an Executive Director is summarily dismissed for reason of gross misconduct.

An Executive Director is under a contractual duty to mitigate his or her position by actively seeking an alternative remunerated position and the Company will make a corresponding reduction in any payment in lieu of notice. Where a payment in lieu of notice is not applicable, the payment of salary and contractual benefits would cease on the individual's leaving date.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the 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 of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/ or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Annual Incentive Scheme

If an Executive Director leaves the Company for a 'permitted reason' under the rules of the scheme (redundancy, death, the sale of his employing company or business out of the Group, injury, ill-health or disability or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined later in the "Remuneration Committee discretion" section of this Policy), the default position would be that unvested deferred share awards would vest on the date of leaving and a time pro-rated cash award would be made for the incentive year in which cessation of employment occurs. No new deferred share awards would be granted in respect of any Annual Incentive Scheme award made after the Executive Director leaves the Company, and the Executive Director would receive a time pro-rated cash payment in lieu of the deferred share awards. Notwithstanding the above, the Committee has the discretion to make a deferred share award for the incentive year in which cessation of employment occurs, with any such award due to vest at the same time as the awards made to continuing employees for that year and for unvested deferred bonus awards to vest as if the Executive Director had not left the Company.

If an Executive Director leaves the Company for any other reason, 25% of an outstanding deferred share award would vest if the leaving date was between one and two years from the date of grant and 50% of an outstanding deferred share award would vest if the leaving date was between two and three years from the date of grant. Any other unvested deferred share awards would lapse on the date of leaving. The Executive Director would receive no cash incentive payment for the financial year in which they leave, and no deferred share awards would be awarded.

In the event that an Executive Director was to leave the Company by reason of gross misconduct, or in circumstances in which the reputation of the Company is materially damaged, the malus provisions may be applied, in which case, no deferred shares would vest.

In the event of a change of control of the Company, deferred bonus awards will normally vest at that point unless the Committee determines otherwise e.g. a replacement award is granted by the acquiring company. For in year schemes, no new deferred share awards would be granted, and the Executive Director would normally receive a pro-rated cash payment in lieu of the deferred share awards, assuming that the performance metrics had been fully satisfied.

Long-Term Incentive Plan and Restricted Share Plan

If an Executive Director leaves the Company for a 'permitted reason' under the rules of the plan (redundancy, death, the sale of his employing company or business out of the Group, injury, ill-health or disability or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined in the "Remuneration Committee discretion" section of this Policy), the default position would be that any unvested LTIP or RSP awards would be pro-rated for time served (over the relevant performance/underpin measurement/vesting period) unless the Committee determines otherwise. For LTIP awards, performance would normally be tested at the end of the performance period and the awards would normally vest at the same time as for continuing employees unless the Committee determines otherwise. The extent to which unvested RSP awards vest would be determined by the Committee taking into account the performance underpins, the underlying financial performance of the Company and any other factors the Committee considers appropriate and the awards would normally vest at the original vesting date, unless the Committee determines otherwise. If the participant died, awards will normally be allowed to vest (subject to the factors set out above) on the date of death.

If an Executive Director leaves the Company for any other reason, any unvested LTIP or RSP awards would lapse at the date of leaving.

Vested, but unexercised, LTIP and RSP awards (including those subject to a holding period) would normally be exercisable up to the later of six months from the date of leaving or six months from the end of the holding period. However, if the Executive Director is summarily dismissed for gross misconduct, the award would lapse.

In the event that an Executive Director was summarily dismissed for gross misconduct or was to leave the Company in circumstances in which the reputation of the Company is materially damaged, the Committee would consider the application of the clawback and/or malus provisions to which the awards were subject.

In the event of a change of control of the Company, unvested LTIP awards will normally vest subject to the satisfaction of performance conditions (unless the Committee determines otherwise, having regard to the underlying financial performance of the Company over the relevant period and such other factors as they may consider relevant). The vesting of LTIP awards will also normally be reduced on a time pro-rated basis (unless the Committee determines otherwise). In the event of a takeover or winding-up of the Company, unvested RSP awards will typically vest to the extent determined by the Committee taking into account (i) the Committee's assessment of the relevant performance underpins; (ii) the underlying financial performance of the Company; and (iii) such other factors as it considers relevant. RSP awards will (unless the Committee determines otherwise) be reduced on a time-apportioned basis, normally by reference to the proportion of the underpin measurement period (or if the Committee determines, the vesting period) that has elapsed. In determining whether an Award should not be time pro-rated the Committee will take into into account: (i) the performance of the Company during the vesting period; (ii) the Company's share price performance during the vesting period; (iii) the amount of consideration from any buyer; and (iv) such other factors as it considers relevant.

Approach to remuneration on recruitment

Our approach to recruitment is that remuneration should be set in line with the policy table set out above. Whilst we would not seek to vary this approach there may be circumstances in which it is necessary to do so.

On the appointment of a new Executive Director, base salary levels will be set taking into account a range of factors including experience and expertise, internal salaries, market levels and cost. If an individual is appointed on a base salary below the market positioning contingent on individual performance, the Committee may realign base salary over the one to three years following appointment which may result in a higher than normal rate of annualised increase, with any such increase aligned to internal policies. If the Committee intends to do so, it will be noted in the first Directors' Remuneration Report following an individual's appointment.

Other elements of annual remuneration will be set in line with the Policy set out in the policy table. As such, variable remuneration will be capped at 200% of salary under the Annual Incentive Scheme. If a new Executive Director is recruited, they can be granted an award under the RSP, the maximum opportunity of which will be 125% of salary. The following exceptions will apply:

- as deemed necessary and appropriate to secure an appointment, the Committee is able to make additional payments linked to relocation; and
- the Committee may also make an additional award of cash or shares in connection with the appointment of a new Director in order to compensate for the forfeiture, or the loss of value in respect of all or part, of an award from a previous employer. Such awards would be on a comparable basis, taking account of performance, the proportion of the performance period remaining and the type of award. The Committee will normally set appropriate performance conditions and vesting would generally be over a similar timeframe to the relevant awards from the previous employer. The Committee would take into account the strategy at Whitbread and may also require the appointee to purchase shares in Whitbread to a pre-agreed level prior to vesting.

Service contracts will be entered into on terms similar to those for the existing Executive Directors, summarised in the service contracts and external appointments section. However, if necessary, the Committee would authorise the payment of a relocation allowance and repatriation, as well as other associated international mobility terms or agree terms appropriate to the local market for an Executive Director based overseas.

With respect to the appointment of a new Chairman or Non-Executive Director, the approach will be consistent with that currently adopted. Variable pay will not be considered and as such no maximum applies. With respect to Non-Executive Directors, fees will be consistent with the Policy at the time of appointment. If necessary, to secure the appointment of a new Chairman not based in the UK, payments relating to relocation and/or housing could be considered.

A timely announcement with respect to any Director appointment will be made to the regulatory news services and posted on Whitbread's website.

Comparison of executive remuneration policy with wider employee population

This section of the Policy describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population.

Base salary

The base salaries of all employees, including the Executive Directors, are subject to annual review. Under normal circumstances, the annual increase in salary for an Executive Director will be in the same range as the increase for employees across the Group.

Benefits

Approximately 550 employees across the Group are entitled to a company car or cash in lieu of a company car. The scheme is structured so that the level of the allowance is on a sliding scale with employees on higher grades receiving a larger allowance. The Executive Directors are no longer entitled to a company car under this scheme but are entitled to receive cash in lieu of a car.

Approximately 1,900 employees are entitled to participate in the Group's private healthcare scheme, with 750 of these, including the Executive Directors, entitled to family cover. In addition, a small number of senior executives, including the Executive Directors, are entitled to annual health screening.

All employees receive discounts on Company products, but the Executive Directors have waived their right to this benefit.

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all UK employees, including the Executive Directors, on equal terms. The Company has shareholder approval to extend its share schemes overseas and the Committee has the ability to establish a Sharesave scheme outside of the UK in the future.

Annual Incentive Scheme

Approximately 1,200 employees are eligible to receive an annual incentive payment linked to the achievement of profit and WINcard targets. The maximum opportunity is dependent on role. As employees progress into more senior roles, the maximum payment that can be achieved rises to 40%. Approximately 50 executives, including the Executive Directors, are entitled to participate in the Annual Incentive Scheme, with maximum pay-outs split between cash and deferred share awards, ranging from 60% to 200% of base salary.

Approximately 120 employees, including the Executive Directors, are given individual strategic objectives in addition to the profit and WINcard targets mentioned above.

Long-Term Incentive Plan and Restricted Share Plan

Approximately 30 executives, including the Executive Directors, participate in the LTIP and may participate in future in the RSP. These plans are not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

Pension

Like all employees, the Executive Directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. Employees below the executive level are able to choose a contribution rate of between 5%

and 10% and have this matched by the Company. Approximately 35 executives receive between 15% and 20% of basic salary from the Company, which can be allocated to the individual's pension or taken as cash. Employees who do not choose to participate may be automatically enrolled with contributions in line with the automatic enrolment regulations.

The policy on pension contributions for Executive Directors is that there is an upper limit for Company contributions of 25% of salary. This year, the upper limit for new joiners was reduced to 10%. This contribution can be allocated to the individual's pension or taken as cash. Please refer to page 15 for the Company's policy to reduce pension contributions for current Executive Directors over time.

Consideration of shareholder views and summary of decision making process

In July 2019, we consulted with our largest investors on potential changes to our remuneration structure, following the disposal of Costa. As a result of feedback from this consultation, the Committee met in August 2019 and determined that the most appropriate remuneration structure was to remove the LTIP, to be replaced with the RSP with suitable performance underpins. The Committee is grateful for the input and insights provided during this consultation and we have listened to a wide range of views in developing the final design. We then consulted with major shareholders as well as Glass Lewis, ISS and the Investment Association on the full Policy in September 2019. Whilst the Committee took input from Whitbread management on certain elements of the Policy, the final decision on the design of the Policy was taken by the Committee members alone and thus avoiding any conflict of interest.

Legacy matters

The Committee reserves the right to make any remuneration payments and/or 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 the Company's first shareholder-approved directors' remuneration policy came into effect (ii) before this Policy came into effect if the terms were in line with the Company's shareholder-approved directors' remuneration policy in force at the time those terms 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.

Remuneration Committee discretion

The Committee retains the discretion to apply 'good leaver' terms to leavers in respect of both the Annual Incentive Scheme, the LTIP and the RSP. In exercising its discretion, the Committee must consider the individual circumstances in the particular case and must not exercise its discretion in a way which would be discriminatory on grounds of sex, race, age or any other protected characteristic within the meaning of Section 4 of the Equality Act 2010.

The Committee must also, so far as it is able to do so, exercise its discretion in a way which is consistent as between individuals who are in the same position.

Under the rules of the Annual Incentive Scheme, if 'good leaver' terms apply, any deferred share awards normally vest in full on the date of leaving and may be exercised within six months. Under the rules of the LTIP and the RSP, the award would normally vest subject to the satisfaction of performance conditions (in the case of the LTIP) and underpins (in the case of the RSP) measured, at the end of the period originally set (unless the Committee determines otherwise). The number of shares vesting would normally be on a pro-rata basis taking account of the proportion of the relevant period that the individual had been employed within the Group (unless the Committee determines otherwise). The extent to which RSP awards vest would also be subject to the Committee's discretion (mentioned above) to determine the level of vesting based on the underlying financial performance of the Company and such other factors it considers appropriate.

Vested but unexercised awards (including those subject to a holding period (under the RSP) are exercisable for six months from the later of the end of any relevant holding period and the date of termination.

The Committee sets the performance targets for the LTIP and Annual Incentive Scheme and the underpins for the RSP. The Committee may change a performance target or underpin from time to time to take account of legal changes or to obtain or retain favourable tax, regulatory or exchange control treatment or in the event that it considers it fair and reasonable to do so. Any change to an existing performance target under the LTIP or underpin under the RSP must not have the effect, in the opinion of the Committee, of making the target or underpin materially easier or materially more difficult to achieve than it was when the award was initially granted.

The Committee has the discretion to override formulaic outcomes under the Annual Incentive Scheme and RSP, where it considers it would be appropriate to do so to better reflect overall company performance.