Directors' Remuneration Policy

The following section sets out our proposed Directors' Remuneration Policy, which will be presented to shareholders for approval at the 2020 AGM. The Policy is intended to take effect from this date and will operate for up to three years until the 2023 AGM.

A full review of the Policy was undertaken during the course of the 2020 financial year ahead of submitting a revised Policy to shareholders, to continue to motivate delivery of the Company strategy whilst, at the same time, providing ever closer alignment with the shareholder experience. Input was received from the Chairman and Executives, while ensuring that conflicts of interest were suitably mitigated. We undertook a formal shareholder consultation exercise in early 2020 to provide our major shareholders with the opportunity to comment on our proposals, and we discussed all feedback received as a Committee when determining if any subsequent changes should be made to our proposals.

When reviewing the Policy and its disclosure, the Committee took into consideration the following:

- Close alignment to the ongoing Company strategy;
- Close alignment with our key stakeholders, including our shareholders, customers and employees;
- Due consideration of latest corporate governance developments and the views of our shareholders;
- Ensuring that total remuneration levels are fair, proportionate and competitive in comparison to companies of a similar size and complexity to Wincanton, and appropriately reflect the responsibilities and experience of the individual;
- Ensuring that the remuneration structure appropriately incentivises and rewards achievement of the Company's short term and long term objectives;
- The need to retain sufficient flexibility in the operation of the Policy, such that outcomes are fair and appropriate in light of business and individual performance and any significant external factors; and
- Communicating the Policy in a clear and concise manner.

Following our review, we believe that the broad structure of our Policy continues to be appropriate. In recognition of recent corporate governance developments and enhancements we made in our 2019 Directors' Remuneration Report (particularly regarding the appointment of James Wroath as CEO), we have however made some changes to our Policy as set out below.

Key policy changes

The key changes to the Policy are:

- Pension contribution levels for the current CEO and any new hires aligned to the workforce rate (currently 3% of salary);
- Formalisation of the rebalancing of maximum total incentive opportunities from the short term to the long term, for the CEO and new hires, retaining the same overall maximum total incentive opportunity of 250% of salary;
- Formalisation of last year's introduction of two year holding periods to LTIP awards granted to Executive Directors from 1 April 2019;
- Introduction of post-cessation shareholding requirements; and
- Enhanced annual bonus deferral requirements, so that 50% of any bonus earned above 50% of maximum will be deferred into Company shares for two years.

Other minor changes have been made to improve the operation of the Policy.

The Committee considers that the proposed changes to the policy, which are largely focused on good practice features, continue to be appropriate in the context of the COVID-19 environment.

Directors' Remuneration Policy table

The table below sets out the policy in relation to the key components of remuneration.

Executive Directors

Salary

Purpose and link to strategy	Salaries are set at a sufficient level to recruit and retain individuals of the necessary quality to deliver the Group's strategy.
Operation	Base salaries are normally reviewed annually, with changes effective 1 July. Salaries are typically set after considering: – the responsibilities of each individual role; – progression within role; – individual performance and experience; – pay and conditions across the workforce; and – salary levels in companies of a similar size and complexity. Any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. Increases beyond those granted to the wider workforce may be awarded in certain circumstances such as where: – there is a significant change in responsibility; – the salary of a new hire is deliberately set below market levels with the intention to implement a planned increase on a phased basis in subsequent years subject to individual performance; – there is a material market misalignment; or – there is a significant increase in the scale of the role and/or size, value and/or complexity of the Group. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant Annual Report on Remuneration.

Benefits

Purpose and link to strategy	The Group provides the appropriate benefits for Executive Directors in a business of this size in order to recruit and retain individuals of the necessary quality to deliver the Group's strategy.
Operation	Benefits include but are not limited to: – Company car or car allowance; – Life assurance; – Private medical insurance for the Executive Director and their direct family; – Personal accident and travel insurance; and – Death in service cover. Additional benefits (including the tax thereon) may be provided if considered appropriate. Relocation assistance is available on a case by case basis. Assistance may include, but is not limited to, facilitating and/or meeting the costs of removal and other relocation costs, children's education, family travel and tax equalisation arrangements and may extend to facilitating and/or meeting the costs of re-establishing them to their previous location at the end of the employment or assignment.
Opportunity	Benefits vary by role and individual circumstance and eligibility is reviewed periodically. Benefits are not anticipated to exceed 10% of salary per annum over the period for which this policy applies. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Group's control have materially changed (e.g. costs of medical premiums). If this occurs, the Committee will provide details and rationale in the relevant Annual Report on Remuneration.

All employee share plans

Purpose and link to strategy	The Company encourages voluntary participation in share ownership throughout the Group where share plans are appropriate.
Operation of all employee share plans	Under the current all employee share plan arrangements, Executive Directors are entitled to participate in the Company's Share Incentive Plan (SIP). Participants make monthly contributions from their gross salary to buy Partnership Shares. The Company currently awards one Matching Share for every four Partnership Shares acquired. In addition, any dividends paid in respect of shares held under the SIP are used to buy Dividend Shares. In the event that Wincanton were to introduce another all employee plan, the Committee retains the discretion to allow Executive Directors to participate on the same basis as other employees.
Opportunity	In line with HMRC limits, the rules of the Company's SIP set out the following maximum levels, which may be amended from time to time so that they are in line with legislation: Free Shares – The maximum value of Free Shares per tax year is £3,600. Partnership Shares bought by employees – The maximum pre-tax salary that can be used to buy Partnership Shares is £1,800 per annum. Matching Shares – The Company can match employees' Partnership Share purchases by giving them additional shares. The maximum award of Matching Shares is two Matching Shares for each Partnership Share bought. The Company currently awards one Matching Share for every four Partnership Shares bought. The maximum opportunity for any other all employee share plans would be in line with limits set for all employees.

Pension

Purpose and link to strategy	The Group provides the appropriate pension provision for Executive Directors in a business of this size in order to recruit and retain individuals of the necessary quality to deliver the Group's strategy.
Operation of pension arrangements	Executive Directors are entitled to join the defined contribution section of the Wincanton plc Pension Scheme. In certain circumstances, for example where the annual allowance level set by HMRC is exceeded, the pension provision will be in the form of a taxable cash supplement.
Opportunity	Pension contributions will be set in line with the average workforce pension contribution (in percentage of salary terms) for the CEO and for new Executive Directors appointed from 1 April 2020. Pension contribution of up to 15% of salary for Executive Directors appointed prior to 1 September 2019.

Annual Bonus

Purpose and link to strategy	The aim of the annual bonus is to incentivise and recognise the Executive Directors' contribution to the delivery of the Group's strategy by rewarding achievement of financial and strategic objectives, and to demonstrate alignment to shareholders.
Operation	Normally 50% of any bonus earned above 50% of maximum is compulsorily deferred into Company shares for two years, with the balance paid in cash. Dividends or dividend equivalents may accrue on Deferred Shares that vest and will ordinarily be paid in shares.
Opportunity	The CEO's annual bonus opportunity cannot exceed 100% of salary. Reflecting legacy arrangements, the current CFO's annual bonus opportunity cannot exceed 120% of salary. For a new Executive Director, the annual bonus opportunity cannot exceed 100% of salary.

	The overall total incentive opportunity (annual bonus plus LTIP, excluding exceptional LTIP policy maximum) in any one year cannot exceed 250% of salary. No more than 25% of maximum is payable for 'Threshold' performance. Normally 50% of maximum is achievable for 'Target' performance.
Performance measure	Annual performance is typically based on achievement of financial targets and personal or strategic objectives. Normally, the Committee would expect financial measures to represent between 60% and 80% of the total annual bonus, with strategic objectives representing between 20% and 40%. However, the Committee retains discretion to adjust weightings to align with the business objectives for each year. At the end of the year the Committee reviews the appropriateness of the formulaic outcome and retains the discretion to adjust the outcome if considered appropriate taking into factors including, but not limited to, the underlying performance of the business and shareholder and stakeholder experience.
Recovery provisions	In certain circumstances, the Committee has the ability to apply malus to unvested deferred bonus awards or clawback to awards paid.

Long Term Incentive Plan (LTIP)

Purpose and link to strategy	The aim of the LTIP is to incentivise and recognise the performance of Executive Directors in respect of their contribution to the delivery of the Group's strategy over the longer term by rewarding strong financial performance and sustained increase in shareholder value.
Operation	Awards may be granted as nil cost options or conditional share awards. For LTIP awards granted from 1 April 2019, any share awards that vest are subject to a two year holding period. Dividends or dividend equivalents may accrue on any shares that vest and will ordinarily be paid in shares.
Opportunity	Maximum award levels for Executive Directors are 150% of salary. The overall total incentive opportunity (annual bonus plus LTIP, excluding exceptional LTIP policy maximum) in any one year cannot exceed 250% of salary. In exceptional circumstances, for example on recruitment, individual awards may be granted up to 250% of salary. No more than 25% of an award may vest for 'Threshold' performance.
Performance measures	Performance is normally measured over a period of no less than three years. The Committee will review the performance measures and weighting for each award to ensure alignment with Wincanton's strategy. A significant portion of awards will be based on financial (e.g. EPS growth) and/or shareholder return (e.g. relative TSR). Performance measures for awards granted in 2020 will be based on TSR relative to an appropriate comparator group. Following the end of the performance period the Committee reviews the appropriateness of the formulaic outcome and retains the discretion to adjust the outcome if considered appropriate taking into factors including, but not limited to, the underlying performance of the business and shareholder and stakeholder experience.
Recovery provisions	In certain circumstances, the Committee has the ability to apply malus to unvested LTIP awards or clawback to LTIP awards paid or subject to the holding period.

Shareholding requirement

Purpose and link to strategy	Ensures alignment between Executive Directors and shareholders through building a meaningful shareholding in the Company, including for a period of time post departure.

Operation	Shareholding guidelines for the CEO are to accrue and then maintain a holding of shares with a value of 200% of salary as assessed by the Committee from time to time. Shareholding guidelines for other Executive Directors are to accrue and then maintain a holding of shares with a value of 150% of their salary. A post-cessation shareholding policy will operate for departing Executive Directors. The Committee has the discretion to waive this requirement in certain circumstances (e.g. compassionate circumstances).

Non-executive Directors

Purpose and link to strategy	The Company seeks to attract and retain a high calibre Chairman and Non-executive Directors by offering market competitive fee levels.
Operation	Fees are set by reference to responsibilities, expected time commitments and market levels for companies of a similar size and complexity to Wincanton. The Chairman receives an annual fee. The Non-executive Directors receive an annual base fee and additional fees are paid to reflect additional responsibilities, such as chairing a Board Committee. Neither the Chairman nor the Non-executive Directors participate in any of the Company's short or long term incentive arrangements, nor do they receive benefits or pension provision. They are however, reimbursed for reasonable costs incurred in carrying out their role (and any associated tax incurred on these costs). The fee of the Chairman is set by the Committee and the fees of the Non-executive Directors are approved by the Board, on the recommendation of the Chairman and CEO.
Opportunity	Fee levels are reviewed on a periodic basis, and may be increased taking into account factors such as the time commitment of the role and market levels in companies of a similar size and complexity. Aggregate fees for the Chairman and Non-executive Directors will not exceed the limit as set out in the Company's Articles of Association.

Notes to the Directors' Remuneration Policy

Choice of performance measures and approach to target setting
For the annual bonus, a profit-based metric will normally be used as the primary measure of performance. We consider this reflects the basis on which the Group is managed: sustained profit performance improvement should enable the Group to maintain the strength of its balance sheet and financial position, and secure the long term success of the Group for the benefit of all of its stakeholders. Strategic objectives are also normally set under the annual bonus to incentivise and reward the delivery of other objectives that are key to the Company in the year, for example in relation to the health and safety of our employees. The specific strategic objectives will be selected each year to reflect the priorities for that specific financial year.

The specific performance measures applying to awards are reviewed ahead of each award to ensure they align to shareholders' interests and are appropriately aligned to Wincanton's long term strategy. A significant proportion of the LTIP are tied to long term financial targets growth, which in turn are tied to the long term financial goals of the Company, and/or shareholder return metrics, which align Executive Director remuneration with shareholder interests.

When setting performance targets for short and long term incentives, the Committee considers a range of internal and external reference points, such as the Company's strategic plan, consensus market forecasts, past Company performance and the performance ranges for comparator companies.

Discretions
The Committee operates the Company's incentive plans according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant.

In line with common market practice, the Committee retains discretion as to the operation and administration of these incentive plans, including with respect to:

– who participates;

– the timing of grant and/or payment;

– the size of an award and/or payment (within the plan limits approved by shareholders);

– the manner in which awards are settled;

– the choice of (and adjustment of) performance measures and targets in accordance with the plan rules;

– discretion to adjust the targets and/or set different measures and alter weightings for incentives if events occur (e.g. material divestment of a group business or changes to accounting standards) which cause the Committee to determine that an adjustment or amendment is appropriate so that the conditions achieve their original purpose;

– discretion to adjust annual bonus or LTIP outcomes if they are considered to be inconsistent with overall Company performance, taking into account any relevant factors. While the Committee anticipates that any such discretion would normally result in a reduction to outcomes, the Committee retains the right to make an upwards adjustment if considered appropriate;

– in exceptional circumstances, amendment of any performance conditions applying to a share award – provided the new performance conditions are considered fair and reasonable, and are neither materially more nor materially less challenging than the original performance targets when set;

– discretion relating to the measurement of performance in certain circumstances (e.g. a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award);

– determination of a good leaver (in addition to any specified categories) for incentive-plan purposes, based on the plan rules and the appropriate treatment under the plan rules; and

– adjustments required in certain circumstances (e.g. rights issues, share buybacks, special dividends, other corporate events, etc.).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration. As appropriate, it might also be the subject of consultation with the Company's major shareholders.

In the event of a temporary base salary reduction, the Committee retains the discretion to apply the limits in the policy table relating to pension, annual bonus and LTIP to the base salary prior to any such reduction. Where such temporary base salary or fee reductions are made, the Committee reserves the ability (either in part or in full) to reimburse at a later date taking into account all factors deemed relevant (e.g. underlying financial health of the Group).

Minor changes
The Committee may make minor amendments to the Policy set out above (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without requiring prior shareholder approval for that amendment.

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 1 April 2015 (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.

Differences between the Remuneration Policy for Executive Directors and employees generally
Pay mix – The remuneration package for the Executive is more heavily weighted towards variable pay and share ownership than for other employees, to make a greater part of their pay conditional on the delivery of the Company's strategy and performance.

Salary – Wincanton's approach to salary reviews is consistent across the Group, and the workforce salary environment is taken into consideration when reviewing salary increases for Executive Directors.

Pension – All employees, including the Executive Directors, are eligible to become members of one of the defined contribution sections of the Wincanton plc Pension Scheme. Under the Directors' Remuneration Policy, the pension contribution level for the CEO and any new appointments is aligned (in percentage of salary terms) with the wider workforce.

Bonus – The eligibility to participate and receive a bonus, and the level of bonus available, is dependent on the role and level of seniority within the business and Group structure. During the year, the Company operated two bonus schemes for senior talent, the Annual Bonus Plan (ABP) for executive management and a General Management Bonus Scheme. In addition, some employees are eligible for a bonus depending on the customer contract on which they work and for new business won under a Super Sales Bonus Scheme.

Long term incentives – The most senior individuals in the Group, such as the Executive Directors and other senior employees with key skills and experience or that perform key roles which significantly drive value in the Group, are annually awarded LTIPs. Such awards are intended to encourage sustainable long term value generation and align senior employees' interests with our shareholders.

Share Incentive Plan – The Company operates a tax-advantaged SIP and actively promotes SIP participation to all employees to align their interests to delivery of Group strategy and performance by providing the opportunity to become shareholders in order to share in the Group's growth and success. Within the SIP all participants are currently eligible to receive one matched share for every four shares purchased.

Employment conditions elsewhere in the Group

When making remuneration decisions, to ensure there is a fair and consistent approach to remuneration, the Committee considers pay and employment conditions across the Group, such as determination of salary increases to Executive Directors with reference to the range of base pay increases within the Group. The Committee also reviews base salaries, pension provision, annual bonuses and LTIP awards for the EMT.

The Committee does not formally consult with employees on a routine basis but does so if any significant changes to Group remuneration and employment policies are proposed. The Committee receives information on the annual base salary reviews across the Group and the annual bonus and LTIP awards made to employees that report into the EMT and below. The Committee members, as Directors, receive the annual employee consultation results which are presented to the Board.

Consideration of shareholders' views

The Committee considers best practice developments and publications from institutional investors and shareholder bodies as well as any shareholder views expressed during dialogue. The Committee is committed to maintaining an open and consultative dialogue with Company shareholders and shareholder bodies.

During the financial year a formal shareholder consultation exercise was undertaken as part of the review of the Policy, to provide the major shareholders with the opportunity to comment on our proposals. In total, over 75% of the shareholder base were consulted, as well as the proxy voting agencies. The Committee took this feedback into account when developing the Policy.

Remuneration on recruitment of an Executive Director

When making an appointment of a new Director, including by way of internal promotion, remuneration packages and fees are set in accordance with the Directors' Remuneration Policy.

To determine the appropriate remuneration for a new Executive Director, the Committee will consider relevant factors such as: the experience and calibre of the individual, the quantum/nature of remuneration, the jurisdiction from which the candidate was recruited, the role requirements, and relevant market benchmarks. Initial salaries may be deliberately set below market levels with the intention to implement a planned increase on a phased basis in subsequent years subject to development in the role and individual performance. Variable pay opportunities will be subject to the maximums set out in the tables within the Directors' Remuneration Policy.

The Committee may consider it is appropriate to grant one off awards to compensate new Executive Directors in respect of incentive arrangements forfeited when leaving a former employer. In doing so, the Committee would take into account relevant factors, including: the structure and value of the awards forfeited; the performance conditions and timeframes attached to those awards; and the likelihood of those conditions being met. Such buyout awards would be granted under the Company's existing share plans where practical, however if needed the Company will grant awards outside these plans as permitted under the Listing Rules.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will normally be continued on the original terms.

Service contracts and payments on termination and change of control

Under the Executive Directors' service contracts, the Company is required to give 12 months' notice, and the Director is required to give six months' notice in the case of Mr Lawlor and 12 months' notice in the case of Mr Wroath. For the appointment of a new Executive Director, notice period would not exceed 12 months.

If notice is served by either party, the Executive Director can continue to receive basic salary, taxable benefits and pension provision for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of 'garden leave'. The Committee will take account of an Executive Director's duty to mitigate their loss.

As set out in our 2019 Directors' Remuneration Report, on a change of control, the contractual provisions for Mr Lawlor are such that, if he or the Company provides notice to terminate employment within 12 months of a change of control, he is entitled to a payment of 12 months' basic salary (less any payment for, or in lieu of, notice). As such, if he were to give notice following a change of control he would be entitled to a payment of 12 months' basic salary rather than six months as would be the case in normal circumstances. Any additional payment is made one month following cessation of employment with no mitigation in the event of alternative employment. Note that, notwithstanding this provision, the payment to Mr Lawlor on a change of control would not exceed 12 months' salary and benefits. No such provision exists within James Wroath's service contract or will be included in future Executive Directors' contracts.

In addition to the contractual provisions regarding payment on termination, the Group's incentive plans and share schemes contain provisions for termination of employment, based on 'good leaver' and 'bad leaver' treatment. Good leavers are typically defined as participants who leave early on account of injury, disability or ill health, death, a sale of their employer or business in which they were employed, statutory redundancy, retirement, or any other reason at the discretion of the Committee. Bad leavers are employees that leave for any other reason. In circumstances of termination on notice the Committee will determine an equitable remuneration package, having regard to the particular circumstances of the case.

For good leavers, payment of an annual bonus is normally tested on full financial year performance and the amount payable is then pro rated for the period worked by the Executive Director in the financial year. There is no provision for an amount in lieu of bonus to be payable for any part of the notice period not worked, with Committee discretion to treat otherwise. Bad leavers lose any right to the annual bonus.

A good leaver would normally not forfeit long term incentive awards on cessation of employment. The awards would continue to be held by the good leaver until vesting, on the normal vesting date or earlier at the discretion of the Committee, subject to satisfaction of the performance conditions of the award. Awards would be adjusted pro rata for the amount of vesting period worked by the Executive Director, unless the Committee determines otherwise. Bad leavers would forfeit all unvested long term incentive awards held.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts which would need to be met, for example in a redundancy situation. In addition, the Committee retains discretion to settle any other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for below) and the individual must seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including, but not limited to, settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These would only be entered into where the Committee believed that it was in the best interests of the Company and its shareholders to do so.

In the event of a change of control, all unvested awards under the long term incentive arrangements would vest to the extent that the Committee determines that any performance conditions attached to the relevant awards have been achieved. The awards would, unless the Committee determines otherwise, be pro rated for the amount of time worked by the Executive Director prior to the change of control. Alternatively, unvested long term incentive arrangements may not vest on a change of control and may be replaced by an equivalent new award determined by the acquiring Company.

Letters of appointment for Non-executive Directors

The Chairman and Non-executive Directors' terms of appointment are set out in their respective letters of appointment. All Directors are subject to re-election every three years in accordance with the Company's Articles of Association. In line with corporate governance best practice, all Directors currently put themselves forward for annual re-election at each AGM. The required notice period is up to six months' written notice from either party. Non-executive Directors are not normally entitled to any remuneration on loss of office.

Illustrations of application of the Remuneration Policy

The charts below set out the potential value and composition of the CEO and CFO remuneration packages for the year ending 31 March 2021.

The charts show four scenarios: (i) minimum, (ii) target, (iii) maximum, and (iv) maximum with 50% share price growth. The scenarios exclude the impact of any accrual of dividends or dividend equivalents. The basis of calculation for each scenario is set out in the table below.

	Minimum	Target	Maximum	Maximum plus 50% share price growth
Fixed pay	– Salary effective from 1 July 2020 (excluding temporary 20% reduction) – Benefits based on figure for the financial year ended 31 March 2020. For James Wroath, this excludes the one-off relocation benefits paid in FY20.			
Annual bonus	Nil payout	50% of maximum	100% of maximum	100% of maximum
LTIP	Nil payout	25% of maximum	100% of maximum	100% of maximum plus 50% share price growth

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