WHITBREAD PLC

(incorporated and registered in England and Wales under number 4120344)

Notice of General Meeting

to consider the Directors' Remuneration Policy and the Performance Share Plan

This document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are advised to consult your stockbroker, solicitor, accountant or other professional adviser. It contains the resolutions to be voted on at a General Meeting of the Company to be held on 27 June 2018.

If you have sold or otherwise transferred all of your shares in the Company, please send this document and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

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Part I
Letter from the Chairman and the Remuneration Committee Chair

This document is important and requires your immediate attention. It contains the resolutions to be voted on at the Company's General Meeting to be held on 27 June 2018.

1 June 2018

Dear Shareholder,

On 25 April 2018, we announced Whitbread's intention to pursue a demerger of Costa, providing shareholders with investments in two distinct, market-leading businesses. We have committed to pursue the demerger as fast as is practical and appropriate, and it is expected to be completed within 24 months. In order to align the incentives of management with this new strategy and appropriately incentivise them to complete the demerger in a way which optimises shareholder value, we are proposing to make changes to the Directors' Remuneration Policy (the **Policy**) that was approved at the 2017 AGM. It is important that we retain and focus our executives on delivering the performance required through this period of structural change.

The Remuneration Committee (the **Committee**) believes that the majority of the current Policy remains fit for purpose, including the Annual Incentive Scheme, which remains unchanged. However, the long-term incentive component requires amendment in light of the strategic goals of the demerger. The current Policy does not provide us with the flexibility to align Executive Director pay to our specific set of circumstances. We are therefore introducing a one-off Performance Share Plan (the **PSP**) that aims to appropriately reward and incentivise management during the demerger process. In light of the proposed demerger, the single PSP award will replace current Executive Directors' awards under the Long-Term Incentive Plan (the **LTIP**) for 2018 and 2019.

Business context

The Board believes that shareholder value will be created by pursuing the demerger of Costa as fast as is practical and appropriate in order to establish two focused and high-quality businesses. That process is estimated to take up to 24 months and there are several business critical priorities which must be achieved for it to be successful, including:

- ensuring both Whitbread and Costa have appropriate governance structures in place to thrive as separate entities;
- progressing further the international strategies in both Premier Inn and Costa, to strengthen the foundations for long-term profitable growth;
- appropriately managing the Whitbread pension fund deficit and funding facilities;
- completing the complex and critical IT and business system upgrades and improvement programmes which are delivered by Whitbread shared resources; and
- delivering the recently upgraded efficiency programme.

Rationale for revising the Directors' Remuneration Policy

The Committee has considered the current Policy and specifically the current LTIP, which is based on a three-year performance period with annual grants. The Committee believes that this current structure does not provide sufficient alignment to the timeframe or performance criteria to which the Executive Directors should be held accountable under the announced strategy. As such, the Committee is proposing a new PSP and revised Policy for shareholder approval at the General Meeting to be held on 27 June 2018.

We believe that beyond the introduction of the new PSP the remainder of the current Policy remains fit for purpose although it needs to be revised to allow for the operation of the new one-off PSP. The Annual Incentive Scheme will remain unchanged and will continue to ensure that Executive Directors remain focused on, and rewarded for, in-year underlying profit and operational performance.

In making changes to the current Policy and introducing the new PSP we have applied the following principles:

- maintaining alignment with our current Policy, as approved by shareholders in 2017, as much as possible, including keeping quantum to that approved in the current Policy;
- providing a one-off incentive plan that focuses, motivates and retains management during a crucial business transition; and
- updating our Policy in a way that aligns it to the strategy and long-term health of the business,

rewarding performance which continues to support sustainable long-term shareholder value.

The revised Policy, subject to your approval at the General Meeting, is set out in Appendix I.

Overview of changes to current Policy

The main changes to the current Policy result from the introduction of the PSP. A high level overview of the PSP is as follows (more detail is set out in Part V of this document):

- one-off award of shares, which will vest based on performance against pre-determined measures and targets;
- the number of shares awarded under the 2018 LTIP award (which was granted to the Executive Directors on 30 April 2018) will be replaced with shares under the PSP, with the balance of the award calculated at the point of grant;
- The 2018 LTIP award already granted and the 2019 LTIP award will be replaced by the one-off PSP award;
- the performance measures are as follows:
    - 40% of the PSP award will vest subject to assessment against strategic objectives (as described in more detail in Part V of this document); and
    - 60% of the award will vest subject to the following financial performance measures:
        - 20% based on Costa Return on Capital Employed (**ROCE**);
        - 20% based on Premier Inn UK ROCE; and
        - 20% based on Relative Total Shareholder Return (**TSR**),

      with both ROCE and TSR measures based on a range with threshold and maximum targets.

  Further detail in respect of the performance measures can be found in Part V of this document;
- the performance period will end on the sooner of a demerger, whether implemented by way of a demerger or by way of a sale to a third party of all or substantially all of either the Costa business or the Premier Inn business (a **Demerger**), and the date falling 24 months after the date of the first award granted under the PSP, following which performance is assessed to determine any awards that vest;
- in the event of a Demerger other than by way of a sale to a third party, awards may be satisfied by shares in Whitbread and the demerged entity, in the same proportions as received by shareholders;
- awards that vest are subject to a further two-year holding period during which they cannot be exercised; and
- malus and clawback provisions will be in line with the current LTIP policy.

We have consulted with our largest shareholders on the design of the PSP and feedback received has been carefully considered by the Committee. The proposed approach reflects the feedback received and we are grateful to those whom we consulted for their constructive and timely engagement on these matters.

All Executive Directors will participate in the PSP, and we may also operate it for some individuals who are not Executive Directors, as well as for certain new joiners or specific individuals who have relevant promotions.

The Board strongly believes that the proposed introduction of the PSP (and the making of a one-off award under the PSP) is in the best interests of both Whitbread and its shareholders as a whole and we recommend that you vote in favour of the revised Policy and the adoption of the PSP.

Yours sincerely,

Adam Crozier
Chairman, Whitbread PLC

Deanna Oppenheimer
Remuneration Committee Chair, Whitbread PLC

Part II
Notice of General Meeting

Notice is hereby given that a General Meeting (**GM**) of the Company will be held at 2.45pm on 27 June 2018 (or as soon as possible after the Company's Annual General Meeting convened for that date has been concluded or been adjourned) at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ to consider and, if thought fit, pass the resolutions set out below which will be proposed as ordinary resolutions.

Voting on each of the following resolutions will be taken on a poll, conducted electronically, rather than on a show of hands. The Company believes a poll is more representative of the shareholders' voting intentions than a show of hands because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account.

Ordinary resolutions

1. Directors' Remuneration policy

To approve the Directors' Remuneration Policy as set out in Appendix I to the circular containing this Notice.

2. Performance Share Plan

That:

(a) the Rules of the Whitbread Performance Share Plan (the **PSP**), the principal terms of which are summarised in Part V of the circular containing this Notice, and produced in draft to this Meeting, and for the purposes of identification initialled by the Chairman, be approved, and the Directors be authorised to do all such acts and things necessary to establish the PSP; and

(b) the Directors be authorised to establish any schedules to the PSP for the benefit of employees outside the UK containing such modifications as may be necessary or desirable to take account of securities laws, exchange control and tax legislation, provided that any shares made available under such schedules are treated as counting against any limits on individual participation, or overall participation, in the PSP.

By order of the Board

Chris Vaughan

General Counsel and Company Secretary
1 June 2018

Registered Office

Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE

Registered in England and Wales
No. 4120344

Part III
Important information concerning the meeting

1 Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the GM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this document.

2 The return of a completed proxy form, or any electronic or CREST proxy instruction (as described in paragraph 4 below), will not prevent a shareholder attending the GM and voting in person if he/she wishes to do so.

3 To be effective, the instrument appointing a proxy, together with any power of attorney or other authority under which it is signed, or a duly certified copy thereof, must be deposited at the offices of the Company's registrars (Link Asset Services, Whitbread Share Register, 34 Beckenham Road, Beckenham, Kent BR3 4TU) not later than 2.45pm on Monday 25 June 2018 or, in the case that the meeting is adjourned, not less than 48 hours before the time appointed for the adjourned meeting (excluding non-working days).

Proxy appointments submitted via the internet at www.whitbread-shares.com must be received not later than 2.45pm on Monday 25 June 2018 or, in the case that the meeting is adjourned, not less than 48 hours before the time appointed for the adjourned meeting (excluding non-working days).

4 If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the issuer's agent (ID number RA10) not later than 2.45pm on Monday 25 June 2018 or, in the case that the meeting is adjourned, not less than 48 hours before the time appointed for the adjourned meeting (excluding non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message.

CREST Personal Members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual (available via www.euroclear.com/CREST). The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5 Entitlement to attend and vote at the meeting and the number of votes which may be cast at the meeting will be determined by reference to the register of shareholders of the Company as at close of business on 25 June 2018.

If the meeting is adjourned, entitlement to attend and vote will be determined by reference to the register of shareholders of the Company as at close of business two days prior to the adjourned meeting (excluding non-working days). Changes to the register of shareholders after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

6 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7 The right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 who have been sent a copy of this Notice are hereby informed that they may have a right under an agreement with the registered shareholder by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting.

If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights. Nominated persons should contact the registered shareholder by whom they were nominated in respect of these arrangements.

8 In the case of joint holders, where more than one of the joint holders purports to vote (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other joint holder(s) on the register of shareholders for the share.

9 Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question

relating to the business being dealt with at the meeting, but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. If you attend the meeting in person, you may be included in the recording of the meeting. Please note that this recording is solely for the purpose of creating a transcript of the meeting and will not be made publicly available.

10 Copies of the following documents will be available for inspection at the registered office of the Company (Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE) during usual business hours (Saturdays, Sundays and public holidays excepted) from the date this Notice is mailed until the close of the GM and at the place of the meeting for 15 minutes before and during the meeting:

(A) the draft rules of the PSP; and

(B) the revised Directors' Remuneration Policy.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.whitbread.co.uk.

Shareholders should only use any electronic address provided in either this Notice or any related documents (including the Chairman's letter and the proxy form) to communicate with the Company for the purposes expressly stated.

At the close of business on 30 May 2018, the Company had 195,732,721 ordinary shares in issue, of which 12,131,506 ordinary shares were held in treasury.

Therefore, the total number of voting rights in the Company was 183,601,215. The ordinary shares have a nominal value of $76^{122}/_{153}$ pence each.

Notes on the resolutions

Both resolutions are proposed as ordinary resolutions. This means that, for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolution 1 (approval of Directors' Remuneration Policy)

This resolution proposes that a new Directors' Remuneration Policy (the **Policy**) be approved by shareholders. For the reasons set out in the Chairman's and Remuneration Committee Chair's Letter in Part I, the Company's Remuneration Committee (the **Committee**) is making such proposal to improve the alignment of Executive Director remuneration with the strategic goals of the Company during the demerger process. Specifically, the Policy allows for the grant of a one-off award under a new plan which will replace the 2018 and 2019 grants under the Long Term Incentive Plan. A summary of the key changes to the current Directors' Remuneration Policy is set out in Part IV and a copy of the full revised Directors' Remuneration Policy is set out in Appendix I.

Resolution 2 (approval of the PSP)

This resolution proposes to adopt a new Performance Share Plan (the **PSP**). Under the PSP, participants will be granted a one-off award over shares subject to the achievement of certain performance conditions which will be determined on the earlier of the proposed demerger (or equivalent event) or the date falling 24 months after the first date on which awards are granted under the PSP. The Directors believe that the PSP is in the best interests of the Company as it will allow awards more aligned with the Company's current circumstances to be granted. A more detailed summary of the terms of the PSP is set out in Part V.

Recommendation

The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of the proposed resolutions in respect of their own personal shares and unanimously recommend that you do so as well.

WHITBREAD PLC

Directions to Church House

- The entrance to the Conference Centre at Church House is in Dean’s Yard, behind Westminster Abbey.
- A short walk from Westminster or St James’s Park underground stations.
- Victoria and Charing Cross mainline train stations within a 15-minute walk.
- Waterloo station within a 20-minute walk.
- There are a number of bus stops on Victoria Street, Great Smith Street, Millbank and Parliament Square. For more details go to www.tfl.gov.uk.
- A short walk from a number of Premier Inn and hub hotels.
- Two car parks nearby. Contact NCP: 0345 050 7080 for details.

Whitbread PLC

Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE

Part IV
Summary of the key changes to the Directors' Remuneration Policy

The key changes proposed to the Company's current Directors' Remuneration Policy are as follows:

PSP

The new Directors' Remuneration Policy would permit awards to be made under the new PSP (if approved) from and including 27 June 2018. A summary of the principal terms of the PSP is set out in Part V.

The existing LTIP remains part of the Policy but grants under the LTIP for 2018 and 2019 for current Executive Directors will be replaced by a one-off grant under the PSP.

Part V
Summary of principal terms of the PSP

1. General

The Whitbread Performance Share Plan (the **PSP**) is an incentive plan under which participants will be granted a one-off award over shares in Whitbread PLC (the **Company**). It will be administered by the Board of Directors of the Company, which may delegate its operation to a duly authorised committee (the **Committee**). Awards granted under the PSP (**Awards**) are personal to the relevant participant and his personal representatives, and are not pensionable. Awards may be satisfied by newly issued shares, shares purchased in the market or by the transfer of treasury shares.

2. Eligibility

The Committee may, in its discretion, permit any person who is an employee of the Company or any of its subsidiaries to participate in the PSP provided that such employee: (i) has neither given nor received notice to terminate their employment on the date of grant; and (ii) has, in the opinion of the Committee, key responsibility for delivering the arrangements for the separation of the Premier Inn and Costa businesses of the Whitbread Group, whether that is implemented by way of demerger or by way of the sale to a third party of all or substantially all of one or other of those businesses (the **Demerger**).

3. Grant of Awards

Awards may only be granted on or after 27 June 2018. If an Award cannot be granted on the relevant grant date, the Award will either be granted on the next day on which such grant may lawfully be made or shall be granted over an amount of cash equal to the percentages of annual basic pay set out in paragraph 4 below.

If an Award over cash is granted, the Committee may, at any date prior to exercise of the Award, replace such Award with an Award over ordinary shares which is, either at the date of replacement or such other date as the Committee may determine, of equivalent value to the original Award.

Awards may be granted in the form of nil-cost options only. No consideration is payable by participants to receive an Award and participants will not make any payment for any release of shares under the Award.

4. Limits

The total number of ordinary shares over which Awards are granted will not exceed 500,000.

The total number of shares in the capital of the Company subject to an Award that is granted to an employee will have a market value equal to the following percentages of that employee's annual basic pay (excluding bonuses, commissions and benefits in kind) as at/on the following dates:

Chief Executive Officer	400% split in such a way that the element replacing the 2018 LTIP award is calculated by reference to annual basic pay as at 1 March 2018 and based on the average closing share price taken over 5 dealing days ending on the dealing day preceding that date; and the remainder is based on annual basic pay as at 27 June 2018 and based on the average closing share price taken over 5 dealing days ending on the dealing day preceding that date.
All other Executive Directors who were Executive Directors on 27 June 2018	350% split in such a way that the element replacing the 2018 LTIP award is calculated by reference to annual basic pay as at 1 March 2018 and based on the average closing share price taken over 5 dealing days ending on the dealing day preceding that date; and the remainder is based on annual basic pay as at 27 June 2018 and based on the average closing share price taken over 5 dealing days ending on the dealing day preceding that date.
All employees below board level who commenced employment on or before 30 April 2018, including such employees who subsequently become Executive Directors	No more than 350% of that employee's annual basic pay as at the relevant grant date, split between a percentage of annual basic pay as at 1 March 2018 (unless employment began after that date, in which case it is annual basic pay as at 30 April 2018) and based on the average closing share price taken over 5 dealing days ending on the dealing day preceding that date; and a percentage of that employee's annual basic pay as at 27 June 2018 and based on the average closing share price taken over 5 dealing days ending on the dealing day preceding that date.
All employees (regardless of whether they are an Executive Director) who commence employment on or after 1 May 2018	No more than 350% of that employee's annual basic pay as at the date of grant of their Award.

The Award levels shown above are intended to incentivise executives over the period leading up to a Demerger. As such, they are a combination of a replacement award for any relevant 2018 LTIP awards and an additional award.

5. Vesting and exercise of Awards

Awards will normally vest, subject to assessment of performance conditions, on the earlier of: (i) the date on which the Committee determines that the Demerger is completed; and (ii) the date falling 24 months after the first date on which Awards are granted under the PSP. Awards may vest earlier in certain circumstances, detailed below. Awards will normally be subject to a two-year holding period before they can be exercised.

An Award is normally exercisable from the date on which the holding period ends until the date falling 18 months after the date on which such holding period ends, subject to certain exceptions detailed below.

Awards are expected to be satisfied by the issue or transfer of ordinary shares in the capital of the Company and, if a demerger occurs that does not take the form of a sale to a third party, may be satisfied by shares in the demerged entity (in the same proportions as received by Whitbread shareholders). However, Awards (or part of an Award) may also be satisfied by: (i) delivering shares of an equivalent value in any other company or the demerged entity; or (ii) paying an amount of cash equal to the market value of the relevant number of ordinary shares in the Company.

The Committee may determine that, if any dividends are paid by the Company and/or any demerged entity during the holding period of an Award (or, in the case of any special dividend paid out by the Company, the period starting on the date of grant and ending on the expiry of the holding period), the number of shares (either in the Company and/or in the demerged entity, as relevant) subject to the Award may be increased or that the participant will receive an equivalent cash amount.

6. Performance conditions

The Committee will normally only permit Awards to vest if performance conditions set when an Award is granted have been satisfied on the relevant vesting date. Awards will (save in limited circumstances) lapse to the extent that a performance condition is not satisfied at the end of the performance period.

It is proposed that the performance conditions to be applied to Awards made under the rules of the PSP will be as follows:

Strategic objectives (40% of the Award)

40% of the Award will vest against the achievement of strategic objectives. At the end of the performance period the Committee will carry out an overall assessment taking into account the areas set out below. When undertaking this assessment the Committee will consider the following factors, using judgement where appropriate:

- the degree of achievement of the overall goal to pursue the separation as fast as practical and appropriate in order to establish two focused and high-quality businesses, thereby optimising value for Whitbread's shareholders. This may be by way of demerger or sale;
- the quality of the execution of the objectives, including appropriate independent assessment; and
- the underlying financial performance of the business, taking into account key financial performance indicators.

In particular, when making its assessment the Committee will consider as appropriate the following objectives when determining outcomes:

i. Appropriate funding and lending profiles agreed in order to support each stand-alone business

Assessment will take account of:

- the extent to which the implications of the demerger plan were adequately determined with current lenders and finance providers and appropriate solutions negotiated as required;
- the achievement of appropriate credit ratings; and
- the extent to which adequate funding is in place for Costa to enable its working capital report to be unqualified on forward looking funding viability.

ii. Appropriate management of the Whitbread pension fund deficit and funding facilities

Assessment will take account of:

- whether agreement in principle with the Pension Trustee has been reached at the point of vesting of the Award as evidenced by correspondence with the Pension Trustee;
- the extent to which the Company discharges Costa's liabilities to the Whitbread Group Pension Fund;
- changes to the schedule of contributions and/or security provisions to compensate for changes to the Company's covenant; and
- the extent to which any additional burden on cash flow is minimised.

iii. Completion of certain complex transformation and infrastructure improvements to the extent applicable at the time of performance assessment, for both stand-alone businesses

Assessment will take account of management's execution of the plans and delivery of our efficiency programme. At our full year results presentation on 25 April 2018, we laid out the two priority areas underpinning the efficiency programme to achieve

£100 million in savings over the next two years, namely:

- value chain optimisation; and
- core IT infrastructure replacement and internal support system upgrades, including the Costa finance systems.

Detailed plans exist for these complex change programmes to build efficient and effective capability for the future in both businesses and the Committee will assess the degree of achievement of the programmes at time of vesting.

The Company commits to providing an update to shareholders on progress against the strategic objectives in the 2018/19 Directors' Remuneration Report, in the event the Award has not yet vested. In addition, updates on progress will be given as part of the Company's reporting cycle.

Costa and Premier Inn UK[1] ROCE (40% of the award)

40% of the Award will vest against the achievement of Costa and Premier Inn UK Return on Capital Employed (**ROCE**) targets as follows, with straight line vesting in between:

Vesting (payout as % of maximum)	Costa ROCE (20% of overall Award)	Premier Inn UK ROCE (20% of overall Award)
Threshold (20% of component vesting)	35.0%	12.0%
Maximum (100% of component vesting)	39.0%	14.5%

The ROCE calculation will be based on Costa and Premier Inn UK's profit from operations over the preceding 12 months to the date a Demerger completes (or 24 months from the first date on which awards under the PSP are granted, if sooner). As with the strategic objectives, updates on progress will be given as part of the Company's reporting cycle and in the Directors' Remuneration Report for 2018/19.

Costa's proposed return on capital range has been set within the Company's long term market guidance (announced at the Capital Market Day in November 2016). The range reflects the capital light nature of the business model and the incremental investments that have been announced in the UK in the Company's digital platforms, its systems infrastructure and in its store propositions and in its international growth in both China and Express. The range is lower than the 2017/18 outcome reflecting these investments and as the previous year's returns benefitted from the delay in the UK store refurbishment and systems upgrade programmes that will now be executed over the next two years.

The Premier Inn UK return on capital range reflects the current performance together with the continued investments the Company is making in its systems and in maintaining the quality of its hotel and restaurant estate that underpins its brand.

Relative TSR (20% of the Award)

20% of the Award will vest against the achievement of a relative Total Shareholder Return (**TSR**) measure. The comparator group will contain the constituent companies of the FTSE 350 Travel & Leisure and the FTSE 350 General Retailers indices. The combination of these two indices reflect the hospitality nature of Premier Inn and the retail nature of Costa together with the Company's weighted exposure to the UK. 20% of the maximum available under this component will vest for TSR performance equivalent to the median of the comparator group over the performance period, with straight line vesting up to 100% for TSR performance equivalent to the upper quartile of the comparator group. Performance will be assessed between the start of the performance period (the start of the 2018/19 financial year) to the date a Demerger completes (or 24 months from the first date on which Awards are granted under the PSP, if sooner), with 30-day averaging periods at the start and end of the period. TSR will be measured from the start of the 2018/19 financial year (up to the date of vesting), in line with typical FTSE 100 market practice for relative TSR performance assessment. The Committee believes that this measurement period is fair and appropriate to align pay-outs under this element with value created for shareholders as a result of the Demerger.

Adjustment of performance conditions

The Committee may adjust performance conditions (including imposing a new performance condition): (i) if an event or events occur as a result of which the Committee considers it fair and reasonable to make the change; (ii) to take account of any change in the law; or (iii) to get or keep favourable tax, exchange control or regulatory treatment for participants or the Whitbread Group. Any adjustment must not have the effect of making the performance condition either materially easier or materially harder to achieve than the original performance condition.

7. Cessation of employment

Any participant whose Award has vested who leaves employment for any reason other than summary dismissal for gross misconduct may exercise that Award for six months from the date on which the holding period ends or, if the Committee so determines, the date of cessation of employment (unless the Committee determines that the exercise period shall be shorter (provided it is no less than one month from the date of notice of such determination)). That Award shall, if not already exercised, be exercised automatically on the last day of the relevant exercise period.

[1] Including Whitbread's restaurants, most of which are located alongside a Premier Inn hotel.

If a participant holds an unvested Award and leaves employment due to ill-health, injury or disability, death, redundancy, his employing company or business being transferred out of the Whitbread Group, or in such other circumstances as the Committee may determine, his Award will vest on its normal vesting date, subject to performance conditions and time pro-rating (save that the Committee may decide to make a lesser reduction or no reduction at all in respect of time pro-rating). His Award may be exercised for six months from the date on which the holding period expires (unless the Committee determines that the exercise period shall be shorter (provided it is no less than one month from the date of notice of such determination)) and shall, if not already exercised, be exercised automatically on the last day of the relevant exercise period.

To the extent that a participant leaves employment in circumstances other than as described above, his Award will lapse on the date of cessation of employment.

8. Corporate Events

In the event of: (i) a change of control due to a general offer; (ii) a court sanctioning a scheme of arrangement; or (iii) the passing of a resolution for the voluntary winding-up or a court order being issued for the compulsory winding-up of the Company, Awards will vest, subject to performance conditions (unless the Committee determines that it shall vest to a greater or lesser extent, having regard to the underlying financial performance of the Company over the relevant period and such other factors as it may consider relevant) and time pro-rating (unless the Committee determines otherwise), on the date of the relevant event. Such Awards will become exercisable in respect of shares in the Company only on such date and will remain exercisable for:

(i) in the event of a general offer, six months from the date on which control is obtained;

(ii) in the event of a court-sanctioned scheme, such period as the Committee may determine, being no longer than six months from court sanction; and

(iii) in the event of a winding-up, 60 days from the date of the relevant resolution or court order.

In certain circumstances, Awards may be exchanged instead.

If the Awards have vested due to a demerger (that is not a sale to a third party) and the demerged company is subsequently subject to any of the events described above, the Committee may (if Awards are to be partly satisfied by shares in such demerged company) determine that the relevant part of the Award shall become exercisable in respect of the shares in the demerged company only, on the date of the relevant event and shall remain exercisable for the same time periods described above in this paragraph 8.

9. Malus and clawback

At any time prior to vesting, the Committee may reduce the extent to which an Award may vest (including to zero) on such basis that the Committee considers to be fair, reasonable and proportionate where, in the opinion of the Committee, there are exceptional circumstances, including (without limitation): (i) a material mis-statement in the published results of the Whitbread Group; (ii) misconduct on the part of the participant concerned; (iii) where, as a result of an appropriate review of accountability, the participant has been deemed to have caused in full or in part a material loss for the Whitbread Group as a result of: (a) reckless, negligent or wilful actions; or (b) inappropriate values or behaviour; or (iv) where, in the opinion of the Committee, there has been an event that has caused or is likely to cause material reputational damage to the Company and/or the Whitbread Group.

At any time within two years of the relevant vesting date, the amount of shares subject to an Award may be reduced in the event of: (i) a restatement of financial statements or an error in assessing performance conditions that result in the Award vesting to a greater degree than would have been the case had the error not occurred; (ii) a participant being summarily dismissed because of his misconduct, provided that such clawback does not exceed the loss caused by such misconduct; or (iii) where, in the opinion of the Committee, there has been an event that has caused or is likely to cause material reputational damage to the Company and/or the Whitbread Group.

10. Rights attaching to shares

Shares issued under the PSP will rank equally in all respects with all other shares then in issue (except for any rights attaching to shares by reference to a record date preceding the allotment or transfer of such shares). The Company will apply to the UK Listing Authority for the listing of any newly issued shares unless the shares are not then listed on the Official List.

11. Variation of share capital

If there is a variation of capital or other appropriate circumstances, the Committee may adjust each Award in any way it thinks appropriate.

12. Alteration of the PSP

The Committee may amend the PSP in any respect. However, it may not make any alteration to the advantage of present or future participants without the prior approval of shareholders in general meeting which relates to any of the following: (i) eligibility; (ii) limits on the number of shares over which Awards may be granted under the PSP and the maximum entitlement of any one participant under the PSP; (iii) the basis for determining a participant's entitlement to, and the terms of, the Awards; or (iv) adjustment of Awards (including participants' rights in the event of a variation of capital). The Committee may also not make any alteration which would adversely affect a participant's subsisting rights without either his written consent or the consent of the majority of affected participants who express a view in respect of such change.

Notwithstanding the paragraph above, the Committee may amend the PSP to: (i) take account of any changes to relevant law; (ii) obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any member of the Whitbread Group; or (iii) make minor changes to ease the PSP's administration or correct clerical errors.

Note: This summary does not form part of the rules of the PSP and should not be taken as affecting the interpretation of their detailed terms and conditions. The Committee reserves the right up to the time of the GM to make such amendments and additions to the rules of the PSP as it considers appropriate provided that such amendments do not conflict in any material respect with this summary.

Appendix I
Revised Directors' Remuneration Policy

Directors' Remuneration policy

Introduction

This Appendix describes the Directors' Remuneration Policy, which shareholders will be asked to approve at the 2018 General Meeting to be held on 27 June 2018. Subject to shareholder approval, the policy will be effective from the date of the 2018 General Meeting and is intended to apply for three years.

For executives, 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 performance-related remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

Our approach is now also designed to enable the Company to pursue the demerger of Costa as fast as is practical and appropriate in order to establish two focused and high-quality businesses, thereby optimising value for shareholders.

The policy table below provides more detail on each key element of remuneration, 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 the Committee judges that there is a risk in relation to attracting or retaining executives. • 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.
Benefits	• Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executives.	• Executive Directors are entitled to benefits relating to car, healthcare/personal insurances. • 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 financial assistance.	• In 2017/18 the benefits received by the Executive Directors amounted to between 2.7% and 5.2% 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.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme	• 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 shares awarded following the end of the financial year and, under normal circumstances, released three years after the date of award. • Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards in the event of a material misstatement of results.	• 167% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred shares).	• Awards are payable based on three weighted areas covering underlying profit performance, individual strategic objectives and performance against selected team and customer related measures from the WINcard (the Group's balanced scorecard). 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 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. • For 2018/19, the weighting of the annual incentive award will be based on 50% underlying profit performance, 25% on individual strategic objectives and 25% Customer Heartbeat/Winning Teams measures from the WINcard.
Long Term Incentive Plan (LTIP)	• To align the interests of senior executives 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 executives over the performance period of the awards and beyond.	• Awards made annually in shares. • The 2018 and 2019 LTIP grants will be replaced by a one-off grant under the Performance Share Plan — see below. • Awards vest after three years subject to performance conditions. • Two-year holding period post-vesting. • Dividend equivalents may be provided on vested awards during a holding period. • Subject to clawback and malus provisions.	• Annual awards to a maximum of 200% of base salary.	• Performance measures and weightings will be determined by the Remuneration Committee and would normally be EPS and ROCE, equally weighted, however the Committee may use other or additional measures and change weightings in respect of any new grant. For threshold performance, 20% of the award will vest; for maximum performance, 100% of the award will vest.
Performance Share Plan (PSP) Award (one-off award)	• To incentivise and reward management to optimise shareholder value through the completion of the demerger process.	• One-off award to be granted following shareholder approval. • Awards will vest subject to performance. • The performance period ends on the sooner of a Demerger and 24 months from the date of the first award granted under the PSP. A Demerger means arrangements for the separation of the "Premier Inn" and "Costa" businesses of the Group, whether that is implemented by way of demerger or by way of the sale to a third party of all or substantially all of one or other of those businesses. The Remuneration Committee will determine the date on which the Demerger has completed. • Awards are subject to malus and clawback provisions. • Two-year holding period post-vesting. • Dividend equivalents may be provided during the holding period (save in respect of special dividends, which may be provided in respect of the vesting period as well) or such other period as the Remuneration Committee may determine.	• One-off grant of 400% of base salary for CEO, calculated in line with the PSP rules. • One-off grant of 350% of base salary for all other Executive Directors, calculated in line with the PSP rules. • Up to 350% of base salary (as at the relevant grant date) for eligible Executive Directors joining after 1 May 2018, where the Committee determines they are eligible to participate in the PSP. • This award will replace the 2018 and 2019 LTIP grants for the current Executive Directors. • Each Executive Director is only eligible to receive one grant under the PSP.	• 40% of the award would vest subject to assessment against strategic objectives. For threshold performance, 0% of the portion of the award in relation to the strategic objectives will vest; for maximum performance 100% of this portion of the award will vest. • 60% of the award would vest subject to the following financial performance: • 20% Costa ROCE; • 20% Premier Inn UK ROCE; and • 20% relative TSR, with both ROCE measures and TSR based on a range with threshold and maximum targets. For threshold performance, 20% of the portion of the award in relation to the ROCE and TSR measures will vest; for maximum performance 100% of the portion of this award will vest with straight line vesting in between. In exceptional circumstances the Committee may change or introduce additional measures or adjust the weighting of performance measures in the future based on prevailing business needs. Any material changes will be discussed with shareholders in advance.

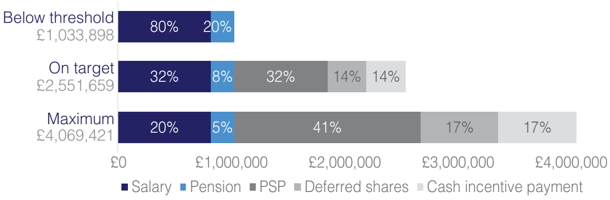
Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
		• Awards may be satisfied in Whitbread shares, cash and/or shares in any other entity.		
Sharesave Scheme	• To encourage long-term shareholding in the Company.	• Annual invitation to all employees, including the Executive Directors. • Option price calculated by reference to the market price discounted by 20% on the invitation date. • Options granted over a three and/or five-year period.	• Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	• 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. • If cash is taken, the amount is reduced by the value of the employer's national insurance liability.	• 27.5% of base salary (maximum of 25% for new joiners although the actual level will be determined based on all relevant factors at the time of appointment).	• None.

Illustration of application of Directors' Remuneration Policy

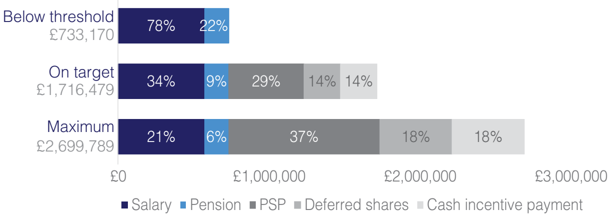
The graphs below show how the directors' remuneration policy will be applied in 2018/19, with details of expected remuneration levels for each director for below threshold performance, for on-target performance and for maximum performance.

Executive Directors—potential value of 2018/19 package

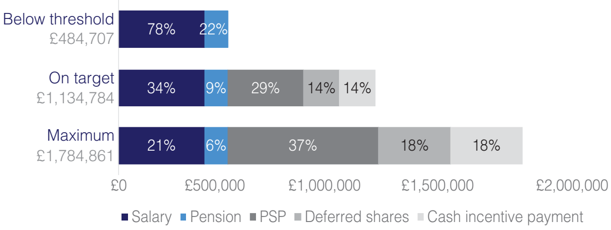
Alison Brittain



Nicholas Cadbury



Louise Smalley



On-target performance assumes a 50% payout of maximum opportunity for the Annual Incentive plan and the PSP. For simplicity, no share price growth is assumed. Taxable benefits are not included. The PSP award replaces the 2018 and 2019 LTIP grants. The PSP figure has been annualised, i.e. only half of the total PSP award is included in the scenario charts above.

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.

Annual Incentive Scheme

The Annual Incentive Scheme has been designed to incentivise outstanding performance across a number of key stakeholder measures and it rewards approximately 90 executives with both a cash payment and an award of deferred shares. The scheme operates over a four-year period as follows:

- performance in the first year is measured against the three performance areas to determine the level of awards;
- measures are set by the Remuneration Committee so that on-target performance is challenging;
- at the end of the first year, cash payments are made and any deferred shares are awarded as appropriate;
- there is a three-year deferral period for the deferred shares before they vest to the executive; and
- malus provisions apply to the deferred share awards in the event of a material misstatement of results, with clawback provisions applying to cash awards.

There are three types of measure used to determine the level of awards under the scheme. There is a profit measure, a number of WINcard measures (or other stakeholder measures as may be deemed appropriate by the Remuneration Committee) and some individual strategic objectives. The strategic individual objectives will be quantitative measures linked to individual responsibilities in the context of our strategic objectives, and will be reviewed in advance by the Remuneration Committee. Targets are set taking into account the business plan, and the link between targets and the Group's strategy can be seen on page 73 of the Annual Report and Accounts 2017/18.

Long Term Incentive Plan

Any grant under the PSP will replace the 2018 and 2019 LTIP Awards for current Executive Directors following shareholder approval.

For any future grants made under the LTIP relevant targets and measures will be disclosed at that time.

Performance conditions applicable to awards granted to Executive Directors prior to 2018 shall continue to apply to any subsisting awards.

Performance Share Plan

For the PSP, the performance conditions will be as follows:

- 40% of the award would vest subject to assessment against strategic objectives;
- 60% of the award would vest subject to the following financial performance:
  - 20% Costa ROCE;
  - 20% Premier Inn UK ROCE; and
  - 20% relative TSR.

At the end of the performance period the Remuneration Committee will carry out an overall assessment of the strategic objectives. When undertaking this assessment the Remuneration Committee will consider the following factors, using judgement where appropriate:

- the degree of achievement of the overall goal to pursue the separation as fast as practical and appropriate in order to establish two focused and high-quality businesses, thereby optimising value for the Company's shareholders. This may be by way of demerger or sale;
- the quality of the execution of the objectives, including appropriate independent assessment; and
- the underlying financial performance of the business, taking into account key financial performance indicators.

These performance conditions were selected because the Committee believes that they provide an appropriate balance between stretching financial targets and the key strategic actions to create value through a successful demerger.

Malus and Clawback

Malus and clawback provisions apply to the LTIP and PSP 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 can be triggered where, in the opinion of the Remuneration Committee, there are exceptional circumstances including in the event of: (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 Whitbread 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 Whitbread Group. Clawback can be triggered in the event of a restatement of financial results or an error in assessing performance conditions that result in the award vesting to a greater degree than would have been the case had the error not occurred, the participant being summarily dismissed because of his misconduct, or where there has been an event that has caused, or is likely to cause, material reputational damage to the Company and/or the Whitbread Group.

Changes to the directors' remuneration policy in 2018/19

The primary change to this policy is the introduction of the PSP and a one-off award under the PSP, which will replace the 2018 and 2019 LTIP awards for the current Executive Directors. Other minor wording changes have been made to provide further clarification on how the policy will be operated in practice, in particular in relation to the treatment of outstanding awards on change of control, malus and clawback provisions, and certain discretionary powers available to the Remuneration Committee.

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.

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 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 a director left by reason of gross misconduct.

A 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 made for loss of office. 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 Remuneration 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 a director leaves the Company for a 'permitted reason' under the rules of the scheme (or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined later in this document), the default position would be that deferred shares would vest on the date of leaving and a pro-rated cash award would be made for the incentive year. No new deferred shares would be awarded and the director would receive a pro-rated cash payment in lieu of the deferred shares. Notwithstanding the above, the Committee has the discretion to make a deferred shares award for the incentive year, with such award due to vest at the same time as the awards made to continuing employees for that year.

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

In the event that a 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.

Long Term Incentive Plan and Performance Share Plan

If a director leaves the Company for a 'permitted reason' under the rules of the plan (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 PSP awards would be pro-rated for time served unless the Committee determines otherwise. Performance would be tested at the end of the performance period and the pro-rated awards would vest at the same time as for continuing employees. No LTIP award would be made in the final year of employment if the Company was aware that the director would be leaving at the point that awards are made.

If a director leaves the Company for any other reason, any unvested LTIP or PSP awards would lapse at the date of leaving.

Vested, but unexercised, LTIP awards (including those subject to a holding period) would be exercisable from the later of six months from the date of leaving or six months from the end of the holding period. In the case of the PSP, vested but unexercised awards (including those subject to a holding period) are exercisable for six months from the end of the holding period unless in exceptional circumstances the Committee determines that they will be exercisable for six months from the date of termination, save that if the director is summarily dismissed for gross misconduct, his award shall lapse.

In the event that a 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 clawback and/or malus provisions may be applied.

In the event of a change of control of the Company, PSP and LTIP awards will normally vest subject to 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). Awards will normally be reduced on a time pro rated basis (unless the Committee determines otherwise). In respect of the

PSP, if a demerger that is not the sale of a business to a third party has been effected, a change of control of the Company will result in share awards over Company shares only being exercisable. Similarly, a change of control of the demerged entity will result in share awards over shares in that demerged entity only being exercisable.

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 future policy table. As such, variable remuneration will be capped at 167% of salary under the Annual Incentive Scheme. If a new Executive Director is recruited before completion of demerger they will be eligible to receive a grant under the PSP or the LTIP, depending on the circumstances and timeframe of their recruitment. If they are granted an award under the LTIP the maximum award will be 200% of salary as per the remuneration policy table. If they are granted an award under the PSP the maximum opportunity will be 350% of salary, but the Remuneration Committee will review this level based on when the individual is recruited and the expected timeframe until demerger is complete. The following exceptions will apply:

- in the event that an internal appointment is made, the Committee may continue with existing remuneration provisions relating to pension and benefits;
- 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 on appointment of a new director in order to compensate for the forfeiture 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 awards forfeited. 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 a 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 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 Appendix describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population. Whilst the Committee consulted with employees in relevant roles when developing the Directors' Remuneration Policy in 2017, it did not consult with employees in relation to the introduction of the PSP.

Base salary

All employees, including the Executive Directors, receive an annual review of base salary. 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 1,100 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 2,700 employees are entitled to participate in the Group's private healthcare scheme, with 1,150 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 directors have waived their right to this benefit. Employees, including the Executive Directors, have access to subsidised restaurants within the Company's offices in Dunstable and Luton and to free Costa coffee within the Company's offices.

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 Remuneration Committee has the ability to establish a Sharesave scheme outside of the UK in the future.

Annual Incentive Scheme

Approximately 6,400 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 90 executives, including the Executive Directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred shares, ranging from 60% to 167% of base salary.

Approximately 200 employees, including the Executive Directors, are given individual strategic objectives in addition to the profit and WINcard targets mentioned above.

Long Term Incentive Plan

Approximately 50 executives, including the Executive Directors, participate in the LTIP. This scheme is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

Performance Share Plan

The Remuneration Committee may, in their discretion, permit any person who is an employee of the Company or any of its subsidiaries to participate in the PSP provided that such employee has, in the opinion of the Committee, key responsibility for delivering the arrangements for the demerger.

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 45 executives receive between 15% and 20% of basic salary from the Company, which can be allocated to 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 27.5% of salary. In 2013, the upper limit for new joiners was reduced to 25%. This contribution can be allocated to pension, or taken as cash.

Consideration of shareholder views

In May 2018 we consulted with our largest investors, as well as Glass Lewis, ISS and the Investment Association on the introduction of the new PSP. As a result, changes were made to the PSP structure. The Committee were 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 did not consult with shareholders on any other aspects of the policy, because there have been no significant changes to the remainder of the policy from the 2017/18 policy.

When we created the 2017/18 policy we contacted our twenty largest investors, as well as Glass Lewis, ISS and the Investment Association, in October 2016 to consult on proposed changes to our remuneration policy. The responses received to both consultations were broadly positive and supportive and, as a result, no changes were made to the original proposals although, as a result of shareholder feedback, we have improved our disclosure of targets.

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 17 June 2014 (the date the Company's first shareholder-approved directors' remuneration policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Remuneration Committee discretion

The Remuneration Committee retains the discretion to apply 'good leaver' terms to leavers in respect of the Annual Incentive Scheme, the LTIP and the

PSP. 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 vest in full on the date of leaving and may be exercised within six months. Under the rules of the LTIP and the PSP, the award would vest subject to the satisfaction of performance conditions, at the end of the performance period. The number of shares vesting would be on a pro-rata basis taking account of the proportion of the performance period that the individual had been employed within the Group (unless the Committee determines otherwise). Vested but unexercised awards (including those subject to a holding period) under the PSP are exercisable for six months from the end of the holding period unless in exceptional circumstances the Committee determines that they will be exercisable for six months from the date of termination. On occasions where the Committee exercises this discretion the participant would be expected to continue to meet the shareholding requirement until the award vests and failure to do so would result in the lapsing of the award. No LTIP grants will be made within the last 12 months of employment to any employee who has requested, and been granted, ‘good leaver’ status.

The Committee set the performance targets for the one-off PSP at this time and will do so on an annual basis for the LTIP and the Annual Incentive Scheme. The Committee may change a performance target from time to time in the event that it considers it fair and reasonable to do so, for example in the case of a demerger. Any change to an existing performance target must not have the effect, in the opinion of the Committee, of making the target materially easier or materially more difficult to achieve than it was when the award was initially granted.

The Chairman and non-executive directors’ fees

Although the fees paid to the non-executive directors are not a matter for the Remuneration Committee, non-numerical details are provided in this policy. 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.

The fees are reviewed annually by the 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.

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.

Neither the Chairman nor any of the non-executive directors has a service contract. Non-executive directors have letters of appointment setting out their duties and the time commitment expected of them. Appointments are for an initial term of three years after which they are reviewed and their appointment can be terminated by either party on three-months’ written notice. Non-executive directors have no entitlement to compensation on termination. All directors submit themselves for re-election annually. The letters of appointment are available for shareholders to view at the Company’s registered office.

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Merrill Corporation Ltd, London
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