

# Remuneration Committee Report



**Frank Fiskers**  
Chair, Remuneration Committee

We entered the 2021/22 financial year with optimism for a brighter future, with the UK Government's roadmap for the reopening of society in place and hope that we would be able to operate close to normality for much of the year. The situation was similar in Germany. There have clearly been some hurdles to overcome, most notably the emergence of the new Omicron variant just before Christmas. On the whole, operating conditions, whilst remaining challenging, were much improved on the year before.

Whitbread has delivered an excellent performance in the context of this challenging backdrop. We set targets at the start of the year to significantly outperform our competitors, and this has been achieved. We have also returned to profitability in the latter part of the year, which is ahead of where we thought we might be. This really is a testament to the fantastic job that people right across the organisation have done, led by our high-performing management team.

In the light of such an excellent performance by the team, it is not surprising that the targets we set at the beginning of the year have been significantly exceeded. As a result, payouts under the Annual Incentive Scheme for the 2021/22 financial year on a formulaic basis are at the top end of the range. The Remuneration Committee has given careful thought as to whether payouts at this level are appropriate or whether this formulaic outcome should be adjusted. In making this assessment, the Committee considered the experience over the year for a range of stakeholders (see page 90 for further details). Whilst the experience for stakeholders has been good, for the first three months of the year, the Company took advantage of the Government's Job Retention Scheme. As a result, we concluded that, despite the overall excellent performance, it was appropriate to reduce the opportunity, and therefore the payouts, by 25% under the Annual Incentive Scheme. More details are provided on page 88 under 2021/22 annual incentives.

## Updated remuneration policy

The current remuneration policy was approved by shareholders at a general meeting in December 2019 and, as such, we will be seeking shareholder approval for a new updated policy at the AGM in June this year. At the end of 2021, I conducted an extensive consultation exercise with major shareholders, to seek views on the current structure of our remuneration schemes.

After a detailed review, carefully taking into account the views of shareholders in the consultation process, the Remuneration Committee continues to believe that the overall structure of our remuneration schemes is appropriate for Whitbread at this time, and is the best way of aligning the interests of management with shareholders and other stakeholders. As a result, the proposed policy is largely unchanged from the one approved in 2019. We do, however, intend to reduce the executive directors' pension contribution to 10% of salary with effect from 31 December 2022 so as to align to the wider workforce. We also plan to introduce greater flexibility in the selection of financial metrics included in the Annual Incentive Scheme, to ensure that we can set the most appropriate and relevant targets each year.

After listening to feedback from shareholders on our proposals, we have made two changes to the Annual Incentive Scheme: firstly, we will ensure that at least 60% of future years' incentives will be based on financial metrics (original proposal was 50%); and secondly, we intend that profit will be the predominant financial metric. I would like to thank shareholders for engaging with us as we developed the revised policy and I would ask for your support for the resolution approving the policy at the AGM in June.

## Remuneration Report continued

## Remuneration Committee Report continued

**2020/21 annual incentives**

As I explained in my report last year, although it had been clear from early in the 2020/21 year that the profit element could not be achieved, performance against the other elements was strong. Whilst we were confident that the 2020/21 incentive outcome fairly reflected the year's strong performance, we agreed to make no payment at that time, but rather to carry over the incentive earned subject to an underpin. This approach allowed us to conserve cash, while providing a direct incentive for the recovery of the business from the pandemic and a retention mechanic at a time when the executives had very little retention coming from long-term incentive plans. It was, therefore, aligned with the interests of shareholders.

The underpin on this deferred element required satisfactory performance to be delivered on at least 50% of each executive's strategic objectives set for the 2021/22 financial year.

As explained above, Whitbread has performed exceptionally well in challenging external circumstances this year and this is reflected in the outcomes of the executives' strategic objectives. The outcomes for Alison Brittain and Louise Smalley are 84.0% and 84.6% respectively and are clearly itemised on pages 104 and 105. These outcomes are well above the 50% threshold and the Committee has confirmed that the criteria set for the release of the 2020/21 carried-over incentive have been met in full.

As the underpin has been met, the incentive would ordinarily be payable based on the structure and conditions we set in 2021 and explained to shareholders at that time. However, whilst the Committee believes management has performed exceptionally well during the last two years and all performance requirements have been fully delivered, Alison Brittain, Louise Smalley and the Committee have jointly come to the decision that Alison and Louise will not receive these incentive payments. Instead, an equivalent amount is to be used to form a welfare fund for Whitbread employees.

Although no payment will be made, the Committee remains of the view that the approach taken last year served a useful purpose in creating an appropriate structure at a time of significant uncertainty in the business and the wider economy, and balanced this against investors' guidance at the time.

Nicholas Cadbury is not entitled to receive any carried-over payment, having left the Company before the award would have been made.

**2021/22 annual incentives**

The incentive for 2021/22 was based on a combination of profit, efficiency savings and strategic objectives. As I explained in my letter last year, the Committee took a different approach to setting the profit target given the significant restrictions in the hospitality sector and the uncertain outlook at the time the targets were set. In particular, we decided to focus the executives on delivering strong profit conversion and strong sales growth relative to the market.

When calculating the outcome of the profit conversion element, the Committee reviewed the need for potential adjustments. The targets were set based on an assumed level of Government support and, during the course of the year, additional Government support, i.e. support which was not included in the original targets, was utilised. Therefore, to ensure we were making a like-for-like assessment of performance vs targets set at the start of the year, the target was increased by £80m, which was the amount of additional Government support received. This ensures that executives' incentive outcomes do not benefit from any unanticipated support received.

Full details of the outcome against all performance measures is included on page 91.

The Committee recognises the exceptional performance shown by the executive directors in leading Whitbread through a very challenging year while positioning the Company to capture future growth. The Committee is comfortable that the formulaic outcome, after discounting the additional Government support, of 95.2% for the Chief Executive, fully reflects management's strong performance against targets for the year.

Whilst the wider stakeholder experience, which is shown in the table on page 90, has been good, the Committee is cognisant of the views expressed to us by shareholders and investor bodies.

Accordingly, we have decided to make a further discretionary reduction. In order to reflect the Company's use of the CJRS for just under three months (25% of the year) during this financial year, we have reduced the overall incentive by 25%. This results in a total award for the CEO of 71.4%, of which half will be deferred and paid in shares as usual.

### Annual general meeting

At the 2021 AGM, whilst the majority of shareholders supported the resolution to approve the 2020/21 remuneration report, a significant minority did not. We have consulted with major shareholders during the year and we concluded that the main reasons for the lack of support from some shareholders related to the annual incentive being awarded in respect of 2020/21, albeit it was carried over until 2021/22 subject to the achievement of certain objectives.

The Committee remains of the view this was the right decision to have taken at the time due to outstanding performance which has continued into year two of the recovery plan, much benefiting shareholders. It was the optimum way of incentivising the recovery of the business from the pandemic, and provided an element of retention at a time when long-term incentives were not available. However, we believe that the joint decision by Alison Brittain, Louise Smalley and the Committee, for Alison and Louise not to receive an incentive payment has addressed the issue in full.

Together with my colleagues on the Remuneration Committee, I very much hope that shareholders will support both the new remuneration policy and this remuneration report at the 2022 AGM.

### Group Finance Director/Chief Financial Officer

As announced previously, our Group Finance Director, Nicholas Cadbury, stepped down from the Board when he left the Company on 20 March 2022. As announced at the point of his departure, the treatment of his remuneration was fully in accordance with the approved policy (see page 108 for further information).

Hemant Patel was appointed as Chief Financial Officer with effect from 21 March 2022. His remuneration details are included on page 91 and all elements are in line with the approved policy.

### The wider organisation

This report is necessarily focused on executive remuneration, but the Committee is very cognisant of the need to consider remuneration structures across the workforce when taking decisions on executive pay. It was pleasing that we were able to give all UK-based hourly paid team members a mid-year pay increase which was in addition to last April's increase. It meant that all of our pay rates were ahead of the National Minimum Wage and National Living Wage, with all hourly pay rates increasing by at least 7.8% over the year. The additional increase was to thank our teams for helping stand the business back up following the closure of most of its estate during lockdown and as a result of the strong summer demand seen across the hotel market, in addition to helping to attract new talent. Our hourly-paid team members also received two bonuses in the year: a special recognition payment in May and a summer retention award. This year's salary review for executives will be in line with the review across the organisation.

### The year ahead

I explained in last year's report that, recognising that there remained significant uncertainty because of the unpredictable external environment, the Committee had decided to take a different approach by setting a sales-adjusted profit target for the 2021/22 annual incentive. At the time, the Committee expected to revert to the usual approach for the 2022/23 annual incentive and, whilst some uncertainty remains, a fixed profit target has been set.

Alison Brittain's strategic growth objectives for the 2021/22 annual incentive included a number of ESG-specific objectives, further details of which are shown on pages 104 and 105. The Committee recognises the growing importance of ESG issues and it was clear from the shareholder consultation that there is a desire from a broad collection of shareholders to include ESG measures as part of executive remuneration. It has been decided to include a 10% allocation to ESG, split between Force for Good and customer metrics, and further details are included on page 110.

In summary, the performance measures for the 2022/23 annual incentive are: profit (50%), efficiency savings (20%); strategic growth objectives (20%); and ESG (10%).

Recognising that there does remain some external uncertainty, we have elected to retain the same underpins for the Restricted Share Plan 2022 award as used for the 2021 award, being: a balanced overall assessment of performance and delivery against strategic priorities; and a cumulative cost efficiency saving. It is the Committee's intention to return to the type of underpins which we originally used when the Restricted Share Plan was developed, and this is likely to be from 2023 onwards.

I look forward to meeting some of you at our AGM in June and will be happy to answer any questions you might have on our revised remuneration policy or on the application of the current policy.

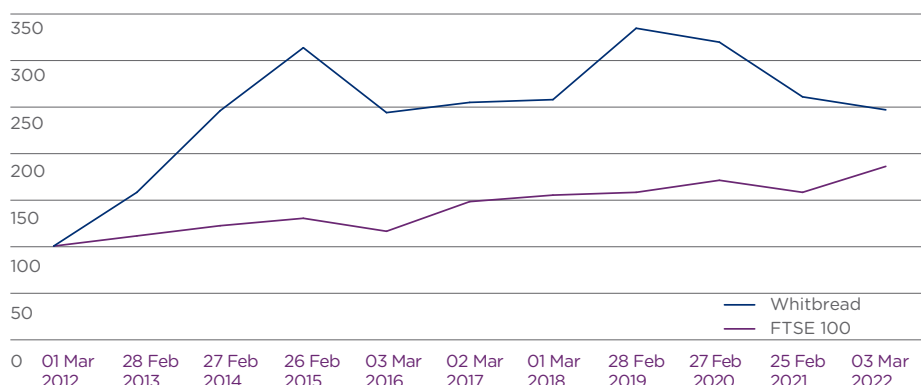


**Frank Fiskers**  
Chair, Remuneration Committee  
27 April 2022

# REMUNERATION AT A GLANCE

## Business performance

Total shareholder return



Source: Datastream from Refinitiv

The chart looks at the value over ten years of £100 invested in Whitbread PLC on 1 March 2012 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 has been selected by the Committee as an appropriate comparator group due to Whitbread's position within the FTSE.

## Financial measures

**£40m**

Efficiency savings

**+25%**

Sales growth vs the market

## Stakeholder experience in 2021/22

### Employees

- Team members received special recognition payments in May 2021 to reward them for their effort and contribution during 2020/21
- A retention bonus for our hourly paid team members who stayed with us over the busy summer period
- A mid-year additional pay increase for our operational team members, with minimum pay rates increased by 5%
- Enhanced sick pay for COVID-related absence
- Over 8,000 jobs created
- Investment in diversity & inclusion training and strong progress against leadership diversity targets
- 1,086 team members started apprenticeships during 2021/22 and 95% of learners continued their apprenticeships while we were still not fully reopened

### Investors

- Dividend of 34.7p per share
- Significant market outperformance in the UK, with Premier Inn total accommodation sales 14.8% ahead of the midscale and economy market
- Expansion continuing at pace in Germany with 35 open hotels and 41 in the pipeline, with accommodation sales 189.7% ahead of 2019/20

### Executives

- 2020/21 incentive performance requirements fully delivered, but will not be received
- 2021/22 incentive reduced by 25% to reflect the use of the CJRS for the first three months of our financial year

### Customers

- Significant investment in our CleanProtect promise, our rigorous daily cleaning regime to help protect guests
- Added additional room rate classes to give more flexibility during the increased uncertainty, following the increased guest refunds at the start of the pandemic
- c.1,650 Premier Plus rooms rolled out
- Introduced a twin room solution to give customers greater choice
- Significantly enhanced our food offer and improved our core drinks offer

### Suppliers

- Supported supplier cash flow with temporary extension of payment terms on large value orders and fast-tracking of supplier invoicing queries
- Introduced a committed buy process, giving additional contractual security on long-haul and campaign products
- Used our UK logistics network to support suppliers with deliveries during driver and transport shortages
- Appointed a third party to support suppliers with post-Brexit customs processes

- Maintained responsible sourcing programme despite COVID challenges

### Communities

- Raised £1.7m for Great Ormond Street Hospital Children's Charity (GOSH Charity), resulting in a total of £20m since the start of our partnership, which has supported the development of the Sight and Sound Centre which is now fully open
- Decision taken that all new build construction will be industry-leading BREEAM Excellent standard

### Joint venture partners

- Additional financial support agreed for Pure due to COVID impact on the business

### Landlords

- All rent paid in full, in contrast to competitors

### Environment

- Net Zero target brought forward by ten years to 2040 and accelerated interim target agreed to 2030
- Scope 3 targets set and commitment given to be SBTi accredited
- Food waste: over 500,000 meals donated to FareShare
- Force for Good rolled out in Germany

Details of how the Board considers the interests of the Group's employees and other stakeholders is contained on pages 50 to 54.

## Incentive outcomes for 2021/22

The table below sets out the outcome under the 2021/22 annual incentive. As outlined on page 88, a reduction has been applied to the formulaic outcome to reflect the Company's use of the CJRS for three months during 2021/22. The total incentive earned is as follows:

				Weighting (% of maximum)	Outcome achieved		
Measure		Threshold	Target		Max	Alison Brittain	Louise Smalley
Profit performance	Sales growth vs market measure	Actual: +25%			25%	25%	25%
		-1%	0%	+2.25%			
	Profit conversion measure	Actual: (£16m)			25%	25%	25%
		(£64m)	(£44m)	(£24m)			
Efficiency savings		Actual: £40m			20%	20%	20%
		£20m	£25m	£30m			
Strategic growth objectives		Details of performance are set out on pages 104 and 105			30%	25.2%	25.39%
Formulaic outcome (% of maximum)						95.20%	95.39%
Outcome after discretionary reduction in bonus opportunity (% of maximum)						71.40%	71.54%
Adjusted total outcome (% of salary)						121.38%	60.81%
Actual annual bonus (£'000)						1,086	244

<sup>1</sup> Louise Smalley retired from the Company and stepped down from the Board on 31 August 2021. The bonus outcome has been pro-rated to reflect the part of the year during which Louise served on the Board.

As usual, 50% of the total annual incentive achieved will be deferred and paid in shares which will vest after three years.

### 2021/22 LTIP outcome

There were no LTIP awards due to vest during 2021/22. The first awards made under the Restricted Share Plan ("RSP") will vest in 2023, subject to the achievement of the two performance underpins.

## Implementation of the remuneration policy for 2022/23

### Base salary

Alison Brittain will receive a salary increase in May 2022 in line with the general increases in pay for salaried employees across the organisation. Hemant Patel, having recently been appointed, will not be entitled to a salary increase in May.

	Salary at 1 May 2022 (£000's)	Salary at 1 May 2021 (£000's)	% increase
Alison Brittain	921	895	3%
Hemant Patel	515	N/A	N/A

### Pension

Alison Brittain's pension contribution will reduce to 10% effective from 31 December 2022, at which point it will be aligned with the rate available to the majority of the wider workforce. On appointment, Hemant Patel's rate was set at 10%.

	Pension contribution rate from 31 December 2022 (% of base salary)	Pension contribution rate from May 2022 (% of base salary)	Pension contribution rate from May 2021 (% of base salary)
Alison Brittain	10%	15%	18%
Hemant Patel	10%	10%	N/A

### Annual Incentive Scheme

The maximum bonus for 2022/23 for the current executive directors will be 170% of base salary, with awards payable based on the following measures:

Financial alignment: 70%		Strategic alignment: 30%	
Profit performance: 50%	Efficiency: 20%	Strategic growth: 20%	ESG: 10%

### Restricted Share Plan

Awards are based on 125% of salary for Alison Brittain and 110% of salary for Hemant Patel, and are expected to vest in 2025, after which they will be subject to a two-year holding period. The awards are subject to the following underpins:

Balanced overall assessment of performance and delivery against strategic priorities	Cumulative cost efficiency saving of £60m over the three-year performance period
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# DIRECTORS' REMUNERATION POLICY

## Introduction

This report outlines the Company's directors' remuneration policy (the 'Policy'), which shareholders will be asked to approve at the annual general meeting to be held on 15 June 2022. Subject to shareholder approval, the Policy will be effective from the date of the 2022 AGM and is intended to apply for three years.

For executive directors, our approach continues to be designed so as to:

- › align with the business strategy and the achievement of planned business goals;
- › support the creation of sustainable long-term shareholder value;

## Future policy table

Element	Purpose and link to strategy	Operation
<b>Base salary</b>	<ul style="list-style-type: none"> <li>› 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.</li> </ul>	<p>Salaries are reviewed annually taking account of:</p> <ul style="list-style-type: none"> <li>› the salary review across the Group;</li> <li>› trading circumstances;</li> <li>› personal performance, including against agreed objectives; and</li> <li>› market data for an appropriate comparator group of companies.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>› Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executive directors.</li> </ul>	<ul style="list-style-type: none"> <li>› Executive directors are entitled to benefits relating to a car or car allowance and healthcare or personal insurance.</li> <li>› 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, reimbursement of expenses for temporary accommodation, travel and legal and/or financial assistance.</li> </ul>
<b>Annual Incentive Scheme (AIS)</b>	<ul style="list-style-type: none"> <li>› To provide a direct link between annual performance and reward.</li> <li>› To incentivise the achievement of outstanding results across appropriate key stakeholder measures.</li> <li>› 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.</li> </ul>	<ul style="list-style-type: none"> <li>› Targets for measures are normally set at the beginning of the financial year.</li> <li>› Cash awards paid following the end of the financial year.</li> <li>› Deferred share awards normally vest after three years, subject to continued employment.</li> <li>› Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards as set out below.</li> </ul>
<b>Restricted Share Plan (RSP)</b>	<ul style="list-style-type: none"> <li>› To enable the growth strategy in both the UK and Germany, which requires different strategies and approaches.</li> <li>› To promote long-term value creation rather than focusing on specific targets at a time when the executive directors need to balance investment and growth.</li> <li>› To retain executive directors throughout an important time for the business to deliver the growth strategy.</li> </ul>	<ul style="list-style-type: none"> <li>› Awards normally vest after a period of at least three years, subject to two or more performance underpins and continued employment.</li> <li>› After vesting, there will be an additional holding period during which vested shares cannot be sold, such that the combined underpin measurement period and holding period is at least five years.</li> <li>› Subject to clawback and malus provisions as set out below.</li> <li>› Dividend equivalents may be provided on vested awards during a holding period.</li> </ul>

- › provide an appropriate balance between remuneration elements that attract, retain and motivate the highest calibre of executive talent; and encourage a high-performance culture by ensuring share-based remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

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

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

#### Maximum potential value

- › Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group.
- › On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and where the Committee judges that there is a risk in relation to attracting or retaining executive directors.

- › 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.

- › Up to 200% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred share awards).
- › The maximum bonus for 2022/23 for the current executive directors will be 170% of base salary. Any increase beyond this level in future years will only be applied in exceptional circumstances and will be at the discretion of the Committee.

- › Annual awards to a maximum of 125% of base salary in respect of each financial year.
- › The grant for 2022/23 for the current executive directors will be 125% of base salary for the CEO and 110% of base salary for the CFO. Any increase beyond this level for the CFO will only be applied in exceptional circumstances and will be at the discretion of the Committee.

#### Performance metrics

- › None.

- › None.

- › Awards are payable based on a mix of financial metrics and other business objectives. Financial metrics will represent no less than 60% of the total award for each year, of which the predominant amount is intended to be profit. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance will be used. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on-target performance and the full incentive payment being paid for delivering stretch performance.

- › These vesting levels may vary from year to year.
- › The Committee may at its discretion adjust the outcome under the formulaic measures where it considers it is appropriate to do so to better reflect overall Company performance.

- › Vesting will be subject to two or more performance underpins, which will be disclosed at or around the time of grant in the DRR.
- › If one or more of the underpins is not met, then a portion of the award up to or equal to the weighting of that measure(s) will lapse, subject to the overall discretion set out below.
- › It is anticipated that all performance underpins will be equally weighted, although the Committee retains the discretion to adjust the weighting of any underpins each year.
- › The Committee will select the underpins each year in order to align with the Company's strategy and these will normally be disclosed at or around the time of grant, in the DRR. At least one underpin will be based on an objective financial metric.
- › In addition, the Committee will have general discretion to determine the most appropriate vesting levels if it believes this will better reflect the underlying financial performance of the Company over the period and such other factors as it may determine.

## Remuneration Report continued

## Directors' Remuneration Policy continued

## Future policy table

Element	Purpose and link to strategy	Operation
<b>Sharesave scheme</b>	<ul style="list-style-type: none"> <li>› To encourage long-term shareholding in the Company.</li> </ul>	<ul style="list-style-type: none"> <li>› Annual invitation to all employees, including the executive directors.</li> <li>› Option price calculated by reference to the market price discounted by 20% on the invitation date.</li> <li>› Options granted subject to participant agreeing to save over a three- and/or five-year period.</li> <li>› In the event an employee working in Germany is made an executive director, they will be eligible to participate in the International Sharesave scheme (which is aligned with the scheme for UK-based employees).</li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>› Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.</li> </ul>	<ul style="list-style-type: none"> <li>› Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas).</li> <li>› Defined contribution scheme.</li> <li>› Can elect for cash in lieu of pension contributions.</li> </ul>
<b>Chairman and non-executive director fees</b>	<ul style="list-style-type: none"> <li>› To attract and retain a Chairman and non-executive directors of the highest calibre.</li> </ul>	<ul style="list-style-type: none"> <li>› The Chairman receives an annual fee and the non-executive directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees or any other Board committee as may be constituted from time to time.</li> <li>› 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.</li> </ul>



Maximum potential value	Performance metrics
<ul style="list-style-type: none"> <li>› Consistent with prevailing HMRC limits, currently savings limited to £500 per month.</li> </ul>	<ul style="list-style-type: none"> <li>› None.</li> </ul>
<ul style="list-style-type: none"> <li>› The current contribution rate is 15% of base salary (as of 1 May 2022) for incumbent executive directors. This will reduce to 10% of base salary effective from 31 December 2022, which is aligned with the rate available to the majority of the wider workforce.</li> <li>› For any new appointment, the contribution will be up to a maximum of 10% of salary (although the actual level will be determined based on all relevant factors at the time of appointment, including having regard to the pension contribution rates available to the majority of the workforce).</li> </ul>	<ul style="list-style-type: none"> <li>› None.</li> </ul>
<ul style="list-style-type: none"> <li>› The fees are reviewed annually by the Board (excluding the non-executive directors), taking into account a range of factors including the time commitment required of the directors, the responsibilities of the role and the fees paid by other similar companies.</li> <li>› Non-executive director fees must remain within the aggregate limit approved by shareholders from time to time. The current aggregate limit is £700,000 (excluding the Chairman's fee and additional fees, such as for committee membership).</li> </ul>	<ul style="list-style-type: none"> <li>› None.</li> </ul>

## Remuneration Report continued

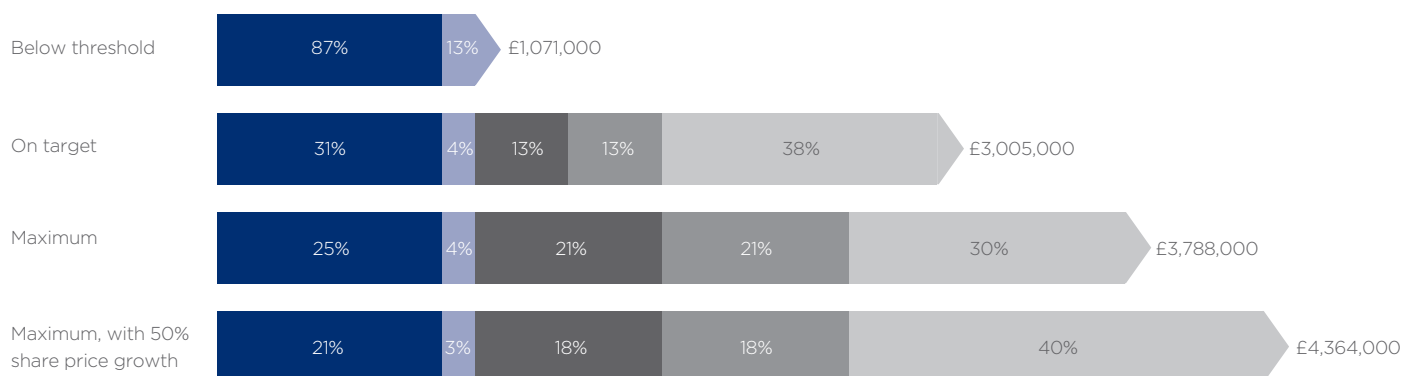
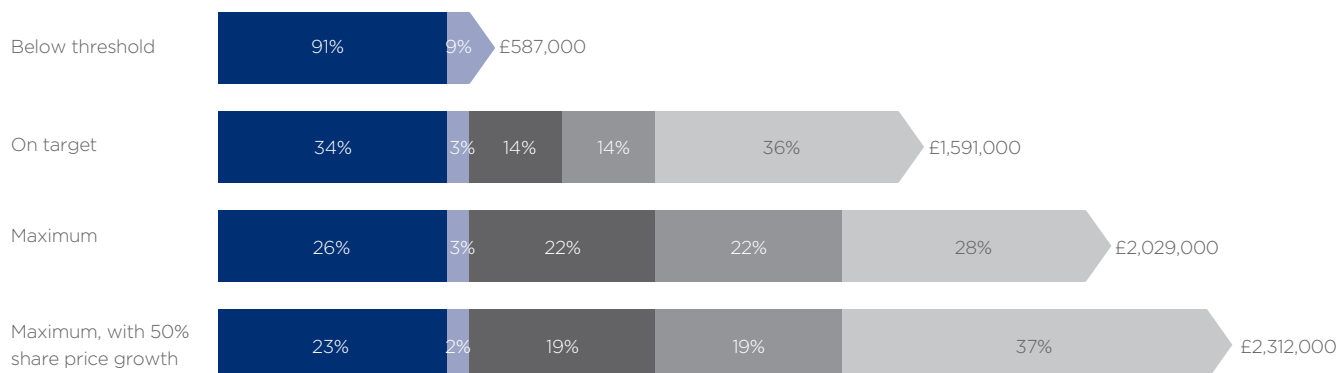
## Directors' Remuneration Policy continued

**Share-based awards under the AIS and RSP may:**

- a) be delivered as nil-cost options, forfeitable shares, conditional share awards or equivalent cash-settled instruments; and
- b) be adjusted in the event of any variation of the Company's share capital or in any other circumstances the Committee considers it appropriate.

**Illustration of application of remuneration policy**

The graphs below show how the Policy will be applied in 2022/23, 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 2022/23 package****Alison Brittain****Hemant Patel**

● Salary and benefits    ● Pension    ● Cash incentive    ● Deferred shares    ● RSP

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

Below threshold	On target	Maximum
<ul style="list-style-type: none"> <li>Only the fixed pay elements are received (base salary, benefits and pension).</li> <li>Salary reflects what will be paid in 2022/23. For the CEO this means the salary has been pro-rated to reflect the increase from 1 May 2022. The CFO's salary was set on appointment and will not increase from 1 May 2022.</li> <li>Benefits are included at the value in the 2021/22 single figure table. As the incumbent CFO was not on the Board during 2021/22, we have taken the outgoing CFO's benefits for 2021/22 as a representative figure.</li> <li>The CEO's pension is calculated based on the change in contribution rates as outlined on page 100. The CFO's pension is 10% of salary.</li> </ul>	<ul style="list-style-type: none"> <li>Fixed pay elements plus target annual bonus and RSP.</li> <li>Incentives are based on salaries at 1 May 2022.</li> <li>On target pay for the annual incentive award has been included at 50% of the maximum award (170% for each director).</li> <li>On target pay for the RSP has been included at 100% of the 2022/23 maximum award (125% of salary for the CEO and 110% of salary for the CFO).</li> </ul>	<ul style="list-style-type: none"> <li>Fixed pay elements plus maximum annual incentive award and RSP, with values as set out to the left.</li> <li>An additional scenario sets out the value of the RSP assuming a 50% increase in share price between grant and vesting.</li> </ul>

## Performance measures

With the exception of base salary, benefits, pension and participation in the Sharesave scheme, all other elements of the remuneration packages of the executive directors are linked to performance.

The RSP is subject to performance underpins, which, if not met, may cause an award to be reduced. The RSP was introduced to enable the growth strategy in both the UK and Germany, to support shareholder alignment through direct exposure to share price and to retain executive directors throughout an important time for the business to deliver the growth. The underpins each year are set taking into account the business plan and the Group's strategy so as to protect against a payment for failure.

The performance measures and targets for the Annual Incentive Scheme are selected annually to align with the business strategy. Targets for measures are normally set at the beginning of the financial year.

There are a number of types of measure used to determine the level of awards under the scheme. There are financial and other business measures and some strategic growth objectives. The growth objectives will be quantitative measures linked to individual responsibilities in the context of our strategic objectives and will be reviewed in advance by the Committee. Targets are set taking into account the business plan.

## Malus and clawback

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

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

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

## Shareholding requirements

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

Shares held outright (including by a connected person) count towards the shareholding requirement. In addition, any vested but unexercised options, deferred bonus shares or

vested Long Term Incentive Plan (LTIP) or RSP share awards subject to a holding period count towards the shareholding requirement on a notional net of tax basis. Any awards still subject to performance conditions, including awards subject to a performance underpin under the RSP, cannot count towards a shareholding requirement.

Additionally, executive directors will continue to have shareholding requirements post-cessation. It is a term of grant of all deferred bonus and RSP awards granted since December 2019 that the award cannot be exercised if an individual is not, at that point in time, meeting their post-cessation shareholding requirement.

The post-cessation shareholding requirements have been set at:

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

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

The Committee recognises that it will be unable to enforce the post-cessation shareholding requirement by restricting the sale of shares vesting under share awards where the awards had already been granted to the executive directors prior to December 2019, as no such conditions were part of these awards when granted and the Committee believes it is inappropriate to retrospectively amend these. The Committee has therefore decided to establish transitional arrangements for the executive directors as at December 2019 whereby post-cessation shareholding requirements will build as future awards vest. Any newly appointed executive directors will be subject, in full, to the post-cessation shareholding requirement.

## Changes to the Policy in 2022/23

The principal change to the proposed policy vs that approved by shareholders at the 2019 general meeting is the reduction of executive directors' pension allowance to 10% in line with the level available to the wider workforce. Other changes are minor drafting amendments.

## Service contracts and external appointments

The key terms of the executive directors' service contracts are as follows:

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

## Remuneration Report continued

## Directors' Remuneration Policy continued

The dates of the executive directors' service contracts are as follows:

Alison Brittain	21 May 2015
Hemant Patel	26 January 2022

Executive directors' service contracts are available for inspection by any person at the Company's registered office during normal office hours and on the Company's website at [www.whitbread.co.uk](http://www.whitbread.co.uk). The executive directors are entitled to retain fees from external directorships.

The effective dates of the letters of appointment of the Chairman and the non-executive directors are as follows:

Adam Crozier	1 March 2018
David Atkins	1 January 2017
Kal Atwal	1 March 2021
Horst Baier	1 November 2019
Fumbi Chima	1 March 2021
Frank Fiskers	1 February 2019
Richard Gillingwater	27 June 2018
Chris Kennedy	1 March 2016

The Chairman and non-executive directors were each appointed for an initial three-year term and are subject to annual re-election at the AGM.

### Policy on payment for loss of office

#### Base salary and contractual benefits

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

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

The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/ or the director's legal and/or professional advice fees in connection with his or her cessation of office or employment.

#### Annual Incentive Scheme

If an executive director leaves the Company for a 'permitted reason' under the rules of the scheme (redundancy, death, the sale of his or her employing company or business out of the Group, injury, ill-health or disability, or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined later in the 'Remuneration Committee discretion' section of this Policy), the default position would be that unvested deferred share awards would vest on the date of leaving and a time pro-rated cash award would be made for the incentive year in which cessation of employment occurs. No new deferred share awards would be granted in respect of any Annual

Incentive Scheme award made after the executive director leaves the Company, and the executive director would receive a time pro-rated cash payment in lieu of the deferred share awards. Notwithstanding the above, the Committee has the discretion to make a deferred share award for the incentive year in which cessation of employment occurs, with any such award due to vest at the same time as the awards made to continuing employees for that year and for unvested deferred bonus awards to vest as if the executive director had not left the Company.

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

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

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

#### Restricted Share Plan

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

If an executive director leaves the Company for any other reason, any unvested RSP awards would lapse at the date of leaving.

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

In the event that an executive director was summarily dismissed for gross misconduct or was to leave the Company in circumstances in which the reputation of the Company is materially damaged, the Committee would consider the application of the clawback and/or malus provisions to which the awards were subject. In the event of a change of control of the Company, unvested RSP awards will typically vest to the extent determined by the Committee, taking into account (i) the Committee's assessment of the relevant performance underpins; (ii) the underlying financial performance of the Company; and (iii) such other factors as it considers relevant. RSP awards will (unless the Committee determines otherwise) be reduced on a time-apportioned basis, normally by reference to the proportion of the underpin measurement period (or if the Committee determines, the vesting period) that has elapsed. In determining whether an award should not be time pro-rated, the Committee will take into account: (i) the performance of the Company during the vesting period; (ii) the Company's share price performance during the vesting period; (iii) the amount of consideration from any buyer; and (iv) such other factors as it considers relevant.

#### Approach to remuneration on recruitment

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

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

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

- as deemed necessary and appropriate to secure an appointment, the Committee is able to make additional payments linked to relocation; and
- the Committee may also make an additional award of cash or shares in connection with the appointment of a new director in order to compensate for the forfeiture, or the loss of value in respect of all or part, of an award from a previous employer. Such awards would take account of the value, the performance conditionality of the awards which they replace, the proportion of the performance period remaining and the type of award. 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.

Where an individual is recruited internally to the position of executive director, Whitbread will seek to honour any pre-existing contractual commitments, taking into account the remuneration of the existing executive directors.

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

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

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

#### Comparison of executive remuneration policy with wider employee population

When reviewing the executive directors' remuneration policy, the Remuneration Committee takes into consideration the pay and employment conditions of all employees across the Group. For example, the principle change to the proposed policy versus that approved by shareholders at the 2019 General Meeting is the reduction of executive directors' pension allowance to 10% to align with the level available to the wider workforce. Further, Alison Brittain's salary increase for the upcoming year was set in line with the general increases in pay for salaried employees across the organisation.

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

#### Base salary

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

#### Benefits

Approximately 450 employees across the Group are entitled to a company car or cash in lieu of a company car. The scheme is structured so that the level of the allowance is on a sliding scale, with employees on higher grades receiving a larger allowance. The executive directors are no longer entitled to a company car under this scheme but are entitled to receive cash in lieu of a car.

Approximately 1,900 employees are entitled to participate in the Group's private healthcare scheme, with 630 of these, including the executive directors, entitled to family cover. In addition, a small number of senior executives, including the executive directors, are entitled to annual health screening.

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

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all UK employees, including the executive directors, on equal terms. The Company has shareholder approval to extend its share schemes overseas and the Committee has now established a Sharesave scheme for employees in Germany.



## Remuneration Report continued

## Directors' Remuneration Policy continued

**Annual Incentive Scheme**

Approximately 3,900 employees are eligible to take part in an annual incentive scheme linked to the achievement of financial and other business targets. The maximum opportunity is dependent on role. Approximately 45 employees, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred share awards, ranging from 60% to 170% of base salary.

Approximately 90 employees, including the executive directors, are given individual strategic objectives in addition to the financial and other business targets mentioned above.

**Restricted Share Plan**

Approximately 45 employees, including the executive directors, participate in the RSP. This plan is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

**Pension**

Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. Employees below the executive level are able to choose a contribution rate of between 5% and 10% and have this matched by the Company.

From 31 December 2022, the incumbent executive directors will receive Company contributions of 10% of base salary, which aligns with the contribution rate offered to the majority of the wider workforce. The upper limit for new joiners continues to be 10% of base salary as agreed in the previous policy. Contributions can be allocated to the individual's pension or taken as cash. Employees who do not choose to participate may be automatically enrolled, with contributions in line with the automatic enrolment regulations.

**Consideration of shareholder views and summary of decision making process**

The Committee has consulted with Whitbread's major investors, along with Glass Lewis, ISS and the Investment Association. These consultations have been very helpful to us as we have updated our policy for the future, and I would like to thank all those who responded to the consultations for their time and input. Following feedback that financial metrics should have an increased weighting within the Annual Incentive Scheme, we have increased the weighting to a minimum of 60% of the total award and stated that the predominant amount is intended to be profit. This is the only change we have made to the proposed policy following the consultation process, as feedback has been positive and supportive of the Committee's approach.

**Legacy matters**

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

**Remuneration Committee discretion**

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

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

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

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

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

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



# ANNUAL REPORT ON REMUNERATION

## Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Frank Fiskers (Chairman)	4/4
David Atkins	4/4
Kal Atwal	4/4
Adam Crozier	4/4
Richard Gillingwater	4/4

## Remuneration Committee – responsibilities

- › Set the broad policy for the remuneration of the Chairman and members of the Executive Committee, including the executive directors.
- › Within the terms of the agreed policy, determine the total individual remuneration package (including incentive payments, share awards and other benefits) of the Chairman and each executive director.
- › Monitor the structure and level of remuneration of Executive Committee members.
- › Approve the design of, and determine the targets for, executive incentive schemes.
- › Approve awards to be made to executive directors and other senior executives under incentive schemes.
- › Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- › Review the alignment of incentives with the Company's wider culture.
- › Obtain ideas and concerns from the wider workforce about reward and take into account workforce remuneration across the Company and externally when setting remuneration policy for the executive directors.

In carrying out its duties the Committee has taken into account the principles outlined in the UK Corporate Governance Code 2018, including provision 40 and 41. The Committee believes that the Company's remuneration structures are aligned to the Company's culture and values. Furthermore, the Company's remuneration structures are simple and clear, with executive directors receiving base salary, an annual incentive and a long-term incentive under the RSP.

Risk is managed, with both the Annual Incentive Scheme and the RSP being subject to malus and clawback provisions. In addition, a poor health and safety performance would lead to a reduced payout under the Annual Incentive Scheme and the underpins under the RSP provide protection against any payment for failure.

Outcomes are predictable to the extent that the Company achieves its targets over any given performance period.

A significant proportion of an executive's total reward is linked to performance, with much of the reward achieved being deferred. This helps to align the interests of executives to investors.

## Remuneration Committee – advisers

### Internal advisers

Chris Vaughan – General Counsel and Secretary to the Committee

Steve Jones – Reward, Pensions and Insight Director

### External advisers

PwC, one of the founding members of the Remuneration Consultants Group Code of Conduct, was appointed remuneration consultant by the Committee with effect from September 2017 following a rigorous tender process and adheres to this code in its dealings with the Committee. Fees paid to PwC in respect of advice received by the Committee amounted to £154,500. These fees were charged on a time and material basis.

The Committee is satisfied that the advice received is independent and objective. The Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence.

### Remuneration Committee agenda – 2021/22

- › Approval of Annual Incentive Scheme and targets for 2021/22.
- › Deferral of awards to executive directors under the Annual Incentive Scheme for 2020/21.
- › Executive directors' and senior executives' salary review.
- › Approval of the 2021 awards made under the RSP.
- › Approval of the 2021 remuneration report.
- › Update to Sharesave rules.
- › Review of wider remuneration strategy across the organisation.
- › Shareholder consultation in relation to revised remuneration policy.
- › Review of senior executive pension arrangements.
- › Committee effectiveness evaluation.
- › Review of the terms of reference.

## Remuneration Report continued

## Annual Report on Remuneration continued

## Single total figure of remuneration – executive directors (audited information)

Director	Base salary <sup>1</sup>		Benefits		Pension		Fixed pay		Annual Incentive Scheme		Long-term incentive		Variable pay		Total	
	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000
Alison Brittain	892	816	20	22	166	194	1,078	1,032	1,086	-	-	-	1,086	-	2,164	1,032
Nicholas Cadbury	606	556	20	22	112	131	739	709	-	-	-	-	-	-	739	709
Louise Smalley <sup>2</sup>	200	367	9	19	38	86	247	472	244	-	-	-	244	-	491	472

1 The 2020/21 base salary figures reflect that the executive directors agreed to a 30% three-month reduction in response to the pandemic. The figures, had no reduction been made would have been £882k, £606k and £400k for Alison, Nicholas and Louise respectively.

2 Louise Smalley retired from the Company and stepped down from the Board on 31 August 2021. The figures shown for the 2021/22 financial year are for the part of the year during which Louise served on the Board.

Details of each of the elements included in the table above are as follows:

**Base salary**

Annual salary increases across the Group are usually effective from 1 May each year. The base salary numbers shown in the table therefore include two months' pay based on the director's salary from 1 May 2020 and ten months' pay based on the director's salary from 1 May 2021.

**Benefits**

The benefits received by each executive director include family private healthcare and a cash allowance in lieu of a company car.

**Annual Incentive Scheme****2020/21 annual incentives**

As explained in last year's report, the targets for the 2020/21 incentive scheme had been established prior to the first COVID-19 lockdown coming into force and it was clear very early in the year that the profit element, as originally set, could not be achieved. However, the Committee decided the target would not be adjusted.

Following the end of the year, we carefully considered the levels of achievement for the other elements of the incentive. Whilst it was clear that these stretching objectives had been achieved, we decided to make no payment at that time, but rather to carry over this earned part of the incentive, subject to an underpin based on the achievement of further stretching targets, to be assessed in 2021/22. Whilst we were confident the 2020/21 incentive outcome fully reflected the strong performance in that year, this approach allowed us to conserve cash, provide a direct incentive for recovery of the business from the pandemic and a retention mechanic at a time when the executives had very little retention coming from long term incentive plans. It was, therefore, aligned with the interests of shareholders.

The underpin on this deferred element required satisfactory performance to be delivered on at least 50% of each executive's strategic objectives set for the 2021/22 financial year.

As explained on page 88, Whitbread has performed exceptionally well in challenging external circumstances this year. Performance has been significantly ahead of the budget/economy hotel market and also ahead of internal and external expectations. We have continued to grow the business in Germany, building a portfolio of 35 hotels in this attractive growth market. The Committee has also considered the treatment of all stakeholders over the course of the year: customer and guest scores have improved; our efficiency programme has accelerated; our hourly paid team members have received two pay rises and two bonus payments; we have supported suppliers throughout and paid on time; and we have announced an intention to recommend a final dividend. This is due to the strong performance of all of our employees,

including the executives, and is reflected in the outcomes of their strategic objectives. The outcomes for the executive directors are 84.0% and 84.6% for Alison and Louise respectively, and are clearly itemised on pages 104 and 105. These outcomes are well above the 50% threshold for the underpin to be met.

As the underpin has been met, the incentive would ordinarily be payable based on the structure and conditions we set in 2021 and explained to shareholders at that time. However, whilst the Committee believes management has performed exceptionally well during the last two years and all performance requirements have been fully delivered, Alison Brittain, Louise Smalley and the Committee have jointly come to the decision that Alison and Louise will not receive these incentive payments. Instead, an equivalent amount is to be used to form a welfare fund for Whitbread employees. The incentive payment for Nicholas Cadbury lapsed.

Although no payment will be made, the Committee remains of the view that the approach taken last year served a useful purpose in creating an appropriate structure at a time of significant uncertainty in the business and the wider economy, and balanced this against investors' guidance at the time.

**2021/22 annual incentives**

The incentive for 2021/22 was assessed against a combination of profit, efficiency savings and strategic objectives. The Committee took a different approach to setting profit targets given the significant restrictions in the hospitality sector and an uncertain outlook.

The profit target was assessed in two parts, against targets set at the start of the year. The first part assessed profit conversion, with the profit target adjusted for actual sales. This allowed the Committee to measure whether Whitbread was generating the right return on its sales, when the absolute level of sales was determined in large part by the timeframe during which restrictions on trade were in place. The second part assessed sales growth relative to the market, which enabled the Committee to test if the Company was performing more strongly than competitors and delivering additional profit as a result.

When calculating the outcome of the profit conversion element, the Committee reviewed the need for potential adjustments. The targets were set based on an assumed level of Government support. During the course of the year additional Government support, not included in the original targets, was utilised. This was primarily due to a grant received in Germany and an extension of the Government's CJRS in the UK. To ensure a like-for-like assessment of performance vs targets set at the start of the year, this additional Government support of £80m was removed from the underlying profit outcome. This ensures that executives' incentive outcomes do not benefit from the additional support received.

Full details of the outcome against all performance measures is included on page 91.

The Committee recognises the exceptional performance shown by the executive directors in leading Whitbread through a very challenging year while positioning the Company to capture future growth. The Committee is comfortable that the formulaic outcome fully reflects management's strong performance against targets for the year.

However, the Committee is focused on ensuring that the final outcome best reflects the wider stakeholder experience and the views expressed to us by shareholders and investor bodies. As such, it has decided to make a further discretionary reduction. In order to reflect the Company's use of the CJRS for the first three months of our financial year, the Committee is reducing the overall outcome by 25%. This means executives are only receiving an incentive payment for the final nine months of the year when the CJRS was not accessed.

For the 2020/21 incentive, the Committee made a pre-emptive decision to cancel the profit measure, but to continue with the other elements. We know that a significant minority of shareholders did not support this action and that is why, for the 2021/22 incentives, we have gone further and reduced the entire annual incentive payment to zero for the period during which the CJRS was accessed.

#### Awards based on profit measure (50% of total award)

As stated last year, the profit target was measured on a basis that adjusted for the level of actual sales. This enabled the executives to be rewarded for delivery of what was in their control: profit conversion; and sales relative to the market. The measure was constructed in two parts. To assess profit conversion, the first element measured the Whitbread profit against the expected profit given the actual Whitbread sales. To assess sales relative to market, the second element measured Whitbread sales growth vs Market sales growth, using FY20 as a pre-COVID-19 reference point.

The outcomes under the sales growth and profit conversion measures are set out below:

	Sales growth vs market measure	Profit conversion measure
	Sales growth vs Market (FY20 base point)	Profit (£m)
Threshold (25% maximum)	-1%	(£64m)
Target (50% maximum)	0%	(£44m)
Stretch (100% maximum)	+2.25%	(£24m)
Actual	+25%	(£16m)
Outcome (% of maximum)	100%	100%

#### Sales growth

- › Target performance was set at growing sales in line with market, and stretch performance was set at growing sales by 2.25% points ahead of market.
- › Our actual sales growth was 25% points ahead of market, delivering an additional £279m of profit.

#### Profit conversion

- › Targets for the profit conversion measure were set based on the total Whitbread sales, using a formula determined at the start of the year. Based on our actual sales, the targeted loss was (£124m).
- › However, since the targets were agreed, unplanned UK and Germany government support was made available to Whitbread, totalling £80m.
- › This government support was accepted in order to protect jobs and allow Whitbread to continue to invest for growth.
- › However, to ensure that incentive outcomes are not boosted by receiving this support, this additional government support was added to the targeted profit outcome to increase the target from (£124m) to (£44m).
- › The actual outcome of (£16m) was in excess of the stretch goal of (£24m).

The percentage of salary received by each director as a result of the profit measure is as follows:

Director	Total % of salary
<b>Alison Brittain</b>	<b>85.00</b>
<b>Louise Smalley</b>	<b>85.00</b>

#### Awards based on efficiency target (20% of total award)

The target was £25m with a threshold of £20m and stretch of £30m. Stretch was exceeded, with efficiency savings of £40m delivered in the year across procurement, operations and property.

Director	Total % of salary
<b>Alison Brittain</b>	<b>34.00</b>
<b>Louise Smalley</b>	<b>34.00</b>

## Remuneration Report continued

## Annual Report on Remuneration continued

**Awards based on strategic objectives (30% of total award)**

Each of the executive directors had a number of business objectives and 25% of the maximum incentive opportunity was linked to performance against these objectives. A summary of each of the executive directors' objectives, together with the incentive outcomes, is shown in the table below.

**Alison Brittain, Chief Executive**

Measures	Actual outcome	Achievement per outcome
<b>Manage the impacts of the COVID pandemic</b>		
Effectively manage the property portfolio	Completed and maintained option on the targeted amount of sale and leaseback opportunities ready to execute with Board approval should it be required. Completed forward funding of £73m for Marylebone development.	✓
Complete the US private placements buyback to plan with acceptable terms	Completed on time and in line with provision level.	✓
Deliver contract base efficiencies/labour model and produce a smaller and simpler field operations structure	Completed and savings achieved ahead of target.	✓
Launch new brand marketing campaign and programme to 'reboot' sites to drive commercial performance on reopening	Completed, with good return on investment and strong commercial performance with significant market outperformance. The outperformance vs Economy and Midscale market was +14.8% for the year.	✓
Manage operational impacts at sites in all territories	Operational performance managed throughout period incl. health and safety, site closures, site consolidation, and site reopening as necessary across the four nations in the UK and Germany and the UAE businesses.	✓
<b>Premier Inn growth and optimisation</b>		
UK room openings	30 hotels opened (c.3,800 rooms), ahead of target (20+ new hotels, 2,500 new rooms).	✓
Premier Plus rooms to be opened and new room products trialled	c.1,650 Premier Plus rooms opened and c.150 new room products, ahead of target (300+ new Premier Inn Plus rooms and trial 100+ new room products incl. twin rooms).	✓
Maintain and develop plan for optimising the property network	Completed above target – a portfolio of sites identified and prepared for sale when market conditions are right.	✓
Site disposals as part of network optimisation	Completed disposal of nine sites valued ahead of target level at £57m (target £40m).	✓
New pipeline rooms and refurbishment	Both just below target – c.700 rooms added to pipeline (target 750 rooms) and £29.3m of refurbishments completed (target £30m).	✗
<b>Germany growth</b>		
Evaluate priority going concern portfolio acquisition options	Significant number of portfolios assessed – ahead of schedule.	✓
Execute at least one acquisition	No acquisitions executed.	✗
Delivery of German commercial strategy incl. review of direct vs indirect booking strategy	New commercial strategy delivered and executed with above market performance delivered at city level.	✓
Hotel openings	14 hotels and c.2,200 rooms opened ahead of target (14 hotels and c.1,800 rooms).	✓
Refurbishment, rebranding and integration of Centro, Hotels, three Accom and complete Foremost hotels	Completed.	✓
Add pipeline sites	Six pipeline sites added – ahead of target of five sites.	✓
<b>Group projects</b>		
Replacement room booking system project to be on track on time, quality and budget for delivery 2022/23	Project has been subject to re-planning of both time and budget.	✗
Produce savings from UK property costs	Achieved – delivered c.£8.65m cost and c.£16m net present value (NPV) ahead of target delivery of c.£2m of property cost savings from occupancy costs and re-gears of c.£5m NPV.	✓

Measures	Actual outcome	Achievement per outcome
Complete full technical review of all commercial and data systems. Deliver commercial IT agenda and Payments remediation work	Technical reviews completed on track. Payment remediation completed, including changing gateway and acquirer. Commercial IT plan delivered on time.	✓
<b>ESG</b>		
Review and accelerate science-based Net Zero target for carbon emissions	Board-approved plans for Net Zero carbon by 2040.	✓
Develop Green Bond Framework and report against use of £550m bond proceeds	Framework developed with report included on page 47. Of £550m bond, we have established that c.£438m has already been spent on qualifying projects.	✓
Develop an ESG communications programme for key shareholders and other stakeholders	Delivered ESG report, two ESG conferences, and four analyst teach-ins.	✓
Inclusive leadership training completed for senior leadership group and Group D&I commitments agreed and communicated	Completed, with 2023 target for female representation in the leadership group (40%) achieved and significant progress made towards the 2023 ethnic diversity leadership target.	✓
	Achieved 84% of maximum = 42.84% of salary	

#### Louise Smalley, Human Resources Director

Measures	Actual outcome	Achievement per outcome
<b>Optimising our ability to be productive and perform to our best</b>		
Launch of hybrid working within UK and Germany Support Centres with aligned principles, actively using Our Voice consultation forums in the UK to drive listening, visible action and engagement through the transition	Completed – consultation undertaken and transparent communication to explain rationale to impacted employees. Return to office in Sept 21 for majority in UK launched with high-quality tools and guidance to support managers. German phased return delayed due to Government guidance and review of space requirements given capacity constraints, but all policy processes and practices ready to be utilised.	✓
Develop training and comms programme to reboot sites on reopening to accelerate recovery	Completed – new hire retention ahead of 2019/20.	✓
Maintain overhead cost efficiency discipline and further manage cost by delivering efficiency savings through contract base efficiencies and labour model as sites reopen	Completed – governance processes performing well. Overhead cost efficiencies from organisation redesign maintained.	✓
Develop UK KPIs that will determine the underlying site team stability post restrictions to actively mitigate risk to the new operating models	Completed, with a full suite of KPIs for opening and targeted understanding of movement by role and region understood to enable targeted investments.	✓
Enable our recovery with a targeted supply management plan as the economy and labour market opens	Not completed, with supply issues accelerating ahead of our resource readiness having significantly reduced resourcing capacity.	✗
<b>Simplification saving and service through technology</b>		
HR core IT platform review for UK and Germany	Completed – investment approved and moved to RFP.	✓
Stakeholder engagement with key audiences defined and engaged	Completed, with some further alignment needed.	✓
Define plan for de-risking future IT changes and quick wins in terms of comms platforms for site engagement	Completed – data strategy being executed with comms platform in pilot.	✓
<b>We are for everyone and we value difference/Attracting and hiring great diverse talent</b>		
Internal ethnicity pay gap report produced with insights and action plans	Completed – first report communicated Company-wide with context, action plan and 2023 commitments being tracked on a new D&I scorecard.	✓
Inclusive leadership training completed for senior leadership group supported by their personal D&I commitments agreed and communicated	Completed.	✓
Gender network established with a structure that takes account of intersectionality across the four networks	Partially completed – network and steerco launched together with intersectionality bridge in progress but not complete.	✓
Inclusive policy sprint plan defined and executed to maximise opportunities to sponsor inclusion	Completed – priority guidance and policy reviews completed for all three launched networks, with disability inclusion prioritising workplace assessments in H2.	✓
	Achieved 84.62% of maximum = 43.16% of salary	

## Remuneration Report continued

## Annual Report on Remuneration continued

## Total awards

The maximum potential award was 170% of salary and the total incentive earned is as follows:

Director	% of salary based on profit	% of salary based on efficiency target	% of salary based on strategic objectives	Total % of salary	Total % of salary after 25% reduction	Total £'000
Alison Brittain	85.00	34.00	42.84	161.84	121.38	1,086
Louise Smalley	85.00	34.00	43.16	162.16	121.62	244

The percentages shown above show the percentage of salary earned before any deductions. However, as explained on page 88, the awards were reduced by 25% and this reduction is reflected in the cash total shown above as well as in the single figure table on page 102. In Louise Smalley's case, the cash amount was further reduced to reflect the time served during the year. Half of these awards will be paid in cash in May 2022, with the remaining half being settled in deferred shares, which are expected to vest in 2025.

## Long-term incentives

No awards were due to vest to the executive directors under either the Long-term Incentive Plan or the Restricted Share Plan during the year.

## Pension

The executive directors receive a monthly amount in cash in lieu of pension contributions. This reduced from 21.5% to 18% in May 2021 and it will further reduce to 15% in May 2022.

Under the proposed remuneration policy on pages 92 to 100, this rate will reduce to 10% effective from 31 December 2022, at which point it will be aligned with the rate available to the majority of the wider workforce. On appointment, Hemant Patel's rate was set at 10%.

No executive director participates in a Group defined benefit or final salary pension scheme.

## Single total figure of remuneration – Chairman and non-executive directors (audited information)

Director	Base fee <sup>1</sup>		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000	21/22 £'000	20/21 £'000
Adam Crozier	408	380	-	-	-	-	-	-	408	380
David Atkins	62	58	-	-	-	-	10	10	72	68
Kal Atwal	62	-	-	-	-	-	5	-	67	-
Horst Baier	62	58	-	-	-	-	5	5	67	63
Fumbi Chima	62	-	-	-	-	-	5	-	67	-
Frank Fiskers	62	58	-	-	20	20	5	5	87	83
Richard Gillingwater	62	58	15	15	-	-	5	5	82	78
Chris Kennedy	62	58	-	-	20	20	-	-	82	78

<sup>1</sup> The 2020/21 base fee figures reflect that the Chairman and non-executive directors agreed to a 20% three-month reduction in response to the pandemic. The figures, had no reduction been made would have been £400k for the Chairman and £61k for each of the non-executive directors.

## Statement of directors' shareholding and share interests (audited information)

The Committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long-term performance.

When the new remuneration policy was approved in December 2019, we took the opportunity to bring our shareholding requirements for the executive directors in line with market practice. We increased the requirement for the Chief Executive from 200% of salary to 300% of salary and the requirement for the other executive directors from 125% of salary to 200% of salary. In addition, new post-cessation shareholding requirements were introduced. These are subject to transitional arrangements for the executive directors in role at the time they were introduced. We have also made changes to the method of calculation, with unexercised share awards no longer subject to performance testing being taken into account (adjusted for any deductions to be made at the point of exercise). All of the executive directors are in compliance with the requirement.

The Chairman and the non-executive directors are each required to build a holding to the value of 100% of their annual fee over a three-year period.



The table below shows the holdings of directors as at 3 March 2022:

Director	Counting towards requirement				Performance vs requirement			Share awards not counting towards requirement
	Ordinary shares	Share awards¹	Value based on input price £'000	Value based on market price £'000	Requirement % of salary/ base fee	% of salary based on input price	% of salary based on market price	
<b>Chairman</b>								
Adam Crozier	13,930	-	455	420	100	111	103	-
<b>Executive directors</b>								
Alison Brittain	132,861	44,170	5,134	4,706	300	585	537	77,660
Nicholas Cadbury	39,099	19,172	1,678	1,484	200	282	249	46,419
Louise Smalley²	64,794	16,662	2,576	2,217	200	694	563	18,295
<b>Non-executive directors</b>								
David Atkins	3,137	-	99	94	100	159	151	-
Kal Atwal	2,063	-	60	62	100	97	100	-
Horst Baier	2,400	-	84	72	100	135	116	-
Fumbi Chima	315	-	10	9	100	16	15	-
Frank Fiskers	2,115	-	63	64	100	102	102	-
Richard Gillingwater	2,000	-	70	60	100	112	96	-
Chris Kennedy	2,250	-	73	68	100	117	109	-

1 The market price used was the average for the last quarter of the financial year (3,011.67p). The number of share awards shown is the full number, but the valuation of those awards has been reduced to reflect deductions to be made at the point of exercise in respect of income tax and national insurance contributions. The awards include deferred shares awarded under the Annual Incentive Scheme and vested, but unexercised, awards under the Long Term Incentive Plan. All share awards are structured as nil-cost options on vesting.

2 Louise Smalley retired from Whitbread and stepped down from the Board on 31 August 2021. The information provided in the table above is as at that date.

There has been no change to the interests in the tables shown on this page between the end of the financial year and the date of this report.

### Options exercised (audited information)

The following options were exercised by executive directors under the Company's share schemes during the year.

Director	Scheme	Number of shares	Exercise price	Exercise date	Market price on exercise (p)
Alison Brittain	AIS	12,922	N/A	23-Nov-21	3,012.0
Nicholas Cadbury	AIS	8,593	N/A	07-May-21	3,245.0
Louise Smalley	AIS	10,300	N/A	07-May-21	3,245.0
	SAYE	356	N/A	09-Aug-21	3,183.0

#### Key

AIS: Deferred shares awarded in prior years under the Annual Incentive Scheme.

SAYE: Options granted under the savings-related share option scheme.

### Awards granted

No awards were granted during the year under the Annual Incentive Scheme. Awards were granted under the Restricted Share Plan as follows, with the market price being the average closing price of a Whitbread share for the five trading days immediately prior to the grant, excluding any days on which dealing in Whitbread shares by management was prohibited:

Director	Scheme	Date of award	Number of shares	Market price (p)	Total value (£'000)
Alison Brittain	RSP	27.04.21	31,363	3,495.6	1,096
Nicholas Cadbury	RSP	27.04.21	18,746	3,495.6	655

#### Key

RSP: Awards made under the Restricted Share Plan.

## Remuneration Report continued

## Annual Report on Remuneration continued

**Performance metrics**

The awards made under the Restricted Share Plan will vest in 2024, subject to two underpins being met. They will then be subject to a two-year holding period. The first of the underpins is a balanced overall assessment of performance and delivery against strategic priorities. The Committee will determine whether the underpin has been met based on the Group's underlying performance and delivery against its strategic priorities over the performance period that will drive long-term shareholder value. In doing so, the Committee will take into account factors it considers to be appropriate in the round. Such factors may include the Group's financial performance, balance sheet strength, market share, response to the COVID-19 pandemic, and recovery of shareholder value and performance against environmental, social and governance priorities. The default should be that the underpin will be met in the absence of clear evidence of management failure or significant underperformance. If there is evidence of clear management failure or significant underperformance, the underpin will not be met.

The second underpin is a cumulative cost efficiency saving of £60m over the three-year performance period.

The underpins will be measured up to the end of the 2023/24 financial year. The award granted to Nicholas lapsed when he left the Company.

**Payments to past directors (audited information)**

With the exception of regular pension payments and dividends on Whitbread shares and the exercise of share awards as permitted under the rules of the Company's share schemes, no other payments were made during the year to past directors.

**Remuneration terms for Louise Smalley's departure**

As disclosed in last year's report and in line with the approved remuneration policy, the Committee elected to apply 'good leaver' terms to Louise Smalley on her retirement from the Company. In accordance with the policy: unvested deferred share awards earned in respect of annual incentive schemes prior to 2020/21 will vest in full on their original vesting dates; the 2020 RSP award will vest on its original vesting date, subject to the assessment of the underpins at that time, and will be pro-rated based on service during the performance period; and Louise was eligible to participate in the 2021/22 Annual Incentive Scheme, with the award pro-rated for service in the year. The terms did not include any pay in lieu of notice or eligibility to participate in the 2021 RSP. The post-employment shareholding requirements will apply.

**Remuneration terms for Nicholas Cadbury's departure**

Nicholas Cadbury stepped down from the Board and left the Company on 20 March 2022.

The following information was provided on the Company's website in accordance with section 430 (2B) of the Companies Act 2006. All arrangements are in line with the Company's stated remuneration policy approved by the shareholders at the general meeting held on 6 December 2019.

Nicholas received his salary, benefits and pension allowance as usual until the date of leaving the Company. There was no pay in lieu of notice. No cash payments or share awards have or will be made in respect of either the 2020/21 or the 2021/22 annual incentive schemes.

Share awards deferred in respect of annual incentives earned from the 2019 and 2020 schemes will partially vest, and the balance of unvested shares will lapse on the date of leaving, in line with the remuneration policy. The awards made under the RSP in 2020 and 2021 will lapse.

**Chief Executive's remuneration**

Whitbread is in the hospitality business and has a large workforce of around 36,000 team members who are employed directly by the business, with the majority being in hourly paid customer-facing roles in our hotels and restaurants. We have an aligned set of reward principles for all employees which includes a core principle to offer competitive pay rates at all levels, reflecting our position as a leading organisation in the hospitality sector. This enables us to attract and retain the right talented people for our winning teams.

For our hourly paid team members, we benchmark other hospitality companies to ensure we are competitive when comparing pay with similar organisations and we operate an approach to pay which increases pay for skills progression with clear and transparent pay rates for each role that increase as new skills are developed. For our Chief Executive, we benchmark against the FTSE 31-100 (removing any non-comparative industries such as Financial Services, Oil & Gas and Natural Resources, which include significantly higher levels of remuneration) and this allows us to have an appropriate comparison for this role in our sector.

As noted in previous years, the Chief Executive has a high level of variable pay, which impacts the CEO pay ratio. For 2021/22 this has led to the median pay ratio increasing from 53:1 in 2020/21 to 105:1. This is due to the outcome under the annual incentive award being 71.4% this year whereas there was no payout under the annual incentive last year. In future years, when RSP awards begin to vest, the amounts vesting in the year will also be included in the Chief Executive's single figure and hence will be included when calculating the CEO pay ratio.

All three of the UK employee reference points compare our Chief Executive's remuneration with that of hourly paid team members in customer-facing roles in the operational outlets and again there is relatively limited difference in the 25th, median and 75th percentile ratios as shown below. Given this, we believe the median pay ratio is consistent with the reward policies for our UK employees.

Whitbread has continued to use Option A to calculate its ratio, as the data required is readily available and this option provides the most accurate comparison as the figures are calculated on a like-for-like basis.

The table below shows how the total pay of the Chief Executive compares with our UK employees at the 25th, median and 75th percentile:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/22	Total pay (FTE):	£19,341	£20,138	£21,594
	Total pay & benefits (FTE):	£19,659	£20,592	£22,153
	Pay ratio (Option A):	110:1	105:1	98:1
2020/21	Pay ratio (Option A):	55:1	53:1	50:1
2019/20	Pay ratio (Option A):	150:1	143:1	134:1

The figures were calculated on 28 February 2022 (the 'snapshot date') and use the single figure methodology (salary, benefits, annual incentive, LTIP, pension) and for the Chief Executive this is taken from the total single figure remuneration for 2021/22 on page 102 of £2.165m.

The following table shows the Chief Executive's pay over the last ten years, with details of the percentage of maximum paid out under the Annual Incentive Scheme and the LTIP vesting percentage for each year.

Year	Chief Executive	Single total figure of remuneration £'000	% of maximum annual incentive achieved	% of LTIP award vesting
2021/22	Alison Brittain	2,164	71.4 <sup>3</sup>	N/A
2020/21	Alison Brittain	1,032	0.0 <sup>2</sup>	N/A
2019/20	Alison Brittain	2,636	56.7	36.0
2018/19	Alison Brittain	5,588 <sup>1</sup>	54.8	0.0
2017/18	Alison Brittain	2,336	64.1	38.3
2016/17	Alison Brittain	2,509	49.8	76.5
2015/16	Alison Brittain	634	38.8	N/A
	Andy Harrison	2,423	38.8	97.2
	Combined CEO remuneration for 2015/16	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14	Andy Harrison	6,374	82.6	100.0
2012/13	Andy Harrison	3,432	74.9	89.8

1 Includes £3.7m from the vesting of a one-off award under the Performance Share Plan in relation to the sale of Costa. This award vested at 97.53% of maximum.

2 The % of maximum annual incentive achieved for the 2020/21 financial year was deferred until 2022 and payable in the event that Alison achieved further strategic objectives during the 2021/22 financial year. As explained on page 88, whilst the Committee believes management have performed exceptionally well during the last two years and the performance requirements have been fully delivered, it has been decided that the incentive will not be received and, instead, an equivalent amount is to be used to form a welfare fund for Whitbread employees.

3 The percentage of maximum annual incentive achieved for 2021/22 disclosed in the table above reflects the annual incentive outcome after the 25% reduction has been applied, as explained on page 88.

## Annual percentage change in remuneration

Whitbread PLC has no employees, but for information purposes, the Chief Executive's remuneration (including base salary, benefits and annual incentive payment) increased by 138.4% in the year, compared with an increase of 10.5% for the Group's employees as a whole.

## Relative importance of spend on pay

The table below compares the change in total expenditure on employee pay during the year to the change in dividend payments and share buybacks.

	2020/21	2021/22	% Change
Employee costs	£581.5m	£678.9m	16.7%
Dividends	£-	£-	No change

## Implementation of remuneration policy in 2022/23

### Base salary

Alison Brittain will receive a 3% salary increase in May 2022, in line with the general increases in pay for salaried employees across the organisation. Hemant Patel, having recently been appointed, will not be entitled to a salary increase in May. The base salaries of the executive directors with effect from 1 May 2022 will be as follows:

Director	Base salary at 1 May 2022 £'000	Base salary at 1 May 2021 £'000
Alison Brittain	921	895
Hemant Patel	515	N/A

### Benefits and pension

The benefits received by each executive director will continue to include family private healthcare, a cash allowance in lieu of a company car and cash allowances in lieu of pension.

## Remuneration Report continued

## Annual Report on Remuneration continued

**Annual Incentive Scheme**

To be eligible to receive incentive payments there are 'gateway' requirements relating to leadership behaviour. Any incentive payments will be at the discretion of the Remuneration Committee in the event that the health and safety score is red on the WINcard. The expectation is that our leaders' actions reflect Whitbread's values and Code of Conduct, including our approach to health and safety. Keeping our team and customers safe is not an incentive lever but a core responsibility that earns the right to achieve incentivised rewards. The Committee has the discretion to amend formulaic outcomes.

Given the increased focus from investors on ESG measures and the recent shareholder consultation revealed a strong appetite for ESG measures to be included, there will be a 10% allocation to ESG. The ESG measure will be made up of the reinstatement of WINcard Customer metrics and the introduction of Force for Good metrics.

The measures and weightings for the 2022/23 annual incentive are therefore as follows:

Measure	Weighting
Profit performance	50%
Efficiency	20%
Strategic growth objectives	20%
ESG measures	10%

**Financial measures**

The targets of the two financial metrics, which make up 70% of the annual incentive, are considered by the Board to be commercially sensitive and, for that reason, are not disclosed in advance. The Committee intends to disclose the targets retrospectively in the 2022/23 report. As signalled on page 89 of the 2020/21 report, the measurement of the profit target will revert to the usual approach.

**Strategic growth objectives**

Each executive director also has business objectives linked to the Group's strategic priorities. They will be eligible to receive up to 20% of the maximum incentive opportunity based on the delivery of these objectives. Achievement of the approved objective outcomes has been aligned to a payment level that would be recognised as stretch performance. The objectives are quantifiable and linked to the business plan and future financial performance. A summary is included below.

**Alison Brittain**

UK growth and optimisation to include the opening of new hotels and an increased pipeline together with the refurbishment of existing hotels and the continuation of new product trials.

Growth of the German business to include assessment of potential acquisitions in addition to the opening of hotels from the committed pipeline.

Infrastructure and financial with the replacement reservation system on track for pilot and property costs savings.

ESG objectives including carbon reduction accreditation.

**Hemant Patel**

UK growth and profitability including the optimisation of the estate and improved RevPAR.

Growth and profitability of the German business, identifying good returns for the next phase of German growth and a review of the operational cost model in order to maximise long-term margin opportunities.

Capital structure and capital allocation projects including RCF refinancing and reduction of pension longevity risk through a buyin together with the identification of network optimisation opportunities.

Group projects including financial management of the replacement reservation system and a major networks upgrade.

**ESG**

The 10% allocation to ESG measures will be split between:

- › Force for Good (Reduction in carbon emissions and diversity in our senior leadership population);
- › WINcard Customer (Premier Inn Satisfaction and Restaurants satisfaction)
- › The targets for the ESG measures are considered by the Board to be commercially sensitive and, for that reason, are not disclosed in advance.
- › The Committee intends to disclose the targets retrospectively in the 2022/23 report.

Cash awards will be made in May 2023, with deferred equity issued in April or May 2023 and due to vest in 2026, with no further performance conditions applying.

### Restricted Share Plan

It is anticipated that the executive directors will receive awards under the RSP in April or May 2022. These will be based on 125% of salary for Alison Brittain and 110% of salary for Hemant Patel.

The awards will be subject to two underpins and, subject to these underpins being met, are expected to vest in 2025, after which they will be subject to a two-year holding period.

The first of the underpins will be a balanced overall assessment of performance and delivery against strategic priorities. The Committee will determine whether the underpin has been met based on the Group's underlying performance and delivery against its strategic priorities over the performance period that will drive long-term shareholder value. In doing so, the Committee will take into account factors it considers to be appropriate in the round. Such factors may include the Group's financial performance, balance sheet strength, market share, response to the COVID-19 pandemic and recovery of shareholder value and performance against environmental, social and governance priorities. The default should be that the underpin will be met in the absence of clear evidence of management failure or significant underperformance. If there is evidence of clear management failure or significant underperformance, the underpin will not be met.

The second underpin will be a cumulative cost efficiency saving of £60m over the three-year performance period.

In setting this underpin, the Committee is conscious that the environment remains highly unpredictable. Under the plan rules and approved policy, the Committee may amend an underpin if it is no longer suitable, so long as the new condition is not materially easier or more difficult to achieve than when the award was initially granted. It would be our intention to monitor changes in the external environment and their effect on this underpin, and to consider adjustment if the Committee judges that the underpin is no longer operating as intended.

### Chairman's fee

The Chairman received a 3% increase in his fee with effect from 1 March 2022, taking his annual fee to £420,250.

### Non-executive director fees

The base annual fee for non-executive directors increased on 1 March 2022 by 3% to £64,300. The fees for the chairmanship of the Audit Committee and the Remuneration Committee were increased to £20,600. The fee for the Senior Independent Director increased to £15,450 and the fees for membership of the Audit and Remuneration Committees increased to £5,150.

### Statement of shareholder voting

The advisory resolution to approve the 2020/21 annual report on remuneration was put to shareholders for approval at the 2021 AGM and the resolution was passed. At a General Meeting in December 2019, the current remuneration policy was put to a vote by shareholders and was also passed.

The voting results were as follows:

Resolution	For	Against	Total	Withheld
Annual report on remuneration	72,249,099 (64.25%)	40,192,388 (35.75%)	112,441,487	23,841,439
Directors' remuneration policy	64,495,817 (70.5%)	27,038,317 (29.5%)	91,534,134	178,635