# Chair of Remuneration Committee

## Introduction

**"The Company has seen another year of growth, both organically and through acquisition, and we welcome TechnicWeb, Hometrack, ExpertAgent, Ravensworth and, subsequent to the year-end, Money to the Company."**

### Dear Shareholder

As the Chair of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 30 September 2017, which has been prepared by the Remuneration Committee ("Committee") on behalf of the Board.

The Company has seen another year of growth, both organically and through acquisition, and we welcome TechnicWeb, Hometrack, ExpertAgent, Ravensworth and, subsequent to the year-end, Money to the Company. During the Period the Company has seen Revenue and Adjusted EBITDA increase by 46.8 million and 19.3 million compared to the prior year and at the same time we have seen Total Shareholder Return (TSR) for the Period of 13%, delivering value of over £175 million to shareholders.

The Company's strong performance is reflected in the remuneration for the Period as we continue to incentivise and reward the Executive Directors, Management and employees throughout the business based on the underlying financial performance of the Company.

2017 also marks the third anniversary of the ZPG's IPO and alongside it the end of the first vesting period for the Company's Long Term Incentive Plan (LTIP) which was awarded to both Executive Directors and Management. The LTIP represents just one of the plans which aim to align individual performance and reward with the long-term strategy and objectives of the business and I am pleased to announce the vesting of this award in line with the Company's excellent performance in the three years since IPO.

In January 2017 we also made the first grant of the nil-cost options under the Value Creation Plan (VCP) to the Company's Chief Executive Officer. The award demonstrates the outstanding value created for shareholders over the first measurement period of the Plan to December 2016 with over £437 million of total shareholder return generated.

The Committee believes that the VCP is meeting its objectives. The total number of options banked under the VCP in FY17 at the first measurement date can be found on page 88.

### Continued retention of our CEO

The Remuneration Committee believes that in order to maintain the Company's commitment of creating value for our shareholders, the presence and active involvement of our CEO will be pivotal in the near to medium term. With the current VCP term now ending in less than two years, the Company has been looking for the ways to ensure continued retention and motivation of the CEO. As the VCP format has proven to be effective thus far in its goals of encouraging value generation and lock-in of the CEO, after careful consideration the Committee has decided to propose an extension of the plan for a further two year period starting from 2019, subject to shareholder approval at the 2018 AGM.

The key changes proposed to the VCP include:

- the reduction in the CEO's share in the return above the hurdle from 3% to 2% for the extended term of the VCP; and
- a proportional increase of the maximum number of shares which can be earned under the Plan (whether new issue or market purchased) from 7.5 million to 11.25 million to take into account the two additional years.

Detailed terms of the extension to the VCP are outlined in Notice of the Annual General Meeting and the Remuneration Policy section of this report.

### Changes in regulation and market practice

The Remuneration Committee continues to keep abreast of ongoing changes in both regulation and market practice with regards to Executive remuneration including, but not limited to, the Green Paper on Corporate Governance and Executive Pay issued by the Department for Business, Energy and Industrial Strategy in November 2016 and the Government's subsequent response to the comments raised on the Green Paper. The Committee will continue to consider the recommendations and impact on the Policy in this, and other, regulations and governance changes as they develop.

The Committee intends for this updated Remuneration Policy to be in effect for three years with the next new policy to be presented for shareholder vote in 2021. However, the Committee will continue to review the compensation practices to ensure that the policy is effective, fit for purpose and supports the Company's strategy on an ongoing basis.

### Proposed changes to Remuneration Policy

With the exception of the extension to the VCP, the Committee is not proposing to make any material changes to the Policy that was approved by shareholders in 2015. The following changes are proposed to bring elements of the policy in line with current prevailing corporate governance standards:

- formally introducing a two year holding period post vesting for the LTIP which will apply to future LTIP awards; and
- increasing the shareholding guideline for Executive Directors (excluding the CEO where the guideline will remain at 400% of salary) to 200% of salary (currently 100% of salary).

### Remuneration Committee decisions made in the 2017 financial year

During the year the Committee made the following decisions:

- Review of the remuneration package for 2018 for the Company's CEO and CFO as set out below:
  - salaries of £537,500 and £320,000 respectively;
  - pension contributions of up to 15% of salary;
  - bonuses of up to 150% and 125% of salary respectively;
  - continued participation under the VCP for the CEO;
  - proposed two year extension to the original period of the VCP;
  - award under the LTIP for 2017 of 150% of salary for the CFO; and
  - increase in shareholding requirement for Executive Directors other than the CEO to 200% of salary (CEO remains at 400% of salary).
- The Committee considered the base salaries for the Executive Directors.
  - The salaries above represent an increase of 5.39% for the CEO and 16.4% for the CFO.
    - The increase for the CEO was made as part of an annual review in line with the budgeted average increase for employees.
    - The increase for the CFO encompasses the annual adjustment for all employees of 6% plus ongoing adjustment to bring the CFO's salary in line with ZPG's targeted market positioning as he grows in the role and based on his performance to date.
    - The new salaries remain below the median levels for the FTSE 250.
- The fee of the Chairman of the Company was increased from £183,750 to £193,000 for 2018 (a rise of 5.03% in line with the budgeted increase for all employees). There were no changes to Non-Executive Director fees. The fee rise to the Chairman was to reflect the increase in responsibility due to the Company's increase in size and complexity and is in line with the remuneration policy.
- 2017 annual bonuses of 135% of salary for the CEO and 112% of salary for the CFO which corresponded to 90% of maximum opportunity, recognising the strong financial performance of the Company and the personal performance of the Executive Directors over the year.
- 2017 awards under the LTIP for the CFO and Management in line with the normal award policy. Further details of the awards for the CFO are on page 83.
- Award under the VCP in January 2017 under the rules of this Plan. Detail of the award for the CEO is set out on page 83.

Further details on how our Remuneration Policy will be applied in practice for the 2018 financial year are set out on pages 70 to 72.

### Key activities of the Committee

The Committee's key activities during the 2017 financial year were:

- reviewing the remuneration package for the CEO and CFO for 2017 and the implementation for 2018 to ensure that they remain appropriate and aligned with the Company strategy;
- reviewing Executive Director base salary levels;
- making awards under the Company's LTIP for Executive Directors and Management and assessing targets;
- reviewing the Company's TSR performance and adjusted EPS performance against target in respect of the Company's first LTIP vesting which was awarded in 2014;
- making an award under the VCP for the CEO;
- determining the level of bonus payments in respect of this financial year;
- Reviewing the cascade and appropriateness of share plans across the wider business;
- drafting the Company's Directors' remuneration report; and
- Re-appointment of PwC as remuneration advisers for 2018.

During the year James Welsh joined the Remuneration Committee as an observer, with Stephen Daintith stepping down. We thank Stephen for his contribution and welcome James to the Committee.

I hope that you find the information in this report helpful and I look forward to your continued support at the Company's AGM.

**Sherry Coutu**
Chair, Remuneration Committee

**Note**

This report has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the September 2014 UK Corporate Governance Code ("the Governance Code") and the Listing Rules.

# Remuneration report

In this section, we summarise the purpose of our Remuneration Policy (the Policy) and its linkage to our corporate strategic objectives and we highlight the performance and remuneration outcomes for 2017. More detail can be found in the Annual Report on Remuneration.

## Our principles of remuneration

- There should be a strong link between an individual's reward and the performance of the Company to align the interests of Management with those of shareholders.
- Variable remuneration makes up a significant proportion of the remuneration package.
- Stretching performance conditions directly aligned with the Company's strategy. The Company's strategy is laid out on pages 15 to 19. The Company's mission is to be the platform of choice for consumers and partners engaged in property and household decisions.

## Company performance and link to remuneration

The following table sets out a number of the Company's KPIs and other objectives and how their satisfaction is encouraged by the Company's Policy:

| | | | KPIs | | | Other objectives | | |
|---|---|---|---|---|---|---|---|---|
| Plan | Purpose | Eligibility | Revenue | Adjusted EBITDA | Adjusted EPS | TSR | Long-term value creation (encouraged through equity retention) | Share ownership |
| **Annual Bonus Plan** | To incentivise and reward short-term performance plus retention through deferral. | Executive Directors and Management with mandatory deferral in shares. Other employees without deferral. | ✓ | ✓ | | | ✓ | ✓ |
| **LTIP** | To incentivise and reward long-term performance. | Executive Directors and selected members of the Management. | | | ✓ | ✓ | ✓ | ✓ |
| **Value Creation Plan** | To retain the services of our highly entrepreneurial and creative Founder & CEO, incentivising him to deliver the strategy of the Company and significantly enhance shareholder value. | CEO. | | | | ✓ | ✓ | ✓ |
| **Share Incentive Plan** | To broaden share ownership and share in corporate success over the medium term. | All employees. | | | | | ✓ | ✓ |

## Summary of changes to Remuneration Policy

With the exception of the extension to the VCP, the Committee is not proposing to make any material changes to the Policy that was approved by shareholders in 2015. The changes proposed aim to bring elements of the Policy to be in line with the current prevailing corporate governance standards.

| ELEMENT | CHANGES FROM 2015 REMUNERATION POLICY |
|---|---|
| **Salary**<br>**Benefits**<br>**Pension**<br>**Annual Bonus Plan**<br>**Chairman and NED fees** | Policy unchanged. |
| **Long Term Incentive Plan (LTIP)** | Introduction of formal post vesting holding period of two years on future grants of LTIP awards. Previously it was at the discretion of the Committee to decide if an additional holding period was implemented. |
| **Value Creation Plan (VCP)** | Extension of the term of the 2015 Value Creation Plan for a further two year period to 2021.<br>The original grant gave the CEO the potential right to earn nil-cost options over shares in the Company equal to 3% of the total value created for shareholders above a hurdle of 8% p.a. at the end of each Plan Year over a four year performance period. A minimum return of 8% p.a. must be maintained at each vesting date for the award to vest. The vesting schedule for the original grant provides that 50% of the cumulative balance of options will vest and may be exercised at the end of the third Plan Year with 100% of the cumulative number of options vesting at the end of the fourth Plan Year.<br>The extension of the VCP gives the CEO the potential right to earn nil-cost options over shares in the Company equal to 2% of the total value created for shareholders above a hurdle of 8% p.a. at the end of each plan year for the two year extension period. There will be an additional vesting period with 50% of the options earned in year 5 vesting at the end of the fifth Plan Year with the balance of options from year 5 and those earned under year 6 vesting at the end of sixth Plan Year. In order for the nil-cost options to vest, the minimum 8% return p.a. has to be achieved at each vesting date.<br>The maximum number of shares which can be earned under the Plan (whether new issue or market purchased) will increase proportionally from 7.5 million to 11.25 million to take into account the two additional years. |
| **Minimum shareholding requirement** | The minimum shareholding requirement for Executive Directors has been increased to 200% of salary from 100% of salary.<br>The CEO will be required to hold his minimum shareholding requirement of 400% of his salary for one year following the cessation of his employment. |

## How we have performed in 2017 and what level of bonus has been achieved?

See page 85 for further details.

| KPI | 2017 | % of maximum bonus potential achieved |
|---|---|---|
| Revenue (£ million) | **£244.5m** | **73** |
| Adjusted EBITDA (£ million) | **£96.4m** | **100** |
| Personal objectives | | **90** |

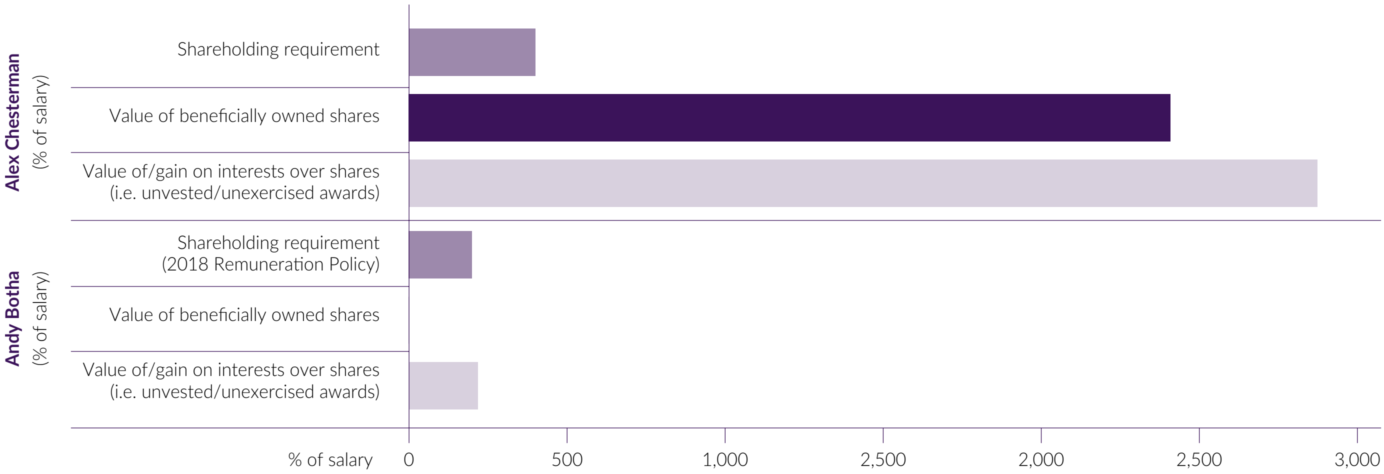
KPI definitions can be found on pages 28 to 29.

Full details of the Annual Bonus Plan targets and their level of satisfaction can be found on page 85.

# Remuneration report continued

### How have long-term incentive awards performed and what level of pay-out has been achieved?

See page 87 for further details.




| KPI | 2017 | % of maximum bonus potential achieved |
|---|---|---|
| Total shareholder return (%)[1] | 72% | |
| Relative total shareholder return[1] | 48/189 (upper quartile) | 100 |
| Adjusted EPS (pence per share) | 15.2 | |
| Adjusted EPS compound growth (%) | 33% | 100 |

1 Total shareholder return for the purposes of this LTIP award was measured from the IPO price of £2.20 over a three year period to 23 June 2017.

### Statement of Directors' shareholdings as at 30 September 2017

The following chart summarises the current shareholding position of the Executive Directors. Full details can be found on page 89.

### Implementation of the Policy in the 2018 financial year

| ELEMENT | OPERATION OF ELEMENT IN 2018 |
|---|---|
| **Salary**<br>**Benefits**<br>**Pension** | The salary for the CEO has increased from £510,000 by £27,500 to £537,500 and the salary for the CFO has increased from £275,000 by £45,000 to £320,000.<br>The increase for the CEO was made as part of an annual review in line with the budgeted average increase for employees of 6%.<br>The increase for the CFO encompasses the annual adjustment for all employees of 6% plus ongoing adjustment to bring the CFO's salary in line with ZPG's targeted market positioning as he grows in the role and based on his performance to date.<br>The new salaries remain below the median levels for the FTSE 250.<br>There are no proposed changes to benefits and pensions from the financial year ending 30 September 2017.<br>The fee for the Chairman was also reviewed resulting in an increase of £9,250 from £183,750 to 193,000 per annum. The increase is broadly in line with the level of increase for our employees and in line with the Remuneration Policy.<br>There have been no increases to the fees for non-executive directors from the rates set in 2017. |

## Implementation of the Policy in the 2018 financial year continued

| ELEMENT | OPERATION OF ELEMENT IN 2018 |
|---|---|
| **Annual Bonus Plan** | The maximum opportunity for the CEO and CFO are unchanged at 150% and 125% of salary respectively. The bonus which can be earned for "target" performance is 60% of the maximum bonus.<br>Operation of the plan:<br>• 50% of any bonus earned will be paid in cash; and<br>• 50% of any bonus earned will be paid in shares which vest after a further three years subject to the Executive Director's continued employment.<br>Performance conditions for the 2018 financial year and their weighting are as follows:<br>• EBITDA (50%);<br>• revenue (30%); and<br>• personal strategic objectives (20%).<br>Further details of the targets applicable to the bonus for the coming year are considered by the Committee to be commercially sensitive as they are the key metrics that are critical to the operation of the Company. The Committee will provide full retrospective disclosure of the performance targets for the financial measures to allow shareholders to judge the bonus earned in the context of the performance delivered in the Annual Report on Remuneration next year. The outcomes of the 2017 bonus are provided on page 85. |
| **Long Term Incentive Plan (LTIP)** | The CEO is not granted awards under the LTIP, since the introduction of the VCP (below) on 1 October 2015.<br>The maximum opportunity for the CFO is unchanged at 150% of salary.<br>The Remuneration Committee has reviewed the EPS target range for LTIP awards to be granted in respect of FY2018. It is the Committee's view that the threshold and maximum level of EPS growth rates at 10% to 18% compound average growth rate remains appropriate.<br>The vesting earned at threshold performance has been maintained at 25%. There are no changes to the TSR performance targets. Awards will be subject to additional two year holding period post vesting. |
| **Value Creation Plan (VCP)** | The VCP for the current CEO will enter its third year since approval by shareholders on 1 October 2015. An update on the performance of the VCP and the number of options banked at the first measurement date are provided on page 88. |
| **Share Incentive Plan (SIP)** | Matching Shares will continue to be granted on a monthly basis for each Partnership Share purchased by an eligible employee. |

### Non-Executive fees

The proposed annual fees for Non-Executive Directors for 2018 are set out below:

| | Annual fees 2018 £ | Annual fees 2017 £ |
|---|---|---|
| Chairman | **193,000** | **183,750** |
| Board fee | **50,000** | **50,000** |
| Chair of Remuneration Committee | **10,000** | **10,000** |
| Chair of Audit Committee | **10,000** | **10,000** |
| Senior Independent Director | **5,000** | **5,000** |

# Remuneration report continued

## Non-Executive fees continued

The proposed Chairman's and Non-Executive Directors' fees for 2018 are therefore:

| Name | Fees 2018 £ | Fees 2017 £ |
|---|---|---|
| Mike Evans (Chairman, Chair of the Nomination Committee) | **193,000** | **183,750** |
| Duncan Tatton-Brown (Chair of Audit Committee, Senior Independent Director) | **65,000** | **65,000** |
| Grenville Turner | **50,000** | **50,000** |
| James Welsh[1] | – | – |
| Kevin Beatty | – | – |
| Robin Klein | **50,000** | **50,000** |
| Sherry Coutu (Chair of Remuneration Committee) | **60,000** | **60,000** |
| Stephen Daintith[1] | – | – |
| Vin Murria | **50,000** | **50,000** |

1 Stephen Daintith resigned from the Board on 1 January 2017 and was replaced by James Welsh.

## Remuneration Policy

The Remuneration Policy report sets out the remuneration policy that will governs the Company's future remuneration payments.

The policy is intended to apply for three years following the shareholder approval at the Company's AGM on 30 January 2018.

The Committee determines the Policy for the Executive Directors, the Chairman and other Management for current and future years and this is reviewed on an annual basis. The Policy is designed to support the strategic objectives of the Company and to allow the business to recruit, retain and incentivise the quality of Management needed to shape and execute our strategy to deliver sustained shareholder value over the long term.

The Policy aims to align the interests of the Executive Directors, Management and employees to the long-term interests of shareholders and aims to support a high performance culture with appropriate reward for superior performance, without creating incentives that will encourage excessive risk taking or unsustainable performance. The Committee considers that a successful policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in its remuneration practice.

The Policy is designed around the following key principles:

- ensure a strong link between an individual's reward and the performance of the Company to align the interests of Senior Management with those of shareholders. In achieving this principle the Committee has ensured that the performance elements of the remuneration are transparent and stretching;
- maintain a competitive package against businesses of a comparable size in the FTSE 250 and comparable peer group businesses in the sector with reference to the breadth of the role and experience the role holder brings to the Company;
- operate a consistent reward and performance philosophy throughout the business;
- encourage a material, personal stake in the business and a long-term focus on sustained growth through long-term shareholding;
- provide a balanced package with a focus on variable pay; and
- take into account the associated risks of each aspect of remuneration.

The Committee is satisfied that its approach to the Executive Directors' remuneration is designed to promote the long-term success of the Company.

The Remuneration Committee will review annually the remuneration arrangements for the Executive Directors and key Management drawing on trends and adjustments made to all employees across the Company and taking into consideration the:

- business strategy over the Period;
- overall corporate performance;
- market conditions affecting the Company;
- changing practice in the markets where the Company competes for talent; and
- changing views of institutional shareholders and their representative bodies.

## Discretion

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

## Differences in policy from the wider employee population

The Company aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Company operates employee share and variable pay plans, with pension provisions provided for all Executives and employees. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees.

## 2018 Remuneration Policy table

| ELEMENT OF REMUNERATION | HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES | OPERATION | OPPORTUNITY |
|---|---|---|---|
| **Salary** | Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy. | An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.<br>When determining an appropriate level of salary, the Committee considers:<br>• remuneration practices within the Company;<br>• the performance of the individual Executive Director;<br>• the individual Executive Director's experience and responsibilities;<br>• the general performance of the Company;<br>• salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking (when the Committee determines it is appropriate to carry out a benchmarking exercise);<br>• pay and conditions throughout the Company. The Committee has access to pay and conditions of other employees within the Company when determining remuneration for the Executive Directors and also considers the relationship between general changes to pay and conditions within the Company as a whole; and<br>• the economic environment.<br>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved. | Whilst there is no maximum salary level or salary increase level, to reflect the Committee's wish to ensure that fixed costs are minimised it is intended that salaries will not exceed the median level relative to the current comparator group of companies.<br>The companies in the comparator group are the constituents of the FTSE 250 Index. The Committee intends to review the list of companies each year and may add or remove companies from the group as it considers appropriate. Any changes to the comparator group will be disclosed in the part of the report setting out the operation of the policy for the future year.<br>In general salary rises to Executive Directors will be in line with the rise to employees.<br>The Company will set out, in the section headed statement of implementation of remuneration policy in the following financial year, the salaries for that year for each of the Executive Directors (see page 84). |

# **Remuneration report** continued

## **2018 Remuneration Policy table** continued

| ELEMENT OF REMUNERATION | HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES | OPERATION | OPPORTUNITY |
|---|---|---|---|
| **Benefits** | Provides a benefits package in line with standard market practice relative to its comparator group to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Company's strategy. | The Executive Directors can receive family private health cover, car allowance and death in service life assurance.<br>The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Company strategy. Additional benefits may therefore be offered such as relocation allowances on recruitment.<br>Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these.<br>The maximum will be set at the cost of providing the benefits described. | The cost of the benefits provided. |
| **Pensions** | Provides a pension provision in line with the comparator group to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Company's strategy. | Employer retirement funding is determined as a percentage of gross basic salary, up to a maximum limit of 15%. Where this exceeds the maximum annual pension contribution that can benefit from tax relief or the Lifetime Allowance, any excess may be provided in the form of a salary supplement, which would not itself be pensionable or form part of salary for the purposes of determining the extent of participation in the Company's incentive arrangements. | 15% of salary p.a. |

## 2018 Remuneration Policy table continued

| ELEMENT OF REMUNERATION | HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|---|---|---|---|---|
| **Annual Bonus Plan and Deferred Bonus Plan** | • The Plan provides an incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.<br>• In particular, the Plan supports the Company's objectives allowing the setting of annual targets based on the businesses' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.<br>• The Committee has discretion to defer part of the annual bonus earned in shares under the Deferred Annual Bonus Plan. The advantage of deferral is:<br>  • ongoing risk adjustment due to the link to the share price over the deferral period thereby driving long-term strategic behaviours; and<br>  • amounts deferred in shares are also forfeitable on an Executive Director's voluntary cessation of employment which provides an effective lock-in. | The Company operates in a rapidly changing sector and therefore the Committee may change the balance of the measures, or use different measures for subsequent financial years, as appropriate, to reflect this. This is subject to the condition that at least 50% of the award is based on financial performance.<br>The Company will set out in the Annual Report on Remuneration in the following financial year, the nature of the target measures and their weighting for each year (see page 86).<br>Details of the performance measurements and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.<br>The Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided in the form of an award of shares under the Deferred Annual Bonus Plan. The maximum value of deferred shares is 50% of the bonus earned.<br>The main terms of these awards are:<br>• minimum deferral period of three years; and<br>• the participants' continued employment at the end of the deferral period.<br>The Committee has the discretion to apply a two year holding period post vesting of deferred shares.<br>The Committee may award dividend equivalents on those shares to Plan participants to the extent that they vest.<br>The DBP contains malus and clawback provisions. | The Committee will determine the maximum annual participation in the Plan for each year, which for the CEO will not exceed 150% of salary and for the other Executive Directors will not exceed 125% of salary.<br>Below threshold level of performance 0% of the bonus will be earned. At threshold level of performance 25% of the bonus will be earned. At target level of performance for the CEO 60% of the bonus will be earned and for the other Executive Directors 75% of the bonus will be earned. At 105% of target performance 100% of the bonus will be earned (the maximum). The Committee retains discretion to change the calibration of bonus targets.<br>The annual bonus will be paid in cash and deferred shares. For Executive Directors 50% of annual bonus to be paid immediately in cash and 50% deferred into shares. | The Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity.<br>The Committee retains discretion in exceptional circumstances to:<br>• change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.<br>In cases where the Committee believes that the bonus outcome is not a fair and accurate reflection of business performance, make downward or upward adjustments to the amount of bonus earned.<br>Any adjustments or discretion applied by the Committee will be fully disclosed in the follow year's Directors' Remuneration Report.<br>Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.<br>Should the Committee determine that one or more targets are commercially sensitive, these will be disclosed in subsequent years' remuneration reports once commercial sensitivity ceases to apply. |

# Remuneration report continued

## 2018 Remuneration Policy table continued

| ELEMENT OF REMUNERATION | HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|---|---|---|---|---|
| **Long-Term Incentive Plan (LTIP)** | Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value.<br><br>The use of adjusted EPS ensures Executive Directors are focused on ensuring the annual profit performance targeted by the Annual Bonus Plan flows through to long-term sustainable EPS growth.<br><br>The use of comparative TSR measures the success of the implementation of the Company's strategy in delivering an above market level of return. | Awards are granted annually to Executive Directors. These will vest at the end of a three year period subject to:<br>• the Executive Director's continued employment at the date of vesting; and<br>• satisfaction of the performance conditions.<br><br>The Committee may award dividend equivalents on awards to the extent that these vest.<br><br>Awards made under the LTIP will be subject to an additional two year post vesting holding period, applicable to the net number of shares received after tax and other statutory deductions.<br><br>The LTIP contains malus and clawback provisions. | Plan maximum 200% of salary for Executive Directors other than for the CEO.<br><br>Below threshold level of performance 0% of the award will vest. 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. Straight- line vesting occurs between these points.<br><br>The CEO does not participate in the LTIP during the period covered by the VCP (see below). | The performance conditions for awards are currently adjusted EPS1 growth and TSR. EPS growth for this purpose is defined as the increase in adjusted basic EPS.<br><br>The Company operates in a rapidly changing sector and therefore the Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance measures without prior shareholder consultation. Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the statement of implementation of remuneration policy in the future financial year.<br><br>In exceptional circumstances the Committee retains the discretion to change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance period if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate;<br><br>make downward or upward adjustments to the amount of LTIP award vesting resulting from the application of the performance measures, if the Committee believe that the vesting outcomes are not a fair and accurate reflection of business performance.<br><br>Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report.<br><br>1 Adjusted basic EPS is defined as profit for the year, excluding exceptional items and amortisation of intangible assets arising on acquisitions adjusted for tax (adjusted profit for the year) and divided by the weighted average number of shares in issue for the year. |

## 2018 Remuneration Policy table continued

| ELEMENT OF REMUNERATION | HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|---|---|---|---|---|
| **Value Creation Plan (VCP)**<br>A full description of the detailed terms and conditions attached to the VCP are set out in the 2018 Notice of Annual General Meeting. | An incentive which aligns the CEO with the outputs of the successful implementation of the Company's strategy, based on total shareholder return generated. | Under the VCP, the CEO will be granted a conditional award giving him the potential right to earn ordinary shares of the Company based on the absolute total shareholder return generated over the VCP performance period.<br><br>The original award gave the CEO the opportunity to share in 3% of the total value created for shareholders above a hurdle ("Threshold Total Shareholder Return") measured shortly after the end of each VCP Plan Year ("Measurement Date") over the four year VCP performance period.<br><br>The extension to the VCP gives the CEO an opportunity to share in 2% of the total value created for shareholders above a Threshold Total Shareholder Return for an additional two years by extending the VCP performance period to six years.<br><br>For the original grant 50% of the cumulative number of nil-cost options will vest and may be exercised following the Measurement Date following the end of the third Plan Year with 100% of the cumulative number of nil-cost options vesting following the Measurement Date following the end of the fourth Plan Year. This vesting schedule will continue for the original award. For the extension there will be an additional vesting period with 50% of the options earned in year 5 vesting at the end of the fifth Plan Year with the balance of options from year 5 and those earned under year 6 vesting at the end of the sixth Plan Year.<br><br>In all cases the minimum return of 8% p.a. has to be maintained over the VCP period or earned nil-cost options will not vest and/or will lapse.<br><br>The VCP contains malus and clawback provisions. | Where the hurdle of 8% p.a. return has been achieved over the VCP performance period:<br>• a number of nil-cost options with a fixed value of £5,000,000 will be earned for achieving the 8% p.a. return with respect to the original VCP term;<br>• nil-cost options equal to 3% of the return generated above 8% p.a. for the initial four year VCP period (additional nil-cost options will only accrue once £5,000,000 has been exceeded);<br>• nil cost options equal to 2% of the return generated above 8% p.a. for the two year extended period; and<br>• the cap on the VCP will be increased to 11.25 million shares to take into account the extension of the VCP for two further years. | The starting share price for the beginning of the VCP performance period will be the 30 day average prior to the date of approval of the VCP by shareholders.<br><br>The share price used at each Measurement Date shall be the 30 day average following the announcement of the Company's results for the relevant financial year. |

# Remuneration report continued

## 2018 Remuneration Policy table continued

| ELEMENT OF REMUNERATION | HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|---|---|---|---|---|
| **HMRC Share Incentive Plan** | To encourage company-wide employee share ownership and thereby align employees' interests with shareholders. | The Company operates a share incentive plan in which the Executive Directors are eligible to participate (which is HMRC approved and is open to all eligible employees).<br>The Company retains the discretion to introduce additional plans, and to make Directors eligible for these as appropriate. | UK plan in line with HMRC limits as amended from time to time. | There are no performance conditions as this is an all-employee plan. |

### Minimum shareholding requirement

The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up, over a five year period and then subsequently hold, a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This Policy ensures that the interests of Executive Directors and those of shareholders are closely aligned. The minimum shareholding requirements will be 400% for the CEO and 200% for the other Executive Directors. The Committee retains the discretion to increase these shareholding guidelines during the Policy period. The CEO will be required to hold his minimum shareholding requirement of 400% of his salary for one year following the cessation of his employment.

| ELEMENT OF REMUNERATION | HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|---|---|---|---|---|
| **Chairman and Non-Executive Director Fees** | Provides a level of fees to support recruitment and retention of the Chairman and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives. | The Board, as a whole, is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board.<br>Non-Executive Directors are paid a base fee and additional fees for chairmanship of Committees. The Chairman does not receive any additional fees for membership of Committees.<br>Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.<br>The Chairman and Non-Executives' fees are set out on page 72.<br>The Chairman and Non-Executive Directors do not participate in any variable remuneration or benefit arrangements. | Fees will not exceed the median level relative to the comparator group of companies.<br>In general the level of fee increase for the Chairman and Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.<br>The Company will pay reasonable expenses incurred by the Non-executive Directors and Chairman and may settle any tax incurred in relation to these. | None. |

## Recruitment policy

The Company's principle is that the remuneration of any new Director will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award. The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

| ELEMENT OF REMUNERATION | RECRUITMENT POLICY |
|---|---|
| **Salary** | Salary will be set in line with the policy for existing Executive Directors. |
| **Benefits** | The standard benefit package for existing Executive Directors will apply. |
| **Pensions** | The maximum employer contribution will be set in line with the Company's policy for existing Executive Directors. |
| **Annual Bonus and Deferred Bonus Plans** | Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150% of salary for CEO and 125% of salary for all other Executive Directors. |
| **LTIP** | Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary. |
| **Maximum variable pay (incentive opportunity)** | In the year of recruitment, the maximum variable pay will be 350% of salary for CEO and 325% of salary for all other Executive Directors. |
| **Buyout of incentives forfeited on cessation of employment** | The Committee's policy is not to provide buyouts as a matter of course.<br>However, should the Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a Director's previous employment will be calculated taking into account the following:<br>• the proportion of the performance period completed on the date of the Director's cessation of employment;<br>• the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and<br>• any other terms and condition having a material effect on their value (lapsed value).<br>The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used. |

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Directors' remuneration report for the relevant financial year.

The Company's policy when setting fees for the appointment of a new Chairman or Non-Executive Director is to apply the policy which applies to the current Chairman and Non-Executive Directors.

# Remuneration report continued

## Service agreements and letters of appointment

| Name | Date of service contract/letter of appointment | Nature of contract | Notice period from Company | Notice period from Director | Compensation provisions for early termination |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Alex Chesterman | 22 April 2014 | Rolling | 12 months | 12 months | None |
| Andy Botha | 18 April 2016 | Rolling | 12 months | 12 months | None |
| **Non-Executive Directors** | | | | | |
| Mike Evans | 1 May 2017 | 3 year contract | 3 months | 3 months | None |
| Duncan Tatton-Brown | 1 May 2017 | 3 year contract | 1 month | 1 month | None |
| Grenville Turner | 21 May 2017 | 3 year contract | 1 month | 1 month | None |
| James Welsh | 1 January 2017 | 3 year contract | None | None | None |
| Kevin Beatty | 1 July 2016 | 3 year contract | None | None | None |
| Robin Klein | 1 May 2017 | 3 year contract | 1 month | 1 month | None |
| Sherry Coutu | 1 May 2017 | 3 year contract | 1 month | 1 month | None |
| Vin Murria | 1 July 2015 | 3 year contract | 1 month | 1 month | None |

The Committee's policy for setting notice periods is that a 12 month period will apply for Executive Directors. The Committee may, in exceptional circumstances arising on recruitment, allow a longer period which would, in any event, reduce to 12 months following the first year of employment.

The Non-Executive Directors of the Company (including the Chairman) do not have service contracts and are appointed by letters of appointment. Each Independent Non-Executive Director's term of office runs for a three year period. The Company extended the appointments of those Non-Executive Directors where their three year appointment terms were reached during the year. These were extended by an additional three year period.

The Company follows the UK Corporate Governance Code's recommendation that all Directors be subject to annual re-appointment by shareholders.

The terms and conditions of appointment of non-executive directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

### External Non-Executive Directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain fees. The Executive Directors did not hold positions in any other company during the period.

### Payment for loss of office

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Executive Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. When determining any loss of office payment for a departing individual the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time.

| ELEMENT OF REMUNERATION | TREATMENT ON EXIT |
|---|---|
| **Salary** | Salary will be paid over the notice period. The Company has discretion to make a lump sum payment on termination of the salary payable during the notice period. In all cases the Company will seek to mitigate any payments due. |
| **Benefits** | Benefits will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period. In all cases the Company will seek to mitigate any payments due. |
| **Pensions** | Company pension contributions will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the Company pension contributions during the notice period. In all cases the Company will seek to mitigate any payments due. |

## Payment for loss of office continued

| ELEMENT OF REMUNERATION | TREATMENT ON EXIT |
|---|---|
| **Annual Bonus Plan** | **For the Year of Cessation**<br>**Good leavers:** Performance conditions will be measured at the end of the financial year. Any bonus will normally be prorated for the period worked during the financial year.<br>**Other leavers:** No bonus payable for year of cessation.<br>**Discretion:** the Committee has the following elements of discretion:<br>• to determine that an individual is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and<br>• to determine whether to prorate the bonus to time. The Committee's normal policy is that it will prorate for time. It is the Committee's intention to use discretion to not prorate in circumstances where there is an appropriate business case which will be explained in full to shareholders. |
| **Deferred Bonus Plan** | **Deferred shares**<br>**Good leavers:** All unvested deferred shares will vest on the normal vesting date.<br>**Other leavers:** All unvested deferred shares will be forfeited on cessation of employment.<br>**Discretion:** the Committee has the following elements of discretion:<br>• to determine that an individual is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;<br>• to determine whether to prorate the deferred shares on cessation. The Committee's normal policy is that it will not prorate. The Committee will determine whether to prorate based on the circumstances of the Executive Directors' departure; and<br>• to vest deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation. |
| **LTIP** | **Good leavers:** unvested awards will vest on the normal vesting date subject to (i) the extent any applicable performance condition have been satisfied at the end of the normal performance period and (ii) prorating to reflect the period of time elapsed between grant and cessation of employment as a proportion of the normal vesting period. The holding period will continue to apply.<br>**Other leavers:** All unvested awards will be forfeited on cessation of employment.<br>**Discretion:** the Committee has the following elements of discretion:<br>• to determine that an individual is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;<br>• to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation;<br>• to determine whether unvested awards should vest on the normal vesting date or date of cessation. The Committee's normal policy is that unvested awards will vest on the normal vesting date. The Committee will determine the vesting date based on the circumstances of the Executive Directors' departure;<br>• to determine whether to prorate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will prorate awards for time. The Committee will determine whether to prorate based on the circumstances of the Executive Directors' departure; and<br>• to determine that no holding period will apply following vesting. The Committee's normal policy is that a holding period will apply. The Committee will determine whether to disapply a holding period based on the circumstances of the Executive Directors' departure. |
| **VCP** | **Good leavers:** The Committee may at its discretion allow the CEO to continue to participate in the VCP until the nearest VCP measurement date to his date of cessation (this may be in the past). Accrued nil-cost options will vest at the normal vesting dates and be exercisable for such period as determined by the Committee in its discretion.<br>**Other leavers:** There will be no further VCP measurement dates and no ability to accrue nil-cost options. Accrued nil-cost options will lapse on the date of cessation of employment.<br>**Discretion:** The Committee has the following elements of discretion:<br>• to determine that the CEO is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and<br>• to prorate to the time from the VCP award to the date of cessation the number of nil-cost option shares and the £5,000,000 fixed value (relating only to the original grant of the VCP). |
| **Other contractual obligations** | There are no other contractual provisions, other than those set out above, agreed prior to 27 June 2012. |

# Remuneration report continued

## Payment for loss of office continued

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- redundancy (other than for the VCP);
- retirement with agreement of employer (other than for the VCP);
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Remuneration Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other leaver reasons.

## Change of control

The Committee's policy on the vesting of incentives on a change of control is summarised below:

| ELEMENT OF REMUNERATION | CHANGE OF CONTROL | DISCRETION |
|---|---|---|
| **Annual Bonus Plan** | Performance conditions will be measured at the date of the change of control. The bonus will normally be prorated to the date of the change of control. | The Committee has discretion:<br>• to continue the operation of the Plan to the end of the bonus year; and<br>• to determine whether to prorate the bonus to time. The Remuneration Committee's normal policy is that it will prorate for time, however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met the Committee will consider whether prorating is equitable. |
| **Deferred Bonus Plan** | The number of shares subject to subsisting deferred share awards on a change of control may be prorated to time. | The Committee will take into account the circumstances of the change of control in determining whether to apply prorating. |
| **LTIP** | The number of shares subject to subsisting deferred LTIP awards on a change of control will be prorated to time and performance. | The Committee has discretion:<br>• to determine whether to prorate the award to time. The Remuneration Committee's normal policy is that it will prorate for time however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met the Committee will consider whether prorating is equitable; and<br>• to determine to pay cash in lieu of shares. |
| **VCP** | There will be a VCP measurement date on the change of control and the value of additional nil-cost options will be calculated as at any other VCP measurement date. The share price used to calculate the measurement total shareholder return will be the offer price for the Company. Accrued and banked nil-cost options will become immediately exercisable on the date of the change of control. | The Committee has discretion to prorate to time the minimum £5,000,000 fixed value of the original grant (where it applies).<br>There is no minimum fixed value for the extension award. |

## Illustrations of the application of the Remuneration Policy

The chart below illustrates the remuneration that could be paid to each of the Executive Directors, based on salaries at the start of financial year 2018, under three different performance scenarios: (i) minimum; (ii) on target; and (iii) maximum. The elements of remuneration have been categorised into four components: (i) fixed; (ii) annual bonus (including deferred bonus); (iii) LTIP; and (iv) VCP.

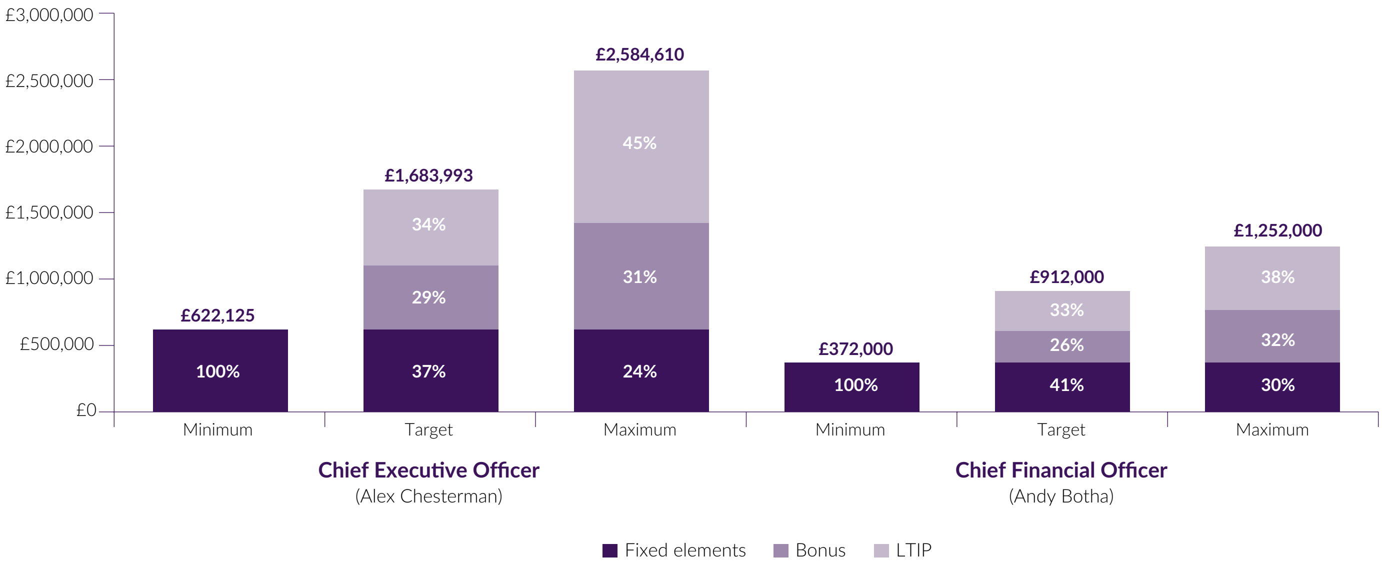
| Element | Description | Minimum | On target | Maximum |
|---|---|---|---|---|
| **Fixed** | Salary, benefits and pension | Included | Included | Included |
| **Annual Bonus Plan and Deferred Bonus Plan** | Annual bonus (including deferred shares) | 0% | 60% of the maximum bonus[1] | 100% of the maximum bonus |
| **Long Term Incentive Plan** | Award under the LTIP for the CFO | 0% | 62.5% of the maximum award | 100% of the maximum award |
| **Value Creation Plan[3]** | Award under the VCP for the CEO | 0% | 50% of the average annual IFRS 2 value of award[2] | 100% of the average annual IFRS 2 value of award[2] |

1 150% of salary for the Chief Executive Officer and 125% for the Chief Financial Officer.

2 The VCP cost is higher than previous years to reflect the extension of the VCP for the CEO. The maximum value continues to represents 100% of the average annual IFRS 2 value of the award, which is intended to give an estimate of the value of the award on grant.

3 The VCP is a one-off award with an original term of four years now extend to six years. The maximum value represents 100% of the average annual IFRS2 cost of the award.

In accordance with the regulations share price growth has not been included. For the purposes of this disclosure, dividend equivalents have not been added to deferred bonus and LTIP share awards.




## Statement of conditions elsewhere in the Company

The remuneration policy for all employees is determined in terms of best practice and ensuring that the Company is able to attract and retain the best people. This principle is followed in the development of our Policy. However, employee views are not specifically sought in determining this Policy. The Company does not currently use any remuneration comparison metrics.

Salary and benefit packages are linked to both individual and business performance. All employees participate in bonus plans which, together with salary reviews linked to business performance, enable all employees to share in the success of the Company. All employees which were employed throughout the financial year are eligible to participate in the SIP and the Company strives to offer this benefit to new parts of the business as soon as practical following acquisition.

## Consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. The Committee consulted with its principal shareholders on the VCP and the proposed changes to the Directors' Remuneration Policy prior to finalising the new proposals.

# Annual report on remuneration

The following report outlines how the Policy was implemented in 2017.

Information included in the Annual report on remuneration is audited only where indicated.

## Single total figure of remuneration (audited)

### Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2017 financial year. Comparative figures for the 2016 financial year have also been provided. Figures provided have been calculated in accordance with the Large and Medium-sized Companies and Groups (Accounts and reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

### Single total figure of remuneration for Executive Directors for the 2017 financial year (audited)

| | | | | Annual bonus[2] | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Period | Salary £000 | Benefits[1] £000 | Cash £000 | Deferred £000 | LTIP[3] £000 | Pension[4] £000 | SIP £000 | Total £000 |
| **Alex Chesterman** (Founder & CEO) | **2017** | **510** | **4** | **344** | **344** | **419** | **77** | **2** | **1,700** |
| | 2016 | 480 | 4 | 353 | 353 | – | 72 | 2 | 1,264 |
| **Andy Botha** (CFO) | **2017** | **275** | **4** | **155** | **154** | **–** | **41** | **2** | **631** |
| | 2016[5] | 114 | 2 | 56 | 56 | – | 17 | – | 245 |

1 The types of benefits provided are set out in our Remuneration Policy see page 74.

2 50% of the annual bonus amount is deferred into nil-cost options, which vest three years from the date of grant. These options are expected to be granted in December 2017. The options are not subject to further performance criteria.

3 The 2014 LTIP vested on 29 November 2017 after our financial year end. However given the majority of the performance period has been completed by the end of 2017, the value of the LTIP vesting has been included in the single figure table for 2017. See page 87 for details of the vesting for the 2014 LTIP award. Value calculated based on the average share price at close on 22 November 2017 of £3.511 as it was available at the time of compiling this report, rather than the average share price in last quarter of the 2017 financial year as it is a more accurate representation of the value provided.

4 Pension contributions represent 15% of the respective salaries. The normal retirement age for each Executive Director is 67.

5 Andy Botha joined the Company on 18 April 2016. His salary, benefits and other awards were made prorata for the 2016 financial year.

### Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director for the year from the date of their appointment.

| | **2017** | | | 2016 | | | |
|---|---|---|---|---|---|---|---|
| | **Fees £000** | **Taxable benefits £000** | **Total £000** | Fees £000 | Taxable benefits £000 | Total £000 | Roles |
| Mike Evans (Chairman) | **183.8** | **–** | **184.8** | 175.0 | – | 175.0 | Chairman, Chair of Nomination Committee |
| Duncan Tatton-Brown | **65.0** | **–** | **65.0** | 62.5 | – | 62.5 | Senior Independent Director, Chair of Audit Committee |
| Grenville Turner | **50.0** | **–** | **50.0** | 47.5 | – | 47.5 | Non-Executive Director |
| James Welsh[1] | **–** | **–** | **–** | – | – | – | Non-Executive Director |
| Kevin Beatty | **–** | **–** | **–** | – | – | – | Non-Executive Director |
| Robin Klein | **50.0** | **–** | **50.0** | 47.5 | – | 47.5 | Non-Executive Director |
| Sherry Coutu | **60.0** | **–** | **60.0** | 57.5 | – | 57.5 | Chair of Remuneration Committee |
| Stephen Daintith[1] | **–** | **–** | **–** | – | – | – | Non-Executive Director |
| Vin Murria | **50.0** | **–** | **50.0** | 47.5 | – | 47.5 | Non-Executive Director |

1 Stephen Daintith resigned from the Board on 1 January 2017 and was replaced by James Welsh.

## Annual fees

| | 2017 annual fee £ | 2016 annual fee £ |
|---|---|---|
| Chairman | **183,750** | 175,000 |
| Board fee | **50,000** | 47,500 |
| Chair of Remuneration Committee | **10,000** | 10,000 |
| Chair of Audit Committee | **10,000** | 10,000 |
| Senior Independent Director | **5,000** | 5,000 |

## Additional information regarding single figure table (audited)

The Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, cyclicality of the markets in which the Company operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

## Annual Bonus Plan (audited)

The bonus is assessed over a performance period aligned with the financial year using the criteria outlined in the Policy summarised on page 72. 50% of the bonus achieved will be paid in cash. The remaining 50% will be deferred in nil-cost options over a minimal deferral period of three years.

| Name | Performance criteria | Weighting | Actual performance against target | Annual bonus value achieved (% salary) | Annual bonus value achieved £000 |
|---|---|---|---|---|---|
| Alex Chesterman | Revenue | 30% | 73% | | |
| | Adjusted EBITDA | 50% | 100% | 135% | £688 |
| | Personal objectives | 20% | 90% | | |
| Andy Botha | Revenue | 30% | 73% | | |
| | Adjusted EBITDA | 50% | 100% | 112% | £309 |
| | Personal objectives | 20% | 90% | | |

The Committee believes that the bonus outcome is fully reflective of the strong performance over the Period and therefore has not exercised any discretion in relation to the bonus outcomes. The acquisitions made during the Period have not impacted the outcome of the bonus. The targets were set prior to the acquisitions and subsequently adjusted to account for these acquisitions. The Committee considered performance against the adjusted performance targets.

Company performance against the performance conditions is set out below:

| Performance criteria | Weighting as a % of maximum bonus opportunity | Threshold £000 | Target £000 | Maximum £000 | Actual £000 | Resulting bonus achieved as a % of maximum bonus opportunity |
|---|---|---|---|---|---|---|
| Revenue | 30 | 228.6 | 240.6 | 252.6 | 244.5 | 73 |
| Adjusted EBITDA | 50 | 85.1 | 89.6 | 94.1 | 96.4 | 100 |
| Personal objectives | 20 | See below | | | | 90 |
| **Total** | **100** | | | | | **90** |

Corporate governance

# Annual report on remuneration continued

## Annual bonus outcome: personal objectives

Personal objectives for the CEO and the CFO were as follows:

### Alex Chesterman

| OBJECTIVE AREA | OBJECTIVES | PERFORMANCE | OUTCOME |
|---|---|---|---|
| Business and vision (40% weighting) | • Execute the Company's strategy with a view to delivering further revenue and cross-sell opportunities.<br>• Continue to work on securing the long-term future of the business.<br>• Continue to build strong relationships with existing and potential shareholders. | • The Committee viewed the execution of the Company strategy as a success in the year and the Committee believes that ZPG is strongly placed as a leader of innovation digital platform space now and in the future. The Committee further notes the increased revenue diversity of the Company resulting from acquisitions. | 95% |
| Organisation and culture (20% weighting) | • Continue to oversee successful business execution and integration in line with the Company's strategy. | • The Committee believes the CEO provided strong leadership to ensure the continued success of integration through the business, in particular the newly acquired Hometrack, Expert Agent, Ravensworth and Technciweb businesses which was achieved with minimal disruption to business activities. | 90% |
| People and talent (40% weighting) | • Continue to build a strong leadership team and ensure adequate motivation, retention and succession planning in place across the Company. | • The Committee viewed the work of the CEO in building the leadership team of ZPG as strong, including the development of future succession plans and the integration of new talent from the acquired businesses to support the continued development of ZPG. | 85% |

The Remuneration Committee determined that overall performance against these objectives equated to 90% of the bonus for this element being achieved.

### Andy Botha

| OBJECTIVE AREA | OBJECTIVES | PERFORMANCE | OUTCOME |
|---|---|---|---|
| Business and vision (40% weighting) | • Develop a comprehensive operating plan to deliver the 2017 budget, with clear KPIs and ongoing accountability in place across the Company.<br>• Ensure the Investor Relations programme and activities are conducted in a manner that builds strong external stakeholder relationships. | • The Committee believes the CFO successfully developed the financial operating plan which supported the Company's achievement of the 2017 budget and notes the development and communication of a clear 2020 strategic plan for the business. The Committee viewed the Investor Relations activities as successful during the year with the CFO making a strong personal contribution in strengthening ZPG's relationships with its key external stakeholders. | 90% |
| Organisation and culture (20% weighting) | • Ensure the deployment of the new Finance Systems are delivered on time within budget.<br>• Take executive responsibility for external reporting including half/full-year reporting requirements, that they are well managed and delivered in a timely manner with no audit issues raised. | • The Finance Systems were deployed on time and within budget and significant work has gone into integrating and harmonising systems and processes across the business. | 90% |
| People and talent (40% weighting) | • Create a scalable group finance team with and develop the team, ensuring the right level of talent, retention and succession plans in place to continue to support business growth.<br>• Continue to build strong relationships with the Board. | • The Committee views the work done by the CFO to develop of the Finance team this year as strong with a number of significant hires and retention and succession plans identified and developed. The Committee believes that the CFO has developed and established himself further as a member of the Board this year. | 90% |

The Remuneration Committee determined that overall performance against these objectives equated to 90% of the bonus for this element being achieved.

## Long Term Incentive Plan (audited)

The table below sets out the details of the long-term incentive awards granted in the 2017 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

| Name | Award type | Date of grant | Award level, % of salary | Options awarded | Face value of award ('000) | Percentage of award vesting at threshold performance (%) | Maximum percentage of face value that could vest (%) | Performance conditions | Weighting |
|---|---|---|---|---|---|---|---|---|---|
| Andy Botha[1] | LTIP | 6 December 2016 | 150 | 130,290 | £412.5 | 25 | 100 | Relative TSR | 50% |
| | | | | | | | | EPS | 50% |

1 130,290 nil-cost options awarded on 6 December 2016 which represented 150% of salary at a share price of £3.166 as at close on 5 December 2016. The award will vest in 2019 subject to performance against the performance conditions above.

The awards will vest subject to the Company's adjusted basic earnings per share and relative TSR performance measured over the three year performance period ending on 6 December 2019 as set out below:

| Performance measure | Measurement period | Performance target | Vesting level |
|---|---|---|---|
| TSR relative to the FTSE 250 (excluding real estate and equity investment trusts) | 6 December 2016 – 6 December 2019 | Upper quartile | 100% |
| | | Median to upper quartile | Prorate on a straight-line basis between 25% and 100% |
| | | Below median | Nil |
| Adjusted EPS | Three financial years ending 30 September 2019 | 18% p.a. | 100% |
| | | Between 10% and 18% p.a. | Prorate on a straight-line basis between 25% and 100% |
| | | Below 10% p.a. | Nil |

### Award vesting

The LTIP awards granted in August 2014 vest on the announcement of the Company's results announcement on 29 November 2017. As the performance period was completed during the 2017 financial year the value of the awards has been provided below.

Performance against the targets and the % of the LTIP award vesting is set out below:

- The Company has assessed relative TSR performance against the FTSE 250 (excluding real estate and equity investment trusts). ZPG ranked at the upper quartile equating to a vesting of 100% for this element.
- The EPS over the Period has grown by 32.7% against the range of 15–27.5% p.a. equating to a vesting of 100% of the EPS element.
- Overall vesting for the 2014 LTIP award is 100%.

| Total shareholder return | 2017 outcome | Adjusted EPS | 2017 outcome |
|---|---|---|---|
| Relative total shareholder return rank[1] | 48/189 | Adjusted EPS | 32.7% |
| Median TSR rank | 95/189 | Threshold EPS growth | 10% p.a. |
| Upper quartile TSR rank | 48/189 | Maximum EPS growth | 27.5% p.a. |
| Vesting level | 100% | Vesting level | 100% |

1 Total shareholder return for the purposes of this LTIP award was measured from the IPO price of £2.20 over a three year period to 23 June 2017.

# Annual report on remuneration continued

## Long Term Incentive Plan (audited) continued

### Award vesting continued

| Name | Performance criteria | Weighting | Actual performance against target | Number of nil-cost options awarded | Prorata adjustment | Number of nil-cost options lapsing | Number of nil-cost options vesting | Value of nil-cost options for single figure[2] £000 |
|---|---|---|---|---|---|---|---|---|
| Alex Chesterman | Relative total shareholder return | 50% | 100% | 306,818 | (187,500)[1] | – | 119,318 | 419 |
| | Adjusted EPS | 50% | 100% | | | | | |

1 The grant for Alex Chesterman was adjusted prorata on commencement of the VCP on 1 October 2015.

2 Value calculated based on the average share price at close on 22 November 2017 of £3.511 as it was available at the time of compiling this report, rather than the average share price in last quarter of the 2017 financial year as it is a more accurate representation of the value provided.

No nil-cost options had vested as at 30 September 2017.

The LTIP award granted to Stephen Morana, the Company's former CFO, in August 2014 also vests on 29 November 2017 in accordance with his good leaver status outlined in the Annual Report 2016. His award of 91,955 (reduced prorata for time due to his cessation of employment from 170,454) will vest at 100% equating to a value of £276,000, using the share price at 22 November 2017, as above. We note that this vesting falls within 2018 and hence will be disclosed under payments to past Directors section next year.

## Value Creation Plan (audited)

The VCP was approved by shareholders on 1 October 2015. In line with the terms of the plan the CEO accrues a number of nil-cost options based on the TSR achieved over an 8% threshold (below which there is no reward). The plan has a four year term and includes four measurement dates at which the performance is assessed which subject to shareholder approval at the 2018 AGM will be extended to a six year term with two further measurement dates.

The first measurement date occurred on 3 January 2017 when 3,233,127 nil-cost options were awarded to Alex Chesterman in respect of TSR performance from 1 October 2015 to 30 December 2016 as set out below.

50% of the options will become exercisable on the third measurement date (December 2018) provided that a minimum return of 8% is maintained. The remaining 50% of the options will become exercisable on the fourth measurement date (December 2019) provided that a minimum annual return of 8% is maintained.

The number of options granted was calculated on a measurement price of £3.197, generating an increase in total shareholder return of over £437 million for shareholders.

| Name | Award type |
|---|---|
| Base price | £2.19 |
| Measurement price | £3.197 |
| Hurdle price (8% p.a. from base price) | £2.41 |
| Total value created over the Period (£000) | £437,078 |
| 3% of value created over the hurdle (£000) | £10,323 |

Update on nil-cost options banked on the first measurement date:

| Name | Award type | Date of grant | Nil-cost options awarded | Face value of award[1] £000 | Performance conditions |
|---|---|---|---|---|---|
| Alex Chesterman | VCP | 3 January 2017 | 3,233,127 | £10,323 | 8% TSR needs to be maintained over the performance period for banked options to vest |

1 Face value using share price of £3.193, being the closing share price on 30 December 2016.

A further grant under the VCP is expected to be made in January 2018 in respect of the measurement period to December 2017.

## HMRC Share Incentive Plan (audited)

The Share Incentive Plan (SIP) is made available to all employees, including the Executive Directors. There are no performance conditions attached to the grants.

Throughout 2017, the CEO and CFO bought Partnership Shares on a monthly basis through the plan. The Company continues to match Partnership Shares purchased on a one-to-one ratio. Matching Shares granted each month are subject to the Director's continued employment for a period of one year from the grant date. Alex Chesterman and Andy Botha purchased 512 and 416 Partnership Shares respectively during the Period. The Company has issued an equal number of Matching Shares to each Executive Director.

23 June 2017 marked the three year anniversary of ZPG's IPO and consequently the 1,137 Free Shares issued to all staff employed at IPO, including the CEO, became available at this date. Andy Botha was not employed at the date of IPO and therefore was not granted any Free Shares. At 30 September 2017, and as at the date of this report, the Free Shares awarded to Alex Chesterman remain in the SIP Trust and have not been withdrawn.

## Payments to past Directors/payments for loss of office (audited)

There were no payments made to past Directors or for loss of office in the Period.

## Statement of Directors' shareholdings (audited)

Shareholding requirements in operation at the Company are currently 400% of base salary for the CEO and 100% of base salary for the CFO. During 2017 the Remuneration Committee decided to increase the minimum shareholding requirement for the CFO to 200%. Executive Directors are required to build up their shareholdings over a reasonable amount of time, which would normally be five years. Andy Botha joined the Company on 18 April 2016 as CFO and is expected to build up the required shareholding over a reasonable period. The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 30 September 2017 are set out in the table below.

| | | Shares held directly | | | Other shares held | |
|---|---|---|---|---|---|---|
| Director | Current shareholding (% salary)[3] | Beneficially owned[1] | Shares not subject to performance conditions[2,4] | Total number of Ordinary and Deferred Shares | Interests subject to performance conditions[4,5] | Shareholding requirement met |
| Alex Chesterman | 2,874 | 4,270,144 | 288,781 | 4,498,925 | 3,352,445 | Yes |
| Andy Botha | – | 416 | 18,149 | 18,565 | 174,360 | No |

1 Includes Partnership shares purchased under the SIP. No shares were held by any connected parties. Since 30 September 2017 Alex Chesterman and Andy Botha have each purchased 84 Partnership Shares through the Company's SIP. These shares have been matched on a one-to-one ratio by the Company. There have been no other movements since 30 September 2017 to the date of this report.

2 Includes Matching Shares still subject to forfeiture awarded under the Company's SIP and nil-cost options granted under the Annual Bonus Plan.

3 The closing share price of 361.7 pence as at 30 September 2017 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP and Annual Bonus Plan shares and options do not count towards satisfaction of the shareholding guidelines. Matching Shares under the Share Incentive Plan which are still subject to forfeiture or lapse do not count towards the shareholding requirement.

4 Nil-cost options granted under the Company's LTIP and Annual Bonus Plans exclude any dividend equivalents that may have accrued.

5 Interests subject to performance conditions include the unvested LTIP and VCP nil-cost options.

The Chairman and the Non-Executive Directors are not subject to a shareholding requirement. Details of their interests in shares are set out below:

| Director | Shares held at 30 September 2017[1] |
|---|---|
| Mike Evans (Chairman) | **34,494** |
| Duncan Tatton-Brown | **22,727** |
| James Welsh[2] | **–** |
| Grenville Turner | **–** |
| Kevin Beatty | **–** |
| Robin Klein | **583,996** |
| Sherry Coutu | **588,790** |
| Stephen Daintith[2] | **–** |
| Vin Murria | **–** |

1 Shares held include any shares held by connected parties. There has been no movement in the number of shares held between 30 September 2017 and the date of this report.

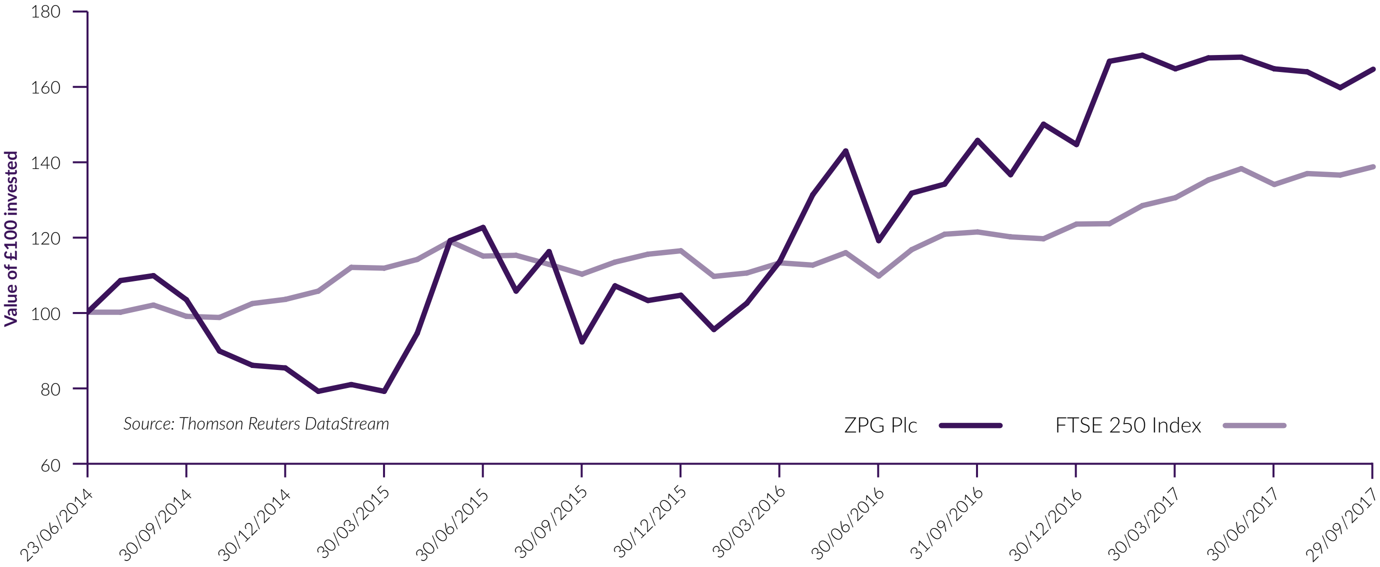
2 Stephen Daintith resigned from the Board on 1 January 2017 and was replaced by James Welsh.

Corporate governance

# Annual report on remuneration continued

## Comparison of overall performance and pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE 250 Index. The graph shows the total shareholder return generated by both the movement in share value and the reinvestment over the same period of dividend income. The Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this since listing. This graph has been calculated in accordance with regulations. It should be noted that the Company listed on 23 June 2014.




## Chief Executive Officer historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last three years valued using the methodology applied to the single total figure of remuneration. The Company has expanded quickly from a start-up company and the Committee does not believe that the remuneration payable in its earlier years bears any comparative value to that paid in its later years and therefore the Committee has chosen to disclose remuneration only for the three most recent financial years:

| Chief Executive Officer | **2017** | 2016 | 2015 |
|---|---|---|---|
| Total single figure (£000) | **1,700** | 1,264 | 1,070 |
| Annual bonus payment level achieved (% of maximum opportunity) | **90** | 98 | 97 |
| LTIP vesting level achieved (% of maximum opportunity) | **100** | – | – |

The 2014 LTIP vested on 29 November 2017 after our financial year end. However, given the majority of the performance period has been completed by the end of FY17, the value of the LTIP vesting has been included in the single figure table to FY17. The LTIP grant for the Chief Executive Officer was adjusted prorata on commencement of the VCP on 1 October 2015.

## Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2017 financial year and the 2016 financial year compared with other disbursements. All figures provided are taken from the relevant Company accounts.

| | **Disbursements from profit in 2017 financial year £ million** | Disbursements from profit in 2016 financial year £ million | % change |
|---|---|---|---|
| Profit distributed by way of dividend[1] | **24.9** | 21.5 | 16 |
| Overall spend on pay including Executive Directors | **57.1** | 39.6 | 44 |
| Total tax contributions[2] | **57.4** | 53.2 | 8 |

1 Includes dividends paid and proposed in respect of the financial year.

2 Total tax contributions include tax for the Period in respect of corporation tax, PAYE, National Insurance contributions and VAT.

The increase in overall spend on pay, including Executive Directors, reflects the increase in our employee numbers as a result of acquisitions across both financial years.

### Change in Chief Executive Officer's remuneration compared with employees

The following table sets out the change in the remuneration paid to the Chief Executive Officer from 2016 to 2017 compared with the average percentage change for employees.

| | % increase in remuneration in 2017 compared with remuneration in 2016 | |
|---|---|---|
| | CEO | Employees |
| Salary | 6% | 6% |
| Annual bonus | (3%) | 5% |
| Taxable benefits | – | – |

### Ratio of CEO earnings relative to employee earnings

The table below illustrates the CEO earnings relative to employee earnings.

| Chief Executive Officer | 2017 | 2016 |
|---|---|---|
| Chief Executive earnings[1] (£'000) | 1,700 | 1,264 |
| Average employee earnings[2] (£'000) | 59 | 58 |
| Pay ratio | 28.7x | 21.8x |

1 The Chief Executives earnings are calculated on the same basis as the total single figure of remuneration as shown on page 84.

2 Average employee earnings are based on staff costs calculated on the same basis as in the notes to the financial statements, excluding social security costs, based upon the average number of full-time equivalent employees.

The CEO single figure doesn't include any value of any long-term incentives as the CEO participates in a multi-year VCP arrangement. This ratio will likely increase on vesting of the first part of the CEO's VCP in 2019. The increase in ratio from 2016 to 2017 is largely driven by the impact of the 2014 LTIP vesting.

### Implementation of the Remuneration Policy in the 2018 financial year

See pages 70 to 71 for details.

### Statement of voting at general meeting

The following table sets out the recent shareholder votes on remuneration:

| | Date | For[1] | | Against | | Withheld |
|---|---|---|---|---|---|---|
| Annual Report on Remuneration for 2016 | 2 February 2017 | 342,289,752 | 89.16% | 41,597,373 | 10.84% | 1,237,005 |
| Remuneration Policy | 1 October 2015 | 324,285,344 | 84.27% | 60,532,694 | 15.73% | 1,116,923 |
| VCP | 1 October 2015 | 324,482,509 | 84.08% | 61,452,168 | 15.92% | 284 |

1 Votes "For" included those votes giving the Chairman discretion. Votes were received in respect of 91.85% of the Company's issued share capital for the Annual Report on Remuneration for 2016, 92.04% for the Remuneration Policy and 92.30% for the VCP.

The Annual Report on Remuneration will be subject to an advisory vote and the Remuneration Policy to a binding vote; at the AGM on 30 January 2018.

### Advisers to the Remuneration Committee

During the year the Committee reviewed the advisers to the Committee. Following this review the Committee retained the services of PwC as independent remuneration advisers.

During the financial year, PwC advised the Committee on all aspects of the Remuneration Policy for Executive Directors and members of the Executive Management Team. The Committee is satisfied that advice received from PwC during the year was objective and independent.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fees of £16,250 (2016: £36,250) were provided to PwC during the year in respect of remuneration advice received. PwC has no other connection with the Company.

**Sherry Coutu**
Chair, Remuneration Committee