



3. CEO discretionary pot

The CEO discretionary pot will be used to make one-off payments during the course of the year, to provide:

- recognition awards to reward individuals who have made an exceptional contribution which has had a significant impact on the business. These would be paid as a retrospective award without condition.
- retention awards to help secure key talent in critical roles. Individuals would receive the award after a further twelve months of satisfactory performance against agreed objectives defined and/or approved by the CEO.



[REDACTED] This will be used flexibly based on the circumstances. To ensure that awards are fairly distributed and avoid unconscious bias, proposals will be reviewed by the Chief People Officer with a specific eye to diversity.



4. Proposals for other bonus-eligible staff

the proposals are:

- To operate the usual Management Incentive programme with the same bonus target percentages as currently in place
- To pay the in-year amount only, without the addition of a deferred element
- To align with the same performance factors and measures as the GE/SLP plan
- To continue with an individual multiplier to reward performance, discussed and agreed with Unite
- [REDACTED]
- [REDACTED]
- To provide timely and regular communication updates to this group throughout the year

5. Communication and participant engagement

We have made good progress to date against our Reward principles of timely regular Reward information and in line with this, we are working to this schedule for the coming financial year:

- Communicate the new Reward framework in May 2022
- Communicate the final agreed STIP and LTIP metrics and targets in June 2022 (aligned with conclusion of CSR discussions and Remuneration Committee sign-off)
- Provide quarterly updates to all staff throughout the year
- Communicate 2021/22 plan outturn in June/July with payment in August
- Issue Total Reward statements to all staff in September/October 2022



ADDENDUM

3

CEO Discretionary Pot

At POL, the Reward framework comprises different mechanisms to reward individual and collective performance:

- a short-term incentive plan (STIP) that rewards for individual contribution to the annual strategic priorities and for delivery against individual objectives set through the PDR process
- a long-term incentive plan (LTIP) which rewards collective achievement against measures of long-term success, with no individual differentiation
- a CEO discretionary pot for situations where an individual has either gone above and beyond the expectations or scope of the PDR objectives, or where the retention of an individual is critical for the achievement of short or long-term success

To ensure that the CEO discretionary pot is used for maximum impact and return on investment, the following principles and process will apply:

Principles:

The CEO pot will be used for the following purposes:

- **Retention** of high-performers and high-potential individuals as identified through the Talent process
- **Recognition** of individuals against specific achievements that go above and beyond the expectations of the role and objectives set out in the PDR
- **Other** situations such as targeted retention for specific projects where critical skills are required for a short period

Retention payments will be subject to repayment if the individual leaves before a certain period. For retention of high-performers/high potentials this will normally be 12 months. For other situations, the retention period will depend on the project.

To avoid rewarding individuals multiple times for the same event, there will be a number of factors considered, for example:

- whether the individual already received a “multiplier” on the STIP
- whether the individual received a CEO discretionary payment in the previous 12 months
- how long the individual has been with the business
- recent pay increase history

Process

Every six months, GE members will be asked to nominate individuals for a CEO award, supported by their Heads of People. These nominations, together with any referrals from the weekly Pay Panels, will be co-ordinated by the Reward team who will complete an initial analysis against the considerations and provide supporting data. This will be presented to the CEO and Chief People Officer for review and approval.

The result of the six month process will be presented to the Remuneration Committee for noting, or for approval if a GE member is recommended for an award.

iii. CEO Discretionary Fund

The Committee approved an amount of [REDACTED] to enable the CEO to make one-off recognition awards where an individual has either gone above and beyond the expectations or scope of the PDR objectives, or where the retention of an individual is critical for the achievement of short or long-term success. This amount is being accrued.

The Committee approved guidelines for the application of this Fund and these are attached as an Appendix to this paper.

[REDACTED]. It is anticipated that the fund will be utilised in H2 after 2021/22 bonus payments have been made and ahead of/during the usual retention challenges during the "Golden Quarter" (October to December) and start of the next calendar year. The People leadership team are currently working towards identifying the first tranche of individuals who could be considered for this award.



In line with the agreed process, the Committee will receive updates for noting, or for approval if a GE member is recommended for an award. In addition, the Committee will be presented with a year-end review of the success of this initiative.



APPENDIX 4

CEO Discretionary Pot

Criteria for each reward element – covering individual and collective performance:

- a short-term incentive plan (STIP) that rewards for delivery against collective metrics with a multiplier for achievement against individual objectives set through the PDR process – ways of working also tested via the PDR
- a long-term incentive plan (LTIP) which rewards collective achievement against measures of long-term success, with no individual differentiation
- a CEO discretionary pot - new arrangement proposed to reward for effort not already measured via the STIP and/or LTIP, where a one-off cash payment is preferred over increasing the grade and/or salary of the colleague and payment under this element must be repaid if the recipient leaves the business within 12 months* of payment

To ensure that the CEO discretionary pot is used for maximum impact and return on investment, the following principles and process will apply:

Principles:

1. Is the colleague already incentivised or rewarded by the core STIP and/or LTIP for the work for which they are being recognised or incentivised – if yes, no discretionary payment will be allowed. If not, then the colleague can be considered under the Process for Payment
2. Is the colleague already included within a live/current special bonus arrangement – if yes no further discretionary payment will be allowed.

The headline reasons therefore for any CEO discretionary pot payment will be related to:

- o **Retention** - high-performers and high-potential individuals as identified through the Talent process
- o **Recognition** - against specific achievements that go above and beyond the expectations of the role and objectives set out in the PDR
- o **Other** situations such as targeted retention for specific projects where critical skills are required for a short period

Retention payments will be subject to repayment if the individual leaves before a certain period. For retention of high performers/high potentials this will normally be 12 months*. For other situations, the retention period will depend on the project.

To avoid rewarding individuals' multiple times when a grade or salary change may be more appropriate, there will be several additional factors considered:

- o whether the individual already received a "multiplier" on their last STIP surely – this is recognised and considered – does not lead to an automatic exclusion – in fact, it could even be a reason for doing a one-off payment if the STIP tanks
- o whether the individual received a CEO discretionary payment in the previous 12 months
- o how long the individual has been with the business
- o recent pay increase history

These test points will be considered to avoid overlapping or perpetual cash payments to any colleague or groups of colleagues.

Process for Payment

[REDACTED]

Every six months GE members will be asked to nominate individuals for a CEO award, supported by their Heads of People. These nominations, together with any referrals from the weekly Pay Panels, will be co-ordinated by the Reward team who will complete an initial analysis against the considerations and provide supporting data. This will be presented to the CEO and Chief People Officer for review and approval.

The Remuneration Committee will receive updates from the CEO for noting, or for approval if a GE member is recommended for an award

[REDACTED]