The Policy report

The following section sets out our Directors' Remuneration Policy ('Policy'). This Policy was approved by shareholders at the Annual General Meeting held on 9 April 2020 and all financial amounts are as at that date.

In designing the Policy, the Committee followed a robust process which included discussions on the content of the Policy at four Committee meetings. The Committee considered input from management and our independent advisors, and sought the views of the Company's major shareholders and other stakeholders, including employees.

Changes to policy

The 2020 Remuneration Policy made the following changes to the 2017 Remuneration Policy:

- For new appointments and the current Chief Executive Officer, the maximum cash allowance paid in lieu of pension has reduced from 30% to 12% of base salary, to bring it fully into line with the wider UK workforce. For the Chief Financial Officer, the maximum amount will taper over the life of the Policy such that it also reaches 12% of base salary by 1 January 2022, compared to 30% under the previous policy.
- The former Annual Cash Incentive Plan (CIP) and Annual Equity Incentive Plan (EIP) have been simplified and amalgamated into an integrated Annual Bonus Plan, which is structured as a 50% cash bonus and 50% deferred share award:
- The aggregate maximum opportunity of 215% of base salary is unchanged;
- The aggregate target opportunity has reduced from 70% of maximum to 50% of maximum;
- If considering the former Equity Incentive Plan as a form of deferred bonus, for the annual incentive arrangements as a whole the amount deferred into shares has been increased from around a third of the total amount to 50%, with the time period for release lengthened from evenly over three years to all after three years.
- The maximum annual opportunity under the Performance Share Programme has been increased from 190% to 275% of base salary.
- Incorporates post-employment shareholding guidelines, which have been introduced from 1 January 2020.

Future policy table – Executive Directors

Base salary and benefits

Base salary

Core element of remuneration, paid for doing the expected day-to-day job.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
Salaries are normally reviewed annually with any increase applying from 1 April. Salary levels and increases take account of: – Scope and responsibility of position; – Skill/experience and performance of the individual Executive Director; – General economic conditions in the relevant geographical market; – Average increases awarded across the Company, with particular regard to increases in the market in which the Executive Director is based; and – Market movements within a peer group of similarly sized listed companies.	The base salary of the Executive Directors with effect from 1 April 2020 will be as follows: – Roland Diggelmann CHF 1,380,000. – Graham Baker £568,277. While there is no maximum salary level, any increases will normally be in-line with the wider employee population within the relevant geographic area. Higher increases may be made under certain circumstances, at the Committee's discretion. For example, this may include: – increase in the scope and/or responsibility of the individual's role; and – development of the individual within the role. A full explanation will be provided in the Implementation Report should higher	Performance in the prior year is one of the factors taken into account and poor performance is likely to lead to a zero salary increase.

	increases be approved in exceptional cases. In addition, where an Executive Director has been appointed to the Board at a lower than typical salary, larger increases may be awarded to move them closer to market practice as their experience develops.	

Pension and payment in lieu of pension

Provide Executive Directors with an allowance for retirement planning.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
Executive Directors receive a cash allowance in lieu of membership of a Company-run pension scheme. In jurisdictions where the local law requires employees to participate in a Company-run pension scheme, Executive Directors participate in the local pension scheme to the extent of the amount paid in respect of the majority of our UK-based workforce. Base salary is the only component of remuneration which is pensionable.	The current Chief Executive Officer participates in the Swiss pension plan, and the Company contribution is 12% of his base pay in-line with the wider UK workforce. For any newly appointed Executive Directors, the maximum cash allowance payable in lieu of a pension is 12% of base salary. For the current Chief Financial Officer, the maximum cash allowance payable in lieu of a pension over the life of this Policy will be as follows: – 2020: 20% of base salary. – 2021: 12% of base salary.	None.

Benefits

Provide employees with a market competitive benefits package.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
A wide range of benefits may be provided depending on the benefits provided for comparable roles in the location in which the Executive Director is based. These benefits will include, as a minimum: healthcare cover, life assurance, long-term disability, annual medical examinations, company car or car allowance. The Committee retains the discretion to provide additional benefits, where necessary or relevant in the context of the Executive Director's location. Where applicable, relocation costs may be provided in-line with the Company's relocation policy for senior executives, which may include, amongst other items: removal costs, assistance with accommodation, living expenses for self and family and financial consultancy advice. In some cases, such payments may be grossed up.	While no maximum level of benefits is prescribed, they are set at an appropriate market competitive level, taking into account a number of factors, which may include: – The jurisdiction in which the individual is based. – The level of benefits provided for other employees within the Company. – Market practice for comparable roles within appropriate pay comparators. The actual amount payable will depend on the cost of providing such benefits to an employee in the location at which the Executive Director is based. The Committee keeps the benefit policy and benefit levels under regular review.	None.

All-employee arrangements

All-employee share plans

To enable Executive Directors to participate in all-employee share plans on a similar basis as other employees.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
ShareSave Plans are operated in the UK and 32 other countries internationally. In the US, an Employee Stock Purchase Plan is operated. These plans enable employees to save on a regular basis and then buy shares in the Company. Executive Directors are able to participate in such plans on a similar basis to other employees, depending on where they are located.	Executive Directors may currently invest up to £500 per month in the UK ShareSave Plan, in-line with UK participants. The Committee may exercise its discretion to increase this amount up to the maximum permitted by HM Revenue & Customs. Similar limits will apply in different locations.	None.

Annual incentives

Annual Bonus Plan

Incentivises delivery of the business plan on an annual basis. Rewards performance against key performance indicators which are critical to the delivery of our business strategy.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
The Annual Bonus Plan is designed to reward performance over the year against financial and business objectives determined at the start of the year. At the end of the year, the Committee determines pay out levels based on the extent to which performance against these objectives has been achieved. The Committee has full discretion to adjust outcomes under the Annual Bonus Plan where the amount that a participant would/could receive under an Award would result in the participant receiving an amount which the Committee considers cannot be justified or which the Committee considers to be an unfair or undeserved benefit to the Participant. In exercising this discretion, the Committee may consider all circumstances, including (but not limited to): the financial performance of the Company; any changes in the Company's share price; and the performance, conduct and contribution of the participant. Malus and clawback provisions apply, as detailed in the notes to this table. Half of the award is paid in cash after the end of the performance year and half is deferred into shares under the Deferred	The maximum opportunity is 215% of base salary. 50% of maximum is payable for on-target performance (107.5% of base salary). 15% of maximum is payable for threshold performance (32% of base salary).	The Committee will determine the appropriate performance measures at the start of each financial year, in order to ensure that the Annual Bonus Plan focuses on key business priorities for the Company. Typically, 80% of the annual bonus will be based on financial performance measures. For 2020, the Committee has determined that these should be Revenue growth (40%) and Trading Profit Margin (40%). The remainder will usually be based on business objectives linked to key areas of strategic focus. The Committee retains the discretion to adjust the relative weightings of the financial and strategic components and to adopt any performance measure that is relevant to the Company. Under whatever measures are chosen, the Committee will set appropriately challenging targets at the start of each year. In doing so, they will take into account a number of internal and external reference points, including the Company's key strategic objectives for the year.

Share Bonus Plan (DSBP), which vest after three years.		The Committee may amend the performance conditions applicable to an award in accordance with the terms of the performance conditions or if events happen which cause the Committee to consider that it fails to fulfil its original purpose and would result in an unfair benefit for the participant in the reasonable opinion of the Committee.

Long-term incentives

Performance Share Programme

To motivate and reward performance linked to the long-term strategy and share price of the Company.

The performance measures which determine the level of vesting of the Performance Share Awards are linked to our corporate strategy.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
Awards are granted pursuant to the terms of the Performance Share Programme. Awards are normally made in the form of conditional share awards, but may be awarded in other forms if appropriate, including nil cost options or a combination thereof. Awards vest after three years, subject to the achievement of stretching performance targets linked to the Company's strategy. The Committee has full discretion to adjust outcomes under the Performance Share Programme where the amount that a participant would/could receive under an Award would result in the participant receiving an amount which the Committee considers cannot be justified or which the Committee considers to be an unfair or undeserved benefit to the Participant. In exercising this discretion, the Committee may consider all circumstances, including (but not limited to): the financial performance of the Company; any changes in the Company's share price; and the performance, conduct and contribution of the participant. Participants may receive an additional number of shares equivalent to the amount of dividend payable on ordinary shares during the relevant performance period. On vesting, a number of shares are sold to cover the tax liability. The remaining shares are required to be held by the Executive Director for a further two-year holding period. The Committee may, in the event of any variation of the Company's share capital,	The maximum annual opportunity is 275% of base salary. For on-target levels of performance, 50% of the award vests (137.5% of base salary). For threshold levels of performance, 25% of the award vests (68.75% of base salary).	The Committee aims to align the Performance Share Programme performance measures with the Company's key long-term strategic objectives. In this manner, strong performance against the measures should lead to long-term sustainable value creation for our shareholders. Measures used will typically include: – Financial measures – to reflect the financial performance of our business and a direct and focused measure of Company success. – Shareholder return measures – a measure of the ultimate delivery of shareholder returns, providing direct alignment. – Strategic measures – aligned with the Company's long-term strategy. The make-up and weighting of each measure will be determined by the Committee each year to reflect the particular strategic objectives over the relevant performance period. For the 2020 awards, it is proposed to use the following four measures, all equally weighted: – Revenue growth. – Return on Invested Capital. – Cumulative free cash flow. – Total Shareholder Return (TSR) performance against:

demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of awards in accordance with the plan rules. Malus and clawback provisions apply, as detailed in the notes to this table.		• An index of Global Healthcare companies; and • The FTSE 100 index. Maximum Payment will only be made for significant outperformance. The Committee may amend the performance conditions applicable to an award in accordance with the terms of the performance conditions or if events happen which cause the Committee to consider that it fails to fulfil its original purpose and would result in an unfair benefit for the participant in the reasonable opinion of the committee.

Shareholding guidelines

Within-employment shareholding guidelines

To align Executive Directors with shareholders and the long-term success of the Company.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
The Chief Executive Officer is expected to build a shareholding of 300% of base salary and the Chief Financial Officer is expected to build a shareholding of 200% of base salary. The Committee expects Executive Directors to satisfy this requirement within 5 years. Until the relevant shareholding guidelines have been met, Executive Directors are required to hold 50% of any shares vesting from Company incentive plans after tax.	Not Applicable.	None.

Post-employment shareholding guidelines

To provide extended alignment with shareholders post-departure from the Company.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
Executive Directors will normally be required to maintain their within employment shareholding guideline (or their actual holding if lower) for a period following cessation. At the current time, the Committee requires Executive Directors to maintain 100% of their guideline for two years following departure.	Not Applicable.	None.

Notes to future policy table – Executive Directors

Malus and clawback

At any time prior to the vesting of an award or payment of a cash bonus, the Committee may determine that an unvested award or part of an award may not vest, including to zero on the occurrence of a Trigger Event, as defined below (regardless of whether or not the performance conditions have been met). At any time up to three years after the vesting of an award or payment of a cash bonus, the Committee may determine that any cash bonus, vested shares, or their equivalent value in cash be returned to the Company on the occurrence of a Trigger Event. A Trigger Event shall occur if any of the following matter is discovered where:

– there has been a misstatement of the Company's financial results which has resulted in a material overpayment to participants, which is in the form of Awards under the Plan or otherwise, irrespective of whether the relevant participants are at fault;

– there has been an error in determining the size of the Award or to the extent to which the performance conditions have been satisfied, or erroneous or misleading data, which has resulted in the vesting of an Award which would not otherwise have vested or which would otherwise have vested to a materially lesser extent;

– there has been a significant adverse change in the financial performance or reputation of the Company, including corporate failure and/or any significant loss at a general level or in respect of a global business unit or function in which a participant worked; and/or

– the Committee determines that the conduct, capability or performance of a participant or any team, business area or profit centre warrants a review.

These provisions will apply under the Global Share Plan 2020 and the Annual Bonus Plan 2020.

Legacy matters

The Committee can make remuneration payments and payments for loss of office outside of the Policy set out above where the terms of the payment were agreed (i) before the Policy set out in this report came into effect, provided the terms of the payment were consistent with any applicable policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not an Executive Director of the Company (or other person to whom the Policy set out above applies) and that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company (or such other person). This includes the exercise of any discretion available to the Committee in connection with such payments. For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

The Policy set out above applies equally to any individual who would be required to be treated as an Executive Director under the applicable regulations. The Committee can make remuneration payments and payments for loss of office outside of the Policy set out above if such payments are required by law in a relevant country.

Consideration of employment conditions elsewhere in the Company and differences between arrangements for Executive Directors and workforce as a whole

The Committee discusses, and takes into account pay arrangements across the Company when determining the pay of Executive Directors in the following ways:

Base salary

Increases to Executive Director base salaries are generally in-line with base salary budgets in the geography in which the Executive Director is based, although the Committee will also have oversight of base salary budgets across the Company more generally when making the decision.

Pension contributions and payments in lieu of a pension

A range of different pension arrangements operate across the Group depending on location and/or length of service. Executive Directors either participate in pension arrangements relevant to their local market or receive a cash payment in lieu of a pension.

Benefits

Benefit packages vary across the world depending on local market practice. Executive Directors receive a range of benefits in-line with the standard executive benefits package in the geography in which they are based.

Annual Bonus Plan

Nearly all employees have performance-based pay, primarily in form of the Annual Bonus. Employees at different levels throughout the group participate in Annual Bonus Plans with different payment outcomes. The annual performance objectives are cascaded down to all employees from the objectives set at the beginning of the year for the Executive Directors and Executive Officers, to ensure that the performance of all employees is linked to the Strategic Imperatives. In 2019, 9 Executive

Officers and 37 senior executives participated in the Annual Bonus Plan on the same basis as the Executive Directors subject to lower limits.

All Employee Share Plans
We operate two all-employee share plan arrangements depending on the most appropriate arrangement for different geographies. In 2019, in the US, 2,651 employees participated in the Employee Stock Purchase Plan. In 2019, in the UK and 32 other countries, 2,770 employees participated in the ShareSave Plan. Executive Directors, Executive Officers and senior executives participated in these plans depending on where they are located.

Long term incentives
10 Executive Officers and 38 senior executives participate in the Performance Share Programme on the same basis as the Executive Directors subject to lower limits.

Shareholding requirements
Executive Officers and senior executives who participate in the Annual Bonus Plan and the Performance Share Programme are also required to build a significant shareholding in the Company.

[Graphic removed]

Illustrations of the application of the Remuneration Policy 2020

The following charts show the potential split between the different elements of the Executive Directors' remuneration under four different performance scenarios:

	Assumed performance	Assumptions used for proposed Policy
Fixed pay	All performance scenarios	– Consists of total fixed pay, including base salary and pension allowance (as at 1 April 2020) and benefits (as received during 2019).
Variable pay	Minimum Performance	– No pay out under the Annual Bonus Plan. – No vesting under the Performance Share Programme.
	Target Performance	– 50% of maximum payout under the Annual Bonus Plan (ie 107.5% of salary). – 50% vesting under the Performance Share Programme (ie 137.5% of salary).
	Maximum Performance	– 100% of the maximum pay out under the Annual Bonus Plan (ie 215% of salary). – 100% vesting under the Performance Share Programme (ie 275% of salary).
	Maximum performance (including 50% share price growth scenario)	– 100% of the maximum pay out under the Annual Bonus Plan (ie 215% of salary). – 100% vesting under the Performance Share Programme (ie 275% of salary). – 50% growth in share price.

Performance Share Programme awards have been shown at face value with no discount rate assumptions.

The charts provide illustrative values of the remuneration package in 2020. Actual outcomes may differ from those shown.

Policy on recruitment arrangements

Our policy on the recruitment of Executive Directors is to pay a fair remuneration package for the role being undertaken and the experience of the Executive Director appointed. In terms of base salary, we will seek to pay a salary comparable, in the opinion of the Committee, to that which would be paid for an equivalent position elsewhere. The Committee will determine a base salary in-line with the Policy and having regard to the parameters set out in the Future Policy Table. Incoming Executive Directors will be entitled to pension (or cash payment in lieu of pension), benefits and incentive arrangements aligned with those set out in the Policy table above. On that basis, the aggregate annual opportunity under their incentive arrangements would not exceed 490% of base salary.

We recognise that in the event that we require a new Executive Director to relocate to take up a position with the Company, we may also pay relocation and related costs, in-line with the relocation arrangements we operate across the Group.

For external appointments, the Committee may award compensation for the forfeiture of remuneration awards from a previous employer. In doing so, the Committee would aim to structure the replacement awards in a like-for-like manner to the extent possible, taking into account relevant factors, including:

- The form of the forfeited awards (eg cash or shares);
- Any performance conditions attached to them and the likelihood of these conditions being satisfied; and
- The proportion of the vesting and/or performance period remaining.

The Committee will have regard to the best interests of both Smith+Nephew and its shareholders and is conscious of the need to pay no more than is necessary, particularly when determining buy-out arrangements.

In making buy-out awards to new appointments, the Committee may grant awards under the relevant provision in the Financial Conduct Authority Listing Rules, which allows for the granting of awards specifically to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval. In doing so, it will comply with the provisions in force at the date of this report.

The overall approach outlined above would also apply to internal appointments, with the proviso that any commitments entered into before promotion which are inconsistent with the Policy will continue to be honoured.

We will aim to provide details via an announcement to the London Stock Exchange of an incoming Executive Director's remuneration arrangements at the time of their appointment.

Service contracts

We employ Executive Directors on rolling service contracts with notice periods of up to twelve months from the Company and six months from the Executive Director. On termination of the contract, we may require the Executive Director not to work his or her notice period and pay them an amount equivalent to the base salary, pension contributions (or payment in lieu of pension) and benefits they would have received if they had been required to work their notice period.

Under the terms of the Executive Directors' service contracts, Executive Directors are restricted for a period of 12 months after leaving the employment of the Company from working for a competitor, soliciting orders from customers and offering employment to employees of Smith+Nephew. The Company retains the right to waive these provisions in certain circumstances. In the event that these provisions are waived or the former Executive Director commences employment earlier than at the end of the notice period, no further payments shall be made in respect of the portion of notice period not worked. Directors' service contracts are available for inspection at the Company's registered office: Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire WD18 8YE.

Policy for payment for loss of office

Our policy regarding termination payments to departing Executive Directors is to limit severance payments to pre-established contractual terms. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the Executive Director, as well as the rule of any incentive plans.

Under normal circumstances (excluding termination for gross misconduct) all leavers are entitled to receive termination payments in lieu of notice equal to base salary, pension contributions (or payment in lieu of pension) and benefits. In some circumstances, additional benefits may become payable to cover reimbursement of untaken holiday leave, repatriation and outplacement fees, the costs of meeting any settlement agreement, and legal and financial advice.

In the event that an Executive Director dies or leaves for reasons of ill-health, redundancy or retirement in agreement with the Company, or for any other reason for which the Committee determines that good leaver treatment is appropriate:

- They may be eligible to receive an annual bonus on a time pro-rated basis for the period of the year that they have worked. The annual bonus will typically be subject to business and individual performance in the same manner as for the continuing Executive Directors, and paid at the usual time. In-line with Company policy for all our employees, Executive Directors leaving in the last three months of the year may be eligible to receive a full year bonus, while those joining in the last three months of the year may not be eligible to receive any bonus.
- Outstanding Deferred Share Bonus Plan awards will subsist and be released in-line with their original timeframes, unless the Committee determines otherwise. They will not normally be pro-rated.

- Outstanding Performance Share Programme awards will typically be pro-rated for the time worked during the relevant performance period, and tested for performance at the end of the performance period, unless the Committee determines otherwise. The two-year holding period will usually continue to be enforced.
- Any outstanding awards under the Deferred Share Bonus Plan or Performance Share Programme will remain subject to the same terms and conditions (including, malus and clawback) as applied at time of grant.

For participants who leave for any other reason, outstanding Deferred Share Bonus Plan and Performance Share Programme awards will lapse in full.

One-off awards granted on appointment will normally lapse on leaving except in cases of death, retirement, redundancy or ill-health. The Committee has discretion to permit such awards to vest in other circumstances and will be subject to satisfactorily meeting applicable performance conditions.

We will supply details via an announcement to the London Stock Exchange of a departing Executive Director's termination arrangements as soon as is practicable.

Policy on shareholding requirements

The Committee believes that one of the best ways our Executive Directors' interests can be aligned with that of shareholders is for them to hold a significant number of shares in the Company. The Chief Executive Officer is therefore expected to build a holding of Smith+Nephew shares worth three times his or her base salary and the Chief Financial Officer is expected to build a holding of two times his or her base salary. Executive Directors are required to retain at least 50% of the shares after tax) vesting under Company incentive plans until this shareholding requirement has been met, recognising that differing international tax regimes affect the pace at which Executive Directors may fulfil the shareholding requirement.

When calculating whether or not this requirement has been met, Ordinary Shares or ADRs held by the Executive Directors and their immediate family are included, as are unvested awards under the Deferred Share Bonus Plan (on a net-of-tax basis), but not Performance Share Programme awards. Ordinarily we would expect Executive Directors to achieve their shareholding requirement within a period of five years from the date of appointment.

Executive Directors are also required to hold any shares vesting under the Performance Share Programme for a period of two years after vesting.

The 10 Executive Officers and 38 senior executives who participate in the Annual Bonus Plan and Performance Share Programme are also required to build a significant shareholding in the Company, extending the principle of alignment with our shareholders across the senior management team.

Policy on post cessation shareholding

Executive Directors are required to retain any shareholding up to the applicable shareholding requirement (or their actual holding on departure if lower) for a period of two years after cessation of employment.

In order to reinforce this expectation, and to the extent that the shareholding requirement has not been reached, all vested Deferred Share Bonus Plan and Performance Share Programme shares will be held in a Vested Share Account, which will not be accessible until two years post cessation of employment. In addition, former Executive Directors will be required to seek permission to deal during this period.

Consultation with employees relating to Executive Director remuneration

While the Committee does not directly consult with our employees as part of the process of determining executive pay, the Committee does receive feedback from employee surveys and takes this into account when reviewing executive pay.
In addition, a significant number of our employees are shareholders and so are able to express their views in the same way as other shareholders. During 2019, no comments from employees relating to Executive Remuneration were raised during Board site visits.

Statement of consideration of shareholder views

Angie Risley, the Committee Chair, engaged extensively with shareholders during development of the 2020 Remuneration Policy. The feedback received was presented to and discussed at length by the Committee, and informed the final shape of the proposals which are being put to the 2020 AGM.

Angie met with shareholders holding in excess of 38% of the Company's Share capital, and corresponded with a further 8.5%, meaning that almost half of our register were asked for their views. This included 17 of our top 20 shareholders plus a number of shareholders who, although holding a smaller number of shares, had indicated earlier in the year that they would be interested in engaging with the Company on remuneration matters. In addition, we met with the Investment Association, ISS and Glass Lewis to obtain their input.

The Chair appreciated the positive and constructive tone of the consultation. It was pleasing that shareholders were on the whole supportive of the proposals, particularly the:

- Emphasis on long-term sustainable performance;
- Simplification of the short-term incentive plans;
- Increased deferral of the short-term incentive opportunity;
- Reduction in target opportunity in the short-term arrangements;
- Reduction in pension payments; and
- Introduction of post-cessation shareholding requirements.

Some shareholders were cautious about the increase in maximum opportunity under the Performance Share Programme, and in particular looked for reassurance that maximum vesting under the plan would only be achieved for very stretching performance.

The Committee took all comments received on board during its subsequent discussions. With respect to the latter concern raised by some shareholders, in setting targets for the 2020 Performance Share Programme cycle, the Committee considers that the upper end of the performance ranges will require significant outperformance of internal and external forecasts for performance, as well as of the FTSE 100 and our direct peers. Further information is shown on page 112–113 of the 2019 Annual Report.

Future policy table – Chair and Non-Executive Directors

The following table and accompanying notes explain the different elements of remuneration we pay to our Chair and Non-Executive Directors. This Policy is unchanged from 2017. No element of their remuneration is subject to performance. All payments made to the Chair are determined by the Remuneration Committee, whilst payments made to the Non-Executive Directors are determined by those Directors who are not themselves Non-Executive Directors, currently the Chair, Chief Executive Officer and Chief Financial Officer.

Annual fees

Basic annual fee

To attract and retain Directors by setting fees at rates comparable to what would be paid in an equivalent position elsewhere.

A proportion of the fees are paid in shares in the third quarter of each year in order to further align Non-Executive Directors' fees with the interests of shareholders.

How the component operates	Maximum levels of payment
Fees will be reviewed on an annual basis. In future, any increase will be paid in shares until 25% of the total fees is paid in shares. Fees are set in-line with market practice for fees paid by similar sized UK listed companies. Annual fees are set and paid in UK Sterling or US Dollars depending on the location of the Non-Executive Director. If appropriate, fees may be set and paid in alternative currencies.	Annual fees are currently as follows: – £63,000 in cash plus £6,500 in shares; or – $120,000 in cash plus $9,780 in ADRs. Chair fees: – £315,180 in cash plus £105,060 in shares. Whilst it is not expected to increase the fees paid to the Non-Executive Directors and the Chair by more than the increases paid to employees generally, in exceptional circumstances, higher fees might become payable. The total maximum aggregate fees payable to the Non-Executive Directors will not exceed £1.5m as set out in the Company's Articles of Association.

Fee for Senior Independent Director and Committee Chair

To compensate Non-Executive Directors for the additional time spent as Committee Chair or Senior Independent Director.

How the component operates	Maximum levels of payment
A fixed fee is paid, which is reviewed annually.	– £20,000 in cash.

	– $35,000 in cash. Whilst it is not expected that the fees paid to the Senior Independent Director or Committee Chairs will exceed the increases paid to employees generally, in exceptional circumstances, higher fees might become payable.

Intercontinental travel

To compensate Non-Executive Directors for the time spent travelling to attend meetings in another continent.

How the component operates	**Maximum levels of payment**
A fixed fee is paid, which is reviewed annually.	– £3,500 in cash; or – $7,000 in cash. Whilst it is not expected to increase these fees by more than the increases paid to employees generally, in exceptional circumstances, higher fees might become payable.

Notes to future policy table –Non-Executive Directors

Additional duties undertaken by Non-Executive Directors

In the event that the Chair or a Non-Executive Director is required to undertake significant executive duties in order to support the Executive Directors during a period of absence due to illness or a gap prior to the appointment of a permanent Executive Director, the Committee is authorised to determine an appropriate level of fees which shall be payable. These fees will not exceed the amounts which would normally be paid to a permanent Executive Director undertaking such duties and shall not include participation in short or long-term incentive arrangements or benefit plans.

Policy on recruitment arrangements

Any new Non-Executive Director shall be paid in accordance with the current fee levels on appointment, in-line with the Policy set out above. With respect to the appointment of a new Chair, fee levels will take account of market rates, the individual's profile and experience, the time required to undertake the role and general business conditions. In addition, the Committee retains the right to authorise the payment of relocation assistance or an accommodation allowance in the event of the appointment of a Chair not currently based in the UK.

Letters of appointment

The Chair and Non-Executive Directors have letters of appointment which set out the terms under which they provide their services to the Company. These are available for inspection at the Company's registered office: Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire WD18 8YE, United Kingdom.

The appointment of the Non-Executive Directors is not subject to a notice period, nor is there any compensation payable on loss of office, for example, should they not be re-elected at an Annual General Meeting. The appointment of the Chair is subject to a notice period of six months.

The Chair and Non-Executive Directors are required to acquire a shareholding in the Company equivalent in value to one time their basic fee within two years of their appointment to the Board.