Remuneration policy report

Policy report
The following sets out the Group's Directors' Remuneration Policy (the "Policy"). The Policy is subject to a binding shareholder vote at the Annual General Meeting 27 April 2021 and, if approved by shareholders, will apply to payments made on and from this date. This Policy will replace in full the Directors' Remuneration Policy set out in the 2019 Annual Report, which was approved at the Annual General Meeting held on 28 April 2020.

Remuneration philosophy
The principles of the Group's remuneration policy, which were developed taking into account provision 40 of the UK Corporate Governance Code, are:
- Remuneration arrangements are determined taking into account our Company culture, the 2018 Corporate Governance Code, wider workforce remuneration and emerging best practice in relation to executive director remuneration.
- Remuneration should be clear and simple and support the execution of the strategy and long term decision making, contributing to the delivery of short and long term superior sustainable financial returns for shareholders
- Remuneration should contain a performance related element. Bonus award levels are capped with payout linked to performance against a limited number of measures which are well linked to our strategy, and stretching but fair targets are set. This ensures that potential reward outcomes are clear and aligned with performance achieved, with the Committee having the discretion to adjust payouts where this is not considered to be the case.
- Reward mechanisms should ensure that a significant proportion of variable pay is delivered in deferred shares ensuring that executives retain a meaningful personal stake in the Group's success
- Malus, clawback and discretion provisions, RSP holding periods and shareholding guidelines, including post-employment guidelines, should be in place to create alignment with shareholders and to mitigate reputational and other risk
- Remuneration should be competitive and fair taking into account external market levels as well as internal practice to ensure pay remains competitive while being equitable within the Company. The approach to basic salary increases should be consistent across all colleagues
- All colleagues should be able to share in the success of the Group through participation in both annual bonus schemes and longer term share plans
- Finally, remuneration outcomes are reviewed in the context of the shareholder experience.

These principles apply across the Group. In addition to competitive base salary and bonus programmes, colleagues also have access to an extensive range of benefits under the Group's MyPerks colleague benefit programme. This includes a wide range of flexible and voluntary benefits, retirement benefits, our all-colleague Sharesave Scheme and a range of recognition programmes.

Element	Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Base salary	Core element of total package, essential to support recruitment and retention of high calibre executives	The Committee sets base salary levels taking into account: • Role, experience and individual performance • Pay awards elsewhere in the Group • Salary levels at other companies of a similar size • General economic environment and performance of the business Any salary increases are normally effective from 1 January	Whilst there is no maximum salary level or maximum salary increase, the increase for Executive Directors will normally be in line with the general employee increase	None	The Committee retains discretion to award salary increases in excess of the general population where this is considered appropriate to reflect performance or significant changes in market practice or the size of the Company, to recognise changes in roles and responsibilities or where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role

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Element	Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Benefits	Maintain a competitive package with a range of benefits for the Director and their family	Directors are currently entitled to benefits including: • Private medical insurance • Income protection • Annual leave • Fully expensed company car (or cash alternative) • Life insurance of up to five times salary • All employee share plans such as SAYE and BAYE The Committee may introduce other benefits if it is considered appropriate to do so Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these where appropriate	Benefit levels reflect those typically available to senior managers within the Group and may be subject to change. The maximum potential value being the cost to the Company to provide those benefits	None	The Committee may remove benefits that Executive Directors receive or introduce other benefits if it is considered appropriate to do so taking into account the circumstances
Pension	Helps executives provide for retirement and aids retention	Our policy is that for new Executive Directors up to 10% of salary is provided either as a cash allowance in lieu of pension or as a contribution to a personal pension plan (or a combination of both)	The CEO receives a pension allowance of 10% of salary The CFO's pension allowance was reduced to 20% and is capped at £103,530 from 2020. It will be reduced to 10% of salary from 1 January 2023	None	None
Annual bonus and Deferred Share Bonus Plan	Rewards achievement of annual financial and key business strategy objectives. Rewards personal performance measured against key objectives. Deferred element encourages longer term shareholding and aligns reward to shareholder interests. Malus & clawback based forfeiture provisions discourage excessive risk taking and short term outlook ensuring that executive and shareholder interests are aligned	Total bonus level is determined after the year end, based on achievement of targets Normally up to 50% of the total bonus is paid in cash. The remainder of the bonus is deferred as shares for three years Targets are set annually in line with the performance metrics Dividend equivalents on shares that are released may be paid Malus and clawback provisions apply as explained further in the notes to this table	Maximum bonus opportunity under the plan is 180% of annual salary for the CEO and 180% of annual salary for the CFO	Bonus measures typically include: • Financial targets • Individual or group targets pertaining to delivery of the business strategy Financial targets will account for at least 50% of the bonus Performance below threshold results in zero bonus. Bonus earned rises from 0% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets Performance measures and weightings are set out in the Statement of Implementation of the Remuneration Policy	The Committee retains the discretion to review the measures, the weighting of measures and to set the performance targets and ranges for each measure The Committee will determine financial targets and the amount of bonus which can be earned for achievement of the Group's plan. This determination will be based upon an assessment of the degree of difficulty in achieving the targets taking into account market conditions, improvement on prior year performance required, and other relevant factors The Committee may in its discretion, adjust annual bonus payments, if it considers that such level would not reflect the underlying performance of the executive or the group or the experience of shareholders or other stakeholders or if such level would not be appropriate in the circumstances

Element	Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Restricted Share Plan	Aligns participants with the shareholder experience, whereby participants build up a shareholding in the Company and are incentivised to deliver sustainable financial performance and enhance shareholder value over the longer term Helps retain high performing executives	Awards are normally granted in the form of restricted shares, annually to participants For Executive Directors awards will normally vest 75% on the third anniversary of the award and 25% on the fifth anniversary. The first tranche will be subject to a two year holding period so that the total time horizon is five years for the entire awards Dividend equivalents on shares that are released may be paid Malus & clawback provisions apply as explained further in the notes to this table	The maximum annual award for all executive directors is 125% of salary	Awards will be subject to performance underpins measured over the vesting periods. If the Company does not meet one or more of the underpins the Committee would consider whether it was appropriate to scale back the level of payout under the award to reflect this. The Committee would retain discretion to determine what level of scale back was appropriate	The Committee retains discretion to review the performance underpins, and to set the triggers for each underpin The Committee may in its discretion, adjust the vesting level of an award, if it considers that the vesting level would not reflect the underlying performance of the executive or the Group or the experience of shareholders or other stakeholders or if such level would not be appropriate in the circumstances
Shareholding requirements	Aligns the interests of executives and shareholders	Formal requirements (not voluntary guidelines) apply to Directors and senior executives. Participation in long-term incentives may be scaled back or withheld if the requirements are not met or maintained. For the purposes of assessing compliance with the shareholding requirement vested but unexercised awards will be considered	None	Executive Directors are expected to hold shares valued at two times salary within five years of appointment to the Board	The Committee retains discretion to increase shareholding requirements

Changes to policy
The key changes to this Policy compared to the previous policy are as follows:
- The introduction of a Restricted Share Plan replacing the former Performance Share Plan and Co-investment plan.
- The pension allowance for the CFO was reduced from 25% to 20% of salary from 1 January 2020 and frozen as a monetary amount of £105,530 from that date. The pension allowance will be further reduced to the wider workforce rate of 10% of salary with effect from 1 January 2023
- Executive Directors who step down from the Board following the adoption of this policy will be expected to maintain a minimum shareholding of two x base salary (or actual shareholding if lower) for a period of two years following stepping down from the Board.
- Other minor changes have been made to the wording of the Policy to aid operation and to increase clarity.
- Outstanding awards under the Performance Share Plan and Co-Investment Plan will vest in-line with the Remuneration Policy in force at the time of grant.

Summary of decision making process
In determining the revisions to the Remuneration Policy the Committee followed a robust process which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered the input from management and independent advisors, as well as extensively consulting on best practice with major shareholders and proxy and advisory services.

Performance metrics
In considering appropriate performance metrics for the annual bonus the Committee seeks to incentivise and reinforce delivery of the Company's strategic objectives achieving a balance between delivering annual return to shareholders and ensuring sustainable long term profitability and growth. Measures will therefore reflect a balance of direct shareholder value, as well as measures focused on meeting specific strategic objectives aligned to long term growth.

Remuneration policy report continued

The Committee calibrates these targets by due reference to market practice, the Group's strategic plan, general and bespoke market intelligence, lead indicators and other indicators of the economic environment such that targets may represent relative as well as absolute achievement.

Awards under the Restricted Share Plan are subject to performance underpins that act as safeguards to ensure that awards do not pay out if vesting is not justified. For 2021, the underpins will be linked to ROCE and satisfactory governance performance. These underpins have been selected as they are considered to reflect a good overall balance and safeguard the financial stability of the business whilst ensuring a continued focus on governance.

Malus and clawback

Malus and clawback provisions are included in all incentives: the Annual Bonus (up to three years from date of award), and the Restricted Share Plan (up to six years from the date of award). The circumstances in which malus and clawback could apply include:

- A material misstatement resulting in an adjustment to the Company's audited consolidated accounts
- The determination of the number of shares subject to an award or the assessment of any performance condition was in error or based on inaccurate or misleading information
- The Board determining in its reasonable opinion that any action or conduct of the participant amounts to serious misconduct, fraud or gross misconduct or
- The Board determining that there has been a material failure of risk management (for 2020 bonus and incentive awards onwards)
- The Board determining that there has been serious reputational damage (for 2020 bonus and incentive awards onwards)
- The Board determining that there has been a material corporate failure (for 2020 bonus and incentive awards onwards) or
- Any other circumstances which the Board in its discretion considers to be appropriate.

Discretion

Areas where the Committee has discretion have been outlined in the Policy. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. A number of Committee discretions apply to awards granted under each of the Company's share plans, including that:

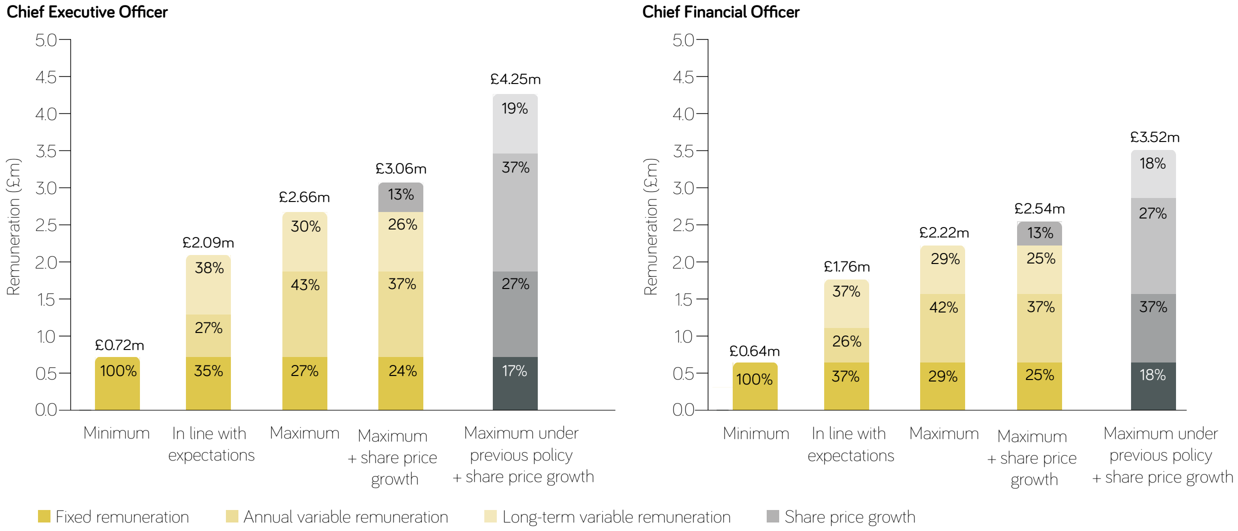
- Awards may be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect
- Awards may be settled in cash at the Committee's discretion (for Executive Directors this provision will only be used in exceptional circumstances such where for regulatory reasons it is not possible to settle awards in shares)
- Awards may be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

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, inappropriate to seek or await shareholder approval.

The Committee retains discretion to amend or substitute performance measures, targets and underpins and the weightings attached to performance measures part-way through a performance year if one or more significant corporate events occur which causes the Committee to believe that amended or substituted performance measures, weightings or targets would be more appropriate and not materially less difficult to satisfy. Discretion may also be exercised in cases where the Committee believes that the outcome is not considered to be reflective of the underlying financial or non-financial performance of the business or the performance of the individual. Any exercise of this discretion will typically be discussed with shareholders in advance and explained in full.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. 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" no later than the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

Illustration of the Application of the Remuneration Policy



- Fixed remuneration includes basic salary (from 1 January 2021), pension provision (from 1 January 2021) and other benefits (based on value disclosed in the single figure for 2020)
- The "Minimum" scenario includes fixed remuneration only
- The "In line with expectations" scenario includes fixed remuneration plus target annual bonus (50% of maximum) plus 100% vesting of the Restricted Share Plan (125% of salary)
- The "Maximum" scenario includes fixed remuneration plus maximum bonus (180% of salary) plus 100% vesting of the Restricted Share Plan (125% of salary)
- The "Maximum + share price growth" scenario is as per the "Maximum" scenario and assumes share price growth of 50%

Non-Executive Directors' Fees

Fees for the Non-executive Chairman and Non-executive Directors are set at an appropriate level to recruit and retain Directors of a sufficient calibre to guide and influence Board level decision making without paying more than is necessary to do so. Fees are set taking into account the following factors:

- The time commitment required to fulfil the role
- Typical practice at other companies of a similar size and complexity to Travis Perkins

Non-executive fees will typically be reviewed annually with increases normally being effective from 1 July each year. Non-executive Director fees policy is to pay:

- A basic fee for membership of the Board
- An additional fee for the Chair of a Committee and the Senior Independent Director to take into account the additional responsibilities and time commitment of the role

Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate. The Non-executive Chairman receives an all-inclusive fee for the role.

Current fees are detailed within the Statement of Implementation of the Remuneration Policy.

Non-executive Directors do not receive any other benefits (other than a staff discount card for purchasing products) and are not eligible to join a company pension scheme. No compensation is payable on termination of office, which may be without notice from the Company. They cannot participate in any of the Company's share plans. The Company will pay reasonable expenses incurred by the Chairman and Non-executive Directors (including any tax incurred in relation to these where appropriate).

Recruitment remuneration

It is the Group's policy to recruit the best candidate possible for any executive Board position. It seeks to avoid paying more than is considered necessary to secure the candidate and will have regard to guidelines and shareholder sentiment when formulating the remuneration package.

Generally the Group will set salary, incentives and benefits for candidates in line with the above remuneration policy and accordingly participation in short and long term incentives will typically be on the same basis as existing directors. In all cases the Group commits to providing shareholders with timely disclosure of the terms of any new executive hires including the approach taken to determine a fair level of compensation. The maximum level of variable remuneration which may be awarded (excluding any "buyout" awards referred to below) in respect of recruitment is 305% of salary, which is in line with the current maximum limit under the annual bonus and the Restricted Share Plan.

Remuneration policy report continued

The table below outlines the Group's normal recruitment policy:

Base salary and benefits	The pay of any new recruit would be determined following the principles set out in the remuneration policy table
Pension	The appointee will be able to receive either a contribution to a personal pension scheme or cash allowance in lieu of pension benefits in line with the Company's policy as set out in the remuneration policy table
Annual bonus	The appointee will be eligible to participate in the Annual Bonus and Deferred Share Bonus Plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable in the remuneration policy table at the Remuneration Committee's discretion
Restricted Share Plan	The appointee will be eligible to participate in the Company's Restricted Share Plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable under scheme rules at the Remuneration Committee's discretion
Share buy-outs and replacement awards	Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards if after careful consideration it is determined that it is appropriate to offer a buy-out. Any buy-out may be in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such buy-out, the guiding principle would be that awards would generally be on a "like-for-like" basis unless this is considered by the Committee not to be practical or appropriate The incentive plan rules allow for awards to be made outside of the plan limit to facilitate the recruitment of an Executive Director 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 may be used (including granting an award under the Listing Rule 9.4.2 which allows for the granting of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director). Any buyout award made under the Company's Deferred Share Bonus Plan or Long-Term Incentive Plans will not count towards the individual's maximum opportunity under those plans
Relocation	Where the Group requires a candidate to relocate in order to take up an executive position it will normally reimburse the reasonable costs of the relocation. This may include one-off or ongoing expenses such as schooling or housing for a reasonable period of time

Where an internal candidate is promoted to an executive position the Group will honour any contractual commitments made through their employment prior to the promotion including any accrued defined benefit pension provision. Future pension provision will be aligned with our policy set out above.

Recruitment remuneration for Non-executive Directors would be assessed following the principles set out in the policy for Non-executive Director fees.

Policy on payment for Directors leaving employment
Executive Directors' contracts do not have a fixed expiry date but can be terminated by serving notice. Contractual notice periods for Directors are normally set at six months' notice from the director and 12 months' notice from the Company and the Company would normally honour contractual commitments in the event of the termination of a Director. Notwithstanding this approach it is Company policy to seek to minimise liability in the event of any early termination of a Director.

The Group classifies terminations of employment arising from death, ill health, disability, injury, retirement with company agreement, redundancy or the transfer from the Group of the employing entity as "good leaver" reasons. In addition the Committee retains discretion under incentive plan rules to determine "good leaver" status in other circumstances. In the event such discretion is exercised a full explanation will be provided to shareholders.

Leaver reason may impact treatment of the various remuneration elements as follows:

Remuneration Element	Good Leaver Reason	Other Leaver Reason
Salary	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies
Bonus including Deferred Share Bonus Plan*	Unpaid bonus from a completed performance period prior to cessation will be paid in full. For the performance period in which cessation occurs a pro-rata bonus may be paid, subject to normal performance conditions Any unvested deferred bonus share awards will normally continue until the normal vesting date and vest in full. The Committee may determine that awards should vest on cessation of employment	All unpaid bonus payments lapse. Any unvested deferred bonus shares also lapse on leaving
Benefits	Provision or accrual of benefits will cease on cessation of employment or, if later, at the end of the relevant subscription period	Provision or accrual of benefits will cease on cessation of employment or, if later, at the end of the relevant subscription period
Restricted Share Plan*	Unvested awards will normally vest at the normal vesting date and remain subject to performance/underpins. Where a participant ceases employment during the first three years of the vesting period awards will be pro-rated based on time in employment during this period unless the Committee decides otherwise. Awards will normally remain subject to any applicable holding period The Committee may determine that awards should vest and be released at cessation of employment taking into account the extent to which underpins/performance targets have been met and unless the Committee decides otherwise the period of time elapsed since award Where a participant ceases employment during any holding period (other than for reason of gross misconduct) they will continue to retain their award in full and it will be released at the end of the holding period unless the Committee determines that the award should be released at the time of cessation For awards in the form of options participants will have six months from vesting or the end of any applicable holding to exercise their award	Unvested awards lapse at cessation of employment Where a participant ceases employment during any holding period (other than for reason of gross misconduct) they will continue to retain their award in full and it will be released at the end of the holding period unless the Committee determines that the award should be released at the time of cessation For awards in the form of options, participants will have six months to exercise any vested awards

* Leaver vesting provisions are fully defined in the appropriate plan documents.

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 a Director's office or employment. In addition, the Company may pay any fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with their cessation of office or employment. Where a Director was required to relocate to take up their role then reasonable repatriation expenses may be included.

Post-employment shareholding

The Company has introduced a policy to support alignment with shareholder interests following an Executive Director stepping down from the Board. Executive Directors who step down from the Board following the adoption of this Policy will normally be expected to maintain a minimum shareholding of two x base salary (or actual shareholding if lower) for a period of two years after leaving the Board.

Non-executive Directors

The Chairman and Non-executive Directors' appointment letters provide for no compensation or other benefits on their ceasing to be a Director.

Remuneration policy report continued

Change of control
In the event of a takeover or winding up of the Company, share awards may vest early. The Committee will determine the extent to which awards shall vest taking into account the extent to which the performance conditions/underpins have been satisfied and unless the Committee determines otherwise, the proportion of the performance period that has elapsed. Deferred share awards will normally vest in full. In the case of a winding-up, demerger, delisting, special dividend or similar circumstances, awards may, at the Committee's discretion, vest early on the same basis as for a takeover.

Considering colleagues' views
The Committee reviews information regarding the typical remuneration structure and reward levels for other UK based employees to provide context when determining Executive Remuneration Policy.

The Company undertakes a regular engagement surveys for all Group employees to understand their views on working for Travis Perkins and how this can be improved. Employee feedback on all matters of reward is provided as part of this survey, and through supplementary surveys focussing on specific areas such as employee health and financial well-being. The Company established a Colleague Voice Panel in 2019 which includes within its terms of reference the aim of listening to colleagues' views when developing the Directors' Remuneration Policy. Pete Redfern, the designated Non-executive Director for engagement with the workforce pursuant to the UK Corporate Governance Code 2018 is the Colleague Voice representative on the Board. He hosts a number of listening groups throughout the year and all relevant views are incorporated into remuneration reviews. A significant portion of colleagues are shareholders meaning that they are also able to express their views in the same way as other shareholders.

Considering shareholders' views
The Committee believes that it is very important to maintain open dialogue with shareholders on remuneration matters. The Committee regularly consults with significant shareholders regarding our approach to Executive remuneration and the views of shareholders are important in determining any final changes. The Committee engaged extensively with shareholders regarding the changes proposed to the Policy and were pleased with the level of engagement and support. The Committee intends to continue to consult with shareholders regarding any material changes to remuneration arrangements.

Annual remuneration report

The following sets out the Group's Annual Remuneration Report for 2020 which includes details of how its Policy was implemented in 2020 and how it intends to implement its Policy in 2021. This report is subject to an advisory shareholder vote at the 2021 Annual General Meeting.

Statement of Implementation of the Remuneration Policy in 2021
Executive Directors:

Plan	Individual maximum opportunity in 2021	Measures and weighting	Operation
Base salary (No change)	CEO - £636,300 (2020 - £636,300) CFO - £517,650 (2020: £517,650)	n/a	The Remuneration Committee reviewed executive salaries and, taking into account current market conditions, determined that there would be no increases from 1 January 2021
Benefits (No change)	n/a	n/a	Directors continue to be entitled to benefits in-line with policy, including private medical insurance, income protection, annual leave, company car (or cash alternative), life insurance of up to five times salary and participation in all-employee share plans operated such as Sharesave ("SAYE") and BAYE
Pension (Alignment to workforce)	CEO 10% of salary in-line with the rate available across the wider workforce CFO pension allowance is £103,530 per annum.	n/a	Directors participate in a defined contribution arrangement or receive a cash allowance Taking into account the evolving views of our shareholders in this area the Committee agreed with the CFO that his pension will be reduced to 20% of salary from 1 January 2020. This monetary amount of £103,530 has been frozen at this fixed level so that it does not attract future salary increases. From 1 January 2023 the CFO's pension will be reduced to the wider workforce rate of 10%