moonpig group plc

Directors' Remuneration Policy September 2023

Directors' Remuneration Policy

This Directors' Remuneration Policy (the "2023 Remuneration Policy") was put before shareholders for approval at the 2023 Annual General Meeting ("AGM"). The Remuneration Committee (the "Committee") intends that it will come into effect from that date (19 September 2023) and that it will operate for three years.

The key terms of the Group's remuneration policy were developed in late 2020 and formally published in the Prospectus in early February 2021. As it is approaching three years since then, the Committee has considered the terms of policy renewal. The Committee considers that the overall architecture of the existing policy remains appropriate and it is proposed to renew the policy with four changes:

- **Ongoing LTIP grant level:** the ongoing LTIP grant level is increased from FY24 onwards from up to 200% of salary to up to 250% of salary, based on revised benchmarking against technology companies.
- **FY24 LTIP grant level:** an additional one-off award of 200%, subject to even more challenging performance conditions, aligned to superior growth in shareholder profits and returns against a more challenging economic backdrop.
- **Share ownership guidelines:** the current policy includes a 200% of salary share ownership guideline (including good practice 2 years' post-cessation). This will be increased to 300% of salary from the date of the 2023 AGM.
- **Determining market value for LTIP grant levels:** the existing LTIP rules specify that the number of shares to be granted is based on a 3-day averaging period. This will be increased from September 2023 onwards to an averaging period of up to 90 days to better reflect the shareholder experience and mitigate the impact of volatility around the grant date.

The 2023 Remuneration Policy was reviewed and approved by the Remuneration Committee. As part of the process, input was collected from management and external advisors, and through consultation with the Group's eleven largest shareholders including Exponent. The members of the Committee bring their experience to bear and seek independent advice without management present to ensure that decisions are reached objectively and without inappropriate influence. No person participates in decision relating to their personal remuneration.

Objectives of the Policy

The table below shows, with examples, how the 2023 Remuneration Policy, effective from the date of the 2023 AGM, is designed to meet the following required objectives of the Code:

Code factor	Description of Code factor	Description with examples of how the factors are addressed by the Policy
Clarity	Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	• The Policy is designed to be simple and support long-term, sustainable performance. • The Policy is clearly set out in this Report and is well understood by participants and shareholders alike. • The Policy clearly sets out the limits in terms of quantum, the performance measures which can be used and discretions which could be applied if appropriate. • The Remuneration Committee Chair is available to shareholders at the AGM or via the Company Secretary to answer any questions on remuneration arrangements.
Simplicity	Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	• The Group's arrangements include fixed pay (salary, benefits and pension), a market standard annual bonus and a single long-term incentive plan. • The details of each are clearly set out in the Policy. • There are no complex or artificial structures required to deliver the Policy.
Risk	Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	• Appropriate limits are set out in the Policy and within the respective plan rules. • The Committee retains discretions to override formulaic outturns. • When considering performance measures and target ranges, the Committee will take account of the associated risks and liaise with the Audit Committee as necessary. • The long-term nature of a large proportion of pay (through annual bonus deferral, post-vesting holding periods and post-cessation shareholding requirements) encourages a long-term, sustainable mindset. • Comprehensive clawback and malus provisions are in place across all discretionary incentive plans.

Code factor	Description of Code factor	Description with examples of how the factors are addressed by the Policy
Predictability	The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	• The Policy contains appropriate caps in place for each component of pay. • The potential reward outcomes are easily quantifiable and are set out in the illustrations provided in the Policy. • Performance can be reviewed at regular intervals to ensure there are no surprises in outcomes at the end of the performance period.
Proportionality	The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	• Incentive outcomes are contingent on successfully meeting stretching performance targets which are aligned to the delivery of the Company's strategy. • The heavy weighting towards share-based incentives ensures alignment with the shareholder experience. • The Committee considers pay and employment conditions in the wider workforce when making decisions on executive pay. • The Committee retains discretions to override formulaic outturns.
Alignment to culture	Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The Policy encourages performance delivery which is aligned to the culture within the business. This performance focus is always considered within an acceptable risk profile. • The measures used in the variable incentive plans reflect the KPIs of the business. • We have all employee share schemes to encourage share ownership by all employees. • All Moonpig and Greetz employees participate in a bonus scheme. For FY24 this has been extended to all Experiences employees. • Alignment of Executive remuneration to the Group's values is considered further in the Corporate Governance Statement at page 83.

Remuneration Policy for Executive Directors

The following table summarises each element of the Policy for the Executive Directors, setting out how each element operates, and links to the corporate strategy.

Base Salary	
Purpose	• To recruit and retain high-calibre Executive Directors. • Recognise knowledge, skills and experience as well as reflect the scope and size of the role.
Operation	• Normally reviewed annually, with any changes usually effective from 1 May. An out-of-cycle review may be conducted if the Committee determines it is appropriate. • The current base salaries for the Executive Directors are set out on page 117. • Assuming the 2023 Remuneration Policy is approved and implemented, no salary increases are proposed for FY24. • When setting base salaries, the Committee takes into account a number of factors including (but not limited to) skills and experience of the individual, the size, scope and complexity of the role, salary increases across the Group as well as salary levels for comparable roles in other similarly sized companies.
Maximum potential value	• There is no maximum salary level. • Salary increases are normally considered in relation to the wider salary increases across the Group. • Above workforce increases may be necessary in certain circumstances such as when there has been a change in role or responsibility or where an Executive Director has been appointed to the Board on an initial salary which is lower than the desired market positioning
Performance metrics	• Individual performance, as well as the performance of the Group, is taken into consideration as part of the annual review process.

Directors' Remuneration report

Pension

Purpose	• To provide cost-effective retirement benefits.
Operation	• The Executive Directors each currently receive a cash allowance in lieu of pension contribution. • Pension allowances are normally paid monthly and are not bonusable.
Maximum potential value	• The cash allowances in lieu of pension contributions are capped at the rate available to the wider workforce in the UK (currently 5% of base salary). • This applies to both current and any future Executive Director.
Performance metrics	• Not applicable.

Benefits

Purpose	• To provide competitive, cost-effective benefits which helps to recruit and retain Executive Directors.
Operation	• Benefits may include insurances such as life, medical and dental and other benefits provided more widely across the Group from time to time. • Other benefits, such as relocation expenses or expatriate arrangements, may be provided as necessary. • Reasonable business-related expenses (including any tax thereon) will be reimbursed.
Maximum potential value	• There is no specific maximum although it is not expected to exceed a normal market level. • The value of benefits will vary based on the cost to the Company of providing the benefits.
Performance metrics	• Not applicable.

Annual Bonus

Purpose	• To incentivise and reward for the delivery of annual corporate targets aligned to the business strategy. • To align with shareholders' and wider stakeholders' interests.
Operation	• The Annual Bonus is subject to performance measures and objectives set by the Committee for the financial year. • At the end of the performance period the Committee assesses the extent to which the performance targets have been achieved and approves the final outcome. • At least 33% of any bonus earned will be deferred in shares, normally for three years under the DSBP in respect of which dividend equivalents may apply to the extent such deferred awards vest. • Malus and clawback provisions apply as set out on page 113. • Bonus awards are non-pensionable and are payable at the Committee's discretion.
Maximum potential value	• The annual bonus policy maximum is 150% of base salary. • The target annual bonus opportunity is normally set at 50% of the maximum. • The threshold annual bonus opportunity is up to 25% of the maximum. If the threshold level is not achieved, no payment will arise.
Performance metrics	• The Committee will determine the relevant measures and targets each year taking into account the key strategic objectives at that time. • Performance measures may include financial, strategic, operational, ESG and/or personal objectives. • At least 70% of the bonus will be linked to financial measures. • The Committee sets targets that are challenging, yet realistic in the context of the business environment at the time and by reference to internal business plans and external consensus. Targets are set to ensure there is an appropriate level of stretch associated with achieving the top end of the range but without encouraging inappropriate risk taking. • The performance measures for FY24 are set out on page 117.

Long-Term Incentives

Purpose	• To incentivise and reward for the delivery of long-term performance and shareholder value creation. • To align with shareholders' interests and to foster a long-term mindset.
Operation	• An annual award of performance shares under the LTIP which normally vest after a period of not less than three years and subject to continued employment and the achievement of performance conditions. • Vested awards are subject to a further holding period applying at least until the fifth anniversary of grant during which they may not ordinarily be sold (other than to pay relevant tax liabilities due). • Dividend equivalents may accrue over the period from grant until the later of vesting and the expiry of any holding period. • Malus and clawback provisions apply as set out on page 113. • Grant values will normally be determined using an averaging period of up to 90 days prior to grant.
Maximum potential value	• The core maximum annual award is 250% of salary. • The Committee expects to normally grant annual awards of 250% of salary to any Executive Director. • For FY24 only, the maximum annual award level is up to 450% of salary, comprising a core award of up to 250% and an additional one-off award in FY24 only of 200% of salary linked to exceptional performance. • The proportion of the core award which may vest for threshold performance will be no more than 25% of the maximum award. If the threshold level is not achieved, no payment will arise.
Performance metrics	• Performance conditions, weightings and target ranges will be determined prior to grant each year to align with the Company's longer-term strategic priorities at that time. • The measures which may be considered include financial and shareholder value metrics as well as strategic, non-financial measures. In normal circumstances financial measures will make up the majority of the annual bonus. • Details of the measures applicable for awards granted in relation to FY24 are set out on in the Annual Report on Remuneration on page 117.

All Employee Share Plans

Purpose	• To encourage wider share ownership across all employees, including the Executive Directors. • To align with shareholders' interests and to foster a long-term mindset.
Operation	• Executive Directors may participate in all employee schemes on the same basis as other eligible employees. • This includes (i) the Share Incentive Plan ("SIP"), under which all-employee free share awards were made at the time of the IPO, and (ii) the Save As You Earn ("SAYE Scheme") which the Board approved in FY21. • Both plans have standard terms, which are HMRC approved and allow participants to either purchase or be granted shares (under the SIP) or enter into a savings contract to purchase shares (under either or both of the SAYE Scheme or SIP) in a tax-efficient manner.
Maximum potential value	• Limits are in line with those set by HMRC.
Performance metrics	• Not applicable.

Shareholding Requirements

Purpose	• To align with shareholders' interests and to foster a long-term mindset.
Operation	• Executive Directors will normally be expected to retain shares, net of sales to settle tax, until they have met the required shareholding. • Progress towards the guideline will be reviewed by the Committee on an annual basis. • In addition, Executive Directors are expected to hold shares after cessation of employment to the full value of the shareholding requirement (or the existing shareholding if lower at the time) for a period of two years.
Maximum potential value	• The shareholding requirement for Executive Directors is 300% of base salary from 19 September 2023 onwards, which compares to 200% under the existing Policy.
Performance metrics	• Not applicable.

Fees policy for Non-Executive Chair and Non-Executive Directors

The following table summarises the fees policy for the Non-Executive Chair and the Non-Executive Director.

Fees	
Purpose	• To provide a competitive fee to attract Non-Executive Directors who have the requisite skills and experience to oversee the implementation of the Company's strategy.
Operation	• Fees for the Non-Executive Chair are set by the Committee. • Fees for the other Non-Executive Directors are set by the Board excluding the Non-Executive Directors. • Fees are reviewed, but not necessarily increased, annually. Fee increases are normally effective from 1 May. • Fee levels are determined based on an estimate of the expected time commitments of each role and by reference to comparable fee levels in other companies of a similar size and complexity. • Additional fees are payable to the Senior Independent Non-Executive Director and Chair of the Audit and Remuneration Committees to reflect their additional responsibilities. The Non-Executive Director designated for engagement with the workforce ("DNED") for the purposes of the UK Corporate Governance Code will also be eligible for an additional fee. • Higher fees may be paid to a Non-Executive Director should they be required to assume executive duties on a temporary basis. • The Non-Executive Directors and the Non-Executive Chair are not eligible to receive benefits and do not participate in pension or incentive plans. Business expenses incurred in respect of their duties (including any tax thereon) are reimbursed.
Maximum potential value	• There is no overall aggregate annual limit for fees payable to the Non-Executive Directors.
Performance metrics	• Not eligible to participate in any performance-related elements of remuneration.

Discretions retained by the Committee in operating the incentive plans

The Committee operates the Group's incentive plans according to their respective rules and in accordance with HMRC and Listing Rules where relevant. To ensure the efficient operation and administration of these plans, the Committee may apply certain discretions.

These include (but are not limited to) the following:

- Determining the participants in the plans.
- Determining the timing of grants and/or payments.
- Determining the size of grants and/or payments (within the limits set out in the policy table above).
- Determining the appropriate choice of measures, weightings and targets for the incentive plans from year to year including any use of discretion to reduce the outcome, as appropriate.
- Determining "good leaver" status and the extent of vesting and or payment under the incentive plans.
- Determining the extent of vesting of awards under share-based plans in the event of a change of control.
- Making any appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends).

The Committee retains discretion to vary the performance conditions applying to outstanding awards in exceptional circumstance if an event occurs which causes the Committee to consider that the original condition would no longer operate as intended. Any amendment to the performance conditions can be made, provided the Committee considers the varied condition is fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question. Following the acquisition of Experiences the Committee re-expressed the performance conditions relating to the award made in July 2022 (FY23) to ensure that they remain equally demanding. The Committee would likely take the same approach for any other corporate activity.

Legacy incentives

The Company has various legacy share and cash arrangements, some of which remain subject to time vesting and/or performance conditions post-IPO. These are summarised further under the section headed "Legacy Pre-IPO awards" in the Annual Report on Remuneration. The final vesting under the Legacy Pre-IPO awards will be on 30 April 2024.

Recoupment (malus and clawback)

The incentive pay awards made by the Company are subject to provisions that allow it to recover any value delivered (or which would otherwise be delivered) in connection with any variable award including Annual Bonus and LTIP awards in exceptional circumstances and where it believes that the value of those variable pay awards is no longer appropriate.

The malus and clawback provisions can be used in the following circumstances:

- A material misstatement;
- An error of calculation, or inaccurate or misleading information;
- An action or conduct which amounts to fraud or gross misconduct;
- An instance of corporate failure (e.g. administration or liquidation); and
- A significantly adverse impact on the Group's reputation.

Clawback may be effected in the period of three years following the determination of a bonus or the vesting of an LTIP award.

Selection of performance measures and targets

The Committee determines the performance measures applying to the Annual Bonus and LTIP based on the strategic priorities of the Group at the time. The measures and their weightings may change from year to year to reflect the needs of the business. The measures and weightings for FY24 are set out on page 117.

Measures used may include financial (such as revenue, Adjusted EBITDA and Pre-tax EPS), operational, strategic, ESG, personal or shareholder value creation. The use of such measures is intended to ensure performance is assessed on a rounded basis and is appropriately aligned to the Group's KPIs. Together these are felt to incentivise management to deliver superior financial performance in a sustainable way.

The targets for both the Annual Bonus and LTIP are set after considering internal business plans, economic forecasts and, to the extent it exists, external analyst consensus. The target range is calibrated so that it is realistic yet requires stretching outperformance to achieve the top end. In addition, the one-off awards proposed for FY24 have even more stretching targets with the threshold only commencing once the stretch level is achieved under the normal awards.

Statement of consideration of shareholder views

The Committee will consider shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally.

Prior to Admission the views of the Company's major shareholder were considered when determining the Policy. If the Committee was to consider changes to the Policy, it would be subject to prior consultation with major shareholders as appropriate. The Committee consulted with major shareholders covering 60% of the share register during the course of the proposed Policy.

Differences in remuneration policy for Executive Directors and employees in general

All Group employees participate in the Annual Bonus scheme, which is operated on similar terms to those for the Executive Directors albeit with an element based on personal performance. The LTIP operates for members of the Executive Committee on similar terms to those for the Executive Directors. All eligible employees under the plan rules were able to participate in the SIP award which was offered at IPO (with values ranging from £500 to £1,500 depending on length of service), the SAYE Scheme which was first offered in September 2021 and will be invited to take part in future SAYE awards (or other all-employee awards). Wider employee ownership is a key objective for the business.

Statement of consideration of employment conditions elsewhere in the Group

The Committee is provided with an update, at least annually, of pay and employment conditions throughout the Group. This will include details of base salary increases, bonus award levels, share scheme take up across the Group workforce as well as more information on the salaries and proposed increases for the Group Leadership Team members and other senior direct reports of the Chief Executive. The Committee will review and agree all grants of share awards.

Although the Committee has not, to date, formally consulted with employees on matters of remuneration policy, the Committee ensures there is appropriate liaison with the DNED to discuss any remuneration matters which should be taken into account as part of its annual cycle. Employee engagement scores and other internal surveys will be considered as appropriate. An area of focus for the Committee has been the upward alignment of remuneration at the Experiences segment, including extending the Group annual bonus scheme to all Experiences employees for FY24.

Executive Directors' external appointments

Executive Directors may accept external appointments as Non-Executive Directors of other companies with the specific approval of the Board in each case. Any fees payable may be retained by the Executive Directors.

Recruitment of Directors – approach to remuneration

Executive Directors

The ongoing remuneration package for any new Executive Director will be set in accordance with the terms of the Policy in place at the time of appointment (including any caps on remuneration). The principles which will be applied are set out below:

- Base salary – set at an appropriate level taking into account the skills and experience of the individual and the nature of the role. If the base salary is set below market on appointment to reflect experience, there will be an expectation that subsequent increases may be above those of the wider workforce to bring this into line with the desired level as the individual develops in the role.
- Benefits – will be in line with those offered to other employees in the same location and take account of any local market norms. In addition, the Committee recognises that it may need to meet certain relocation expenses or expatriate benefits, as appropriate.
- Pension – will be in line with that offered to the wider workforce.
- Annual bonus – will be operated in line with the terms set out in the Policy table and will be pro-rated in the year of joining to reflect the period of service rendered. Depending on the timing of the appointment, it may be necessary for the Committee to use alternative performance measures for the remainder of the initial performance period.
- LTIP – will be operated in line with the terms set out in the Policy table. An award may be made shortly after appointment (assuming not in a closed period).
- Buy-out awards – the Committee may consider offering additional cash and/or share-based elements to replace remuneration forfeited by the individual on leaving their previous employment when it considers these to be necessary to facilitate the appointment and in the best interests of the Company and its shareholders. Any buy-out arrangements will be made under the existing incentive plans or the relevant provision of the Listing Rules and would normally be delivered on a like-for-like basis taking account of the nature, time horizons and any performance requirements attached to the awards forfeited.

For an internal appointment, any variable pay element or benefit awarded in respect of the prior role may be allowed to continue on its original terms, adjusted as relevant to take into account the new appointment.

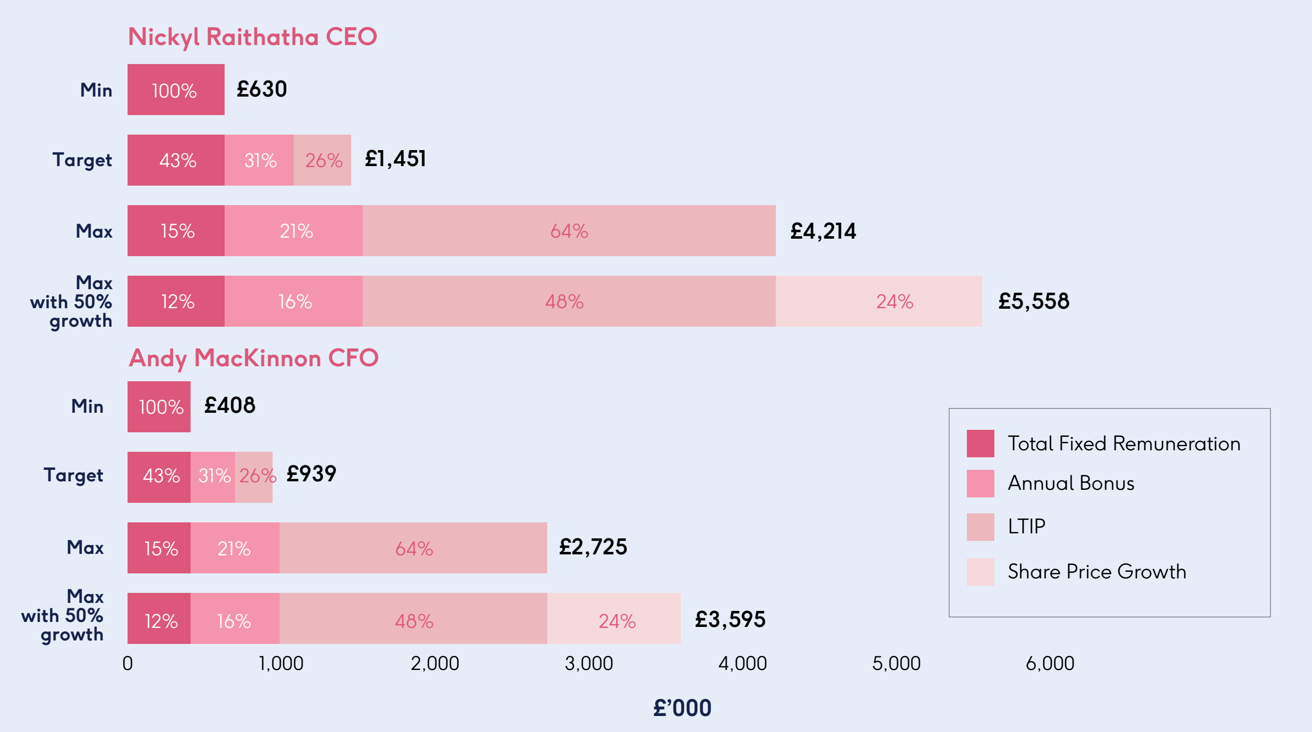
Non-Executive Directors

On appointment of a new Chair of the Board or NED, the fees will be set taking into account the experience and calibre of the individual and the prevailing rates of other non-executives at the time.

Illustration of the Policy in different performance scenarios

The charts below illustrate the potential future value and composition of the Executive Directors' remuneration opportunities in four performance scenarios: minimum, on-target (i.e. in line with the Company's expectations), maximum, and maximum plus 50% share price appreciation, a scenario where 50% share price appreciation is included. The potential remuneration opportunities are based on the 2023 Remuneration Policy.

Performance scenario	Includes, for both CEO and CFO
Minimum	Salary, pension and benefits (fixed remuneration). No bonus award. No vesting under the LTIP. Fixed remuneration.
On-target	50% of maximum annual bonus award (75% of salary). 25% vesting of the core award under the LTIP (62.5% of salary). Fixed remuneration.
Maximum	100% of maximum annual bonus award (150% of salary). 100% vesting of the FY23 LTIP award (450% of salary). Fixed remuneration.
Maximum +50%	100% of maximum annual bonus award. 100% vesting of the FY23 LTIP award, plus 50% share price appreciation[1].



Note to both chart above and table on opposite page
1 The value of the LTIP includes share price appreciation of 50% as required by the reporting regulations.

Executive Directors' service contracts

The service contracts for Nickyl Raithatha and Andy MacKinnon provide for an equal notice period from the Group and the Executive of a maximum 12 months' notice and any contracts for newly appointed Executive Directors will provide for equal notice in the future. The date of each service contract and unexpired term is set out in the table below:

	Date of service contract	Unexpired term (months)
Nickyl Raithatha	10 January 2021	12 month rolling
Andy MacKinnon	10 January 2021	12 month rolling

Non-Executive Directors' terms of appointment

The Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment for no more than three years, subject to annual reappointment at the AGM, with a three-month notice period by either side. The appointment letters provide that no compensation is payable on termination, other than fees accrued and expenses. The date of appointment and the length of service for each Non-Executive Director are shown in the table below:

	Date of appointment	Unexpired term of current letter of appointment as at 2023 AGM (years and months)	Length of service as at 2023 AGM (years and months)
Kate Swann	10 January 2021	Nil	2 years 8 months
David Keens	10 January 2021	Nil	2 years 8 months
Niall Wass	10 January 2021	Nil	2 years 8 months
Susan Hooper	10 January 2021	Nil	2 years 8 months
Simon Davidson	10 January 2021	Nil	2 years 8 months
ShanMae Teo	27 June 2022	1 year 9 months	1 year 3 months

The Non-Executive Directors appointed in January 2021 ahead of Admission have letters of appointment that expire at the conclusion of the 2023 AGM. The Company proposes to issue new letters of appointment for each of those Directors for a three-year term, commencing at the conclusion of the 2023 AGM, subject to shareholder approval of the re-election of those Directors at the 2023 AGM. On termination, at any time, a Non-Executive Director is entitled to any accrued but unpaid Director's fees but not to any other compensation.

Directors' Remuneration report

Policy on payment for departure from office

On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his/her loss when determining the amount of compensation. The Committee's policy is described below and will be implemented taking into account the contractual entitlements, the specific circumstances for the departure and the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	"Good leaver" (e.g. Death, ill health, disability)	Departure on agreed terms
Base salary	Paid for the proportion of the notice period worked and any untaken holidays pro-rated to the leaving date.	Paid for the proportion of the notice period worked and any untaken holidays pro-rated to the leaving date. A Payment In Lieu of Notice ("PILON") may be made in instalments subject to mitigation.	Treatment will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement.
Benefits and pension	Paid for the proportion of the notice period worked (including garden leave).	Paid for the proportion of the notice period worked (including garden leave).	
Annual bonus cash	Cessation of employment during a bonus year will normally result in no cash bonus being paid.	Cessation of employment during a bonus year or after the year end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and pro-rated for the relevant portion of the financial year worked and performance achieved.	The Committee will have the authority to settle any legal claims against the Company, e.g. for unfair dismissal etc, that might arise on termination.
Annual bonus deferred shares	Unvested deferred shares will lapse.	Awards will normally continue to vest on their original vesting date unless the Committee determines they should vest earlier.	In the event of a change of control or similar event, awards may vest early subject to performance and, normally, any bonus or LTIP would be subject to pro-rating. Alternatively, awards may be rolled over.
LTIP awards	Unvested performance shares will lapse.	Performance shares will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions and ordinarily subject to time proration. The Committee will retain discretion to assess performance and allow awards to vest at an earlier date if considered appropriate.	
Options under SIP/SAYE Scheme	As per HMRC regulations.	As per HMRC regulations.	
Other	None.	Disbursements such as legal costs and outplacement fees may be payable as appropriate.	