moonpig group plc

Directors' Remuneration Policy

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Remuneration Policy

This Directors' Remuneration Policy was submitted for approval at the 2021 Annual General Meeting ("AGM"). The Remuneration Committee intends that the new Policy will operate for three years.

The Policy was reviewed and approved by the Remuneration Committee. As part of the process, input was collected from management and external advisers. 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 proposed Directors' Remuneration Policy, effective from the date of the 2021 AGM, has been designed to meet the following objectives:

Clarity

- The Policy is designed to be simple and support long-term, sustainable performance.
- The Policy is in line with standard UK listed company practice 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.

Simplicity

- The Group's arrangements include 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

- 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.
- Clawback and malus provisions are in place across all incentive plans.

Predictability

- 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

- Incentive outcomes are contingent on successfully meeting stretching performance targets which are aligned to the delivery of the Company's strategy.
- The Committee retains discretions to override formulaic outturns.

Alignment to culture

- The Policy encourages performance delivery which is aligned to the culture within the business. However, 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.

Directors' Remuneration Policy continued

Remuneration Policy for Executive Directors

The following table summarises each element of the Remuneration Policy for the Executive Directors, explaining 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. • 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. • The current base salaries for the Executive Directors are set out on page 78 of the 2021 Annual Report and Accounts.
Performance metrics	• Individual performance, as well as the performance of the Group, is taken into consideration as part of the annual review process.

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 contribution are capped at the rate of the wider workforce (currently 5% of base salary). • This applies to both current and any future Executive Director.
Performance metrics	• Not applicable.

Directors' Remuneration Policy continued

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 Deferred Share Bonus Plan ("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 7. • 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 FY22 are set out on page 78 of the 2021 Annual Report and Accounts.

Directors' Remuneration Policy continued

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 7.
Maximum potential value	• The maximum annual award is 200% of salary. • The Committee expects to normally grant annual awards of 200% of salary to the Chief Executive and 150% of salary to any other Executive Director. • The proportion of the 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 FY22 are set out on page 78 of the 2021 Annual Report and Accounts.

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 the 2021 Share Incentive Plan ("SIP"), in accordance with which an all-employee share award was made at the time of the IPO, and the 2022 Save As You Earn ("SAYE") which the Board approved in FY21 and is to be launched during FY22. • 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 or SIP) in a tax-efficient manner.
Maximum potential value	• Limits are in line with those set by HMRC.
Performance metrics	• Not applicable.

Directors' Remuneration Policy continued

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 200% of base salary.
Performance metrics	• Not applicable.

Fees policy for Chair and Non-Executive Directors (the "NEDs")

The following table summarises the fees policy for the Chair and the NEDs.

Fees

Purpose	• To provide a competitive fee to attract NEDs who have the requisite skills and experience to oversee the implementation of the Company's strategy.
Operation	• Fees for the Chair are set by the Committee. • Fees for the other NEDs are set by the Board excluding the NEDs. • 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 Director and Chair of the Audit and Remuneration Committees to reflect their additional responsibilities. The NED designated for engagement with the workforce for the purposes of the UK Corporate Governance Code (the "Workforce Engagement Lead") will also be eligible for an additional fee. • Higher fees may be paid to a NED should they be required to assume executive duties on a temporary basis. • The NEDs and the 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 NEDs.
Performance metrics	• Not eligible to participate in any performance-related elements of remuneration.

Directors' Remuneration Policy continued

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.

Legacy incentives

As set out in the Prospectus, 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 Award grants" in the Annual Report on Remuneration.

This Policy gives authority to the Company to honour any commitments entered into with current directors prior to the Company's Admission or to internally promoted future directors prior to their appointment. Details of any payments under the legacy incentive arrangements will be set out in future Directors' Remuneration Reports as they arise.

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 FY22 are set out below.

Measures used may include financial (such as revenue, Adjusted EBITDA and 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. The Annual Bonus Plan for FY22 comprises 80% linked to revenue and Adjusted EBITDA while the other 20% is linked to three pre-set ESG measures focusing on customer, colleagues and sustainability. Together these are felt to incentivise management to deliver superior financial performance in a sustainable way. No LTIP grant is envisaged in FY22 as the grant at IPO essentially represented this award and was linked 50% to relative TSR and 50% to growth in pre-tax EPS (as noted in the Prospectus, this was initially expressed in terms of Adjusted EBITDA and recalculated once the shares issued on IPO were known). Again, together, these are felt to represent an effective means of aligning 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.

Directors' Remuneration Policy continued

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 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.

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 Group Leadership Team on similar terms to those for the Executive Directors. All eligible employees 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) 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 will be 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 will ensure there is appropriate liaison with the Workforce Engagement Lead 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.

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.

Directors' Remuneration Policy continued

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.

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 is noted in the table below:

	Date of service contract
Nickyl Raithatha	10 January 2021
Andy MacKinnon	10 January 2021

Non-Executive Directors' terms of appointment
The NEDs do not have service contracts with the Company but instead have letters of appointment. The date of appointment and the most recent reappointment and the length of service for each NED are shown in the table below:

	Date of appointment	Length of service as at 2021 AGM
Kate Swann	10 January 2021	7 months
David Keens	10 January 2021	7 months
Niall Wass	10 January 2021	7 months
Susan Hooper	10 January 2021	7 months
Simon Davidson	10 January 2021	7 months

On termination, at any time, a NED is entitled to any accrued but unpaid Director's fees but not to any other compensation.

Directors' Remuneration Policy continued

Policy on payment for departure from office

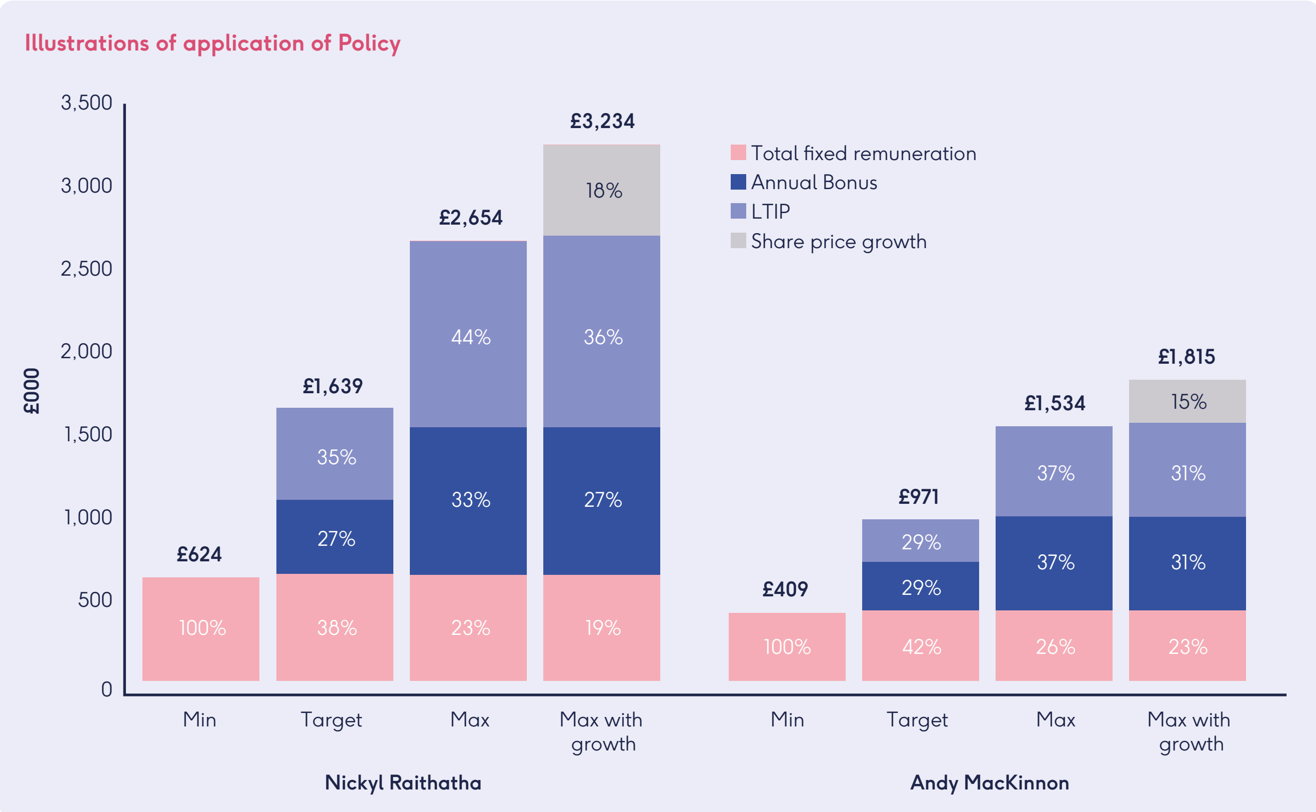
On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his/her loss when determining the amount of compensation. The Committee's policy is described below and will be implemented taking into account the contractual entitlements, 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 (including the balance of any notice period).	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") for the balance of any notice period may be made in instalments subject to mitigation (including the balance of any notice period), this may also apply if terminated early following resignation.	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. 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. 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.
Benefits and pension	Paid for the proportion of the notice period worked (including the balance of any notice period).	Paid for the proportion of the notice period worked (including the balance of any notice period).	
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.	
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.	
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 or SAYE	As per HMRC regulations.	As per HMRC regulations.	
Other	None.	Disbursements such as legal costs and outplacement fees may be payable as appropriate.	

Directors' Remuneration Policy continued

Illustration of the Policy

The charts below set out the potential values of the remuneration package of the Executive Directors for FY22 under various performance scenarios.



Notes

a) Salary represents annual salary as at the date of Admission. Benefits such as private medical insurance have been included based on the position since incorporation.
b) Pension represents the value of the annual pension allowance for Executive Directors of 5% of salary.
c) Below threshold performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vested.
d) Target performance comprises annual bonus and LTIP pay-outs at target level (50% of maximum – with no share price appreciation). It was considered helpful to include a normal annual LTIP grant although no grant is envisaged during FY22 as a grant was made at IPO in lieu of this grant.
e) Maximum performance comprises annual bonus and LTIP each paying at maximum level (100% of maximum – with no share price appreciation).
f) Maximum with share price growth comprises e) above plus an assumed increase of 50% in the value of the LTIP award to take account of potential share price appreciation.