

REMUNERATION COMMITTEE REPORT STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE



Dear fellow Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to present the Remuneration Committee Report for the year ended 31 March 2017. The report sets out the Group's remuneration policy and gives details of the remuneration paid to Executive and Non-Executive Directors for their services to the Company during the year.

This introduction provides the context for the Committee's decision making and policy setting during the year, sets out the structure of the report and summarises the key messages from the report including business performance, incentive plan outcomes and Committee activities.

CONTEXT TO THE COMMITTEE'S DECISIONS

Cranswick has made further strong strategic, commercial and financial progress during the year. Revenue increased by 22.5 per cent to £1,245.1 million; adjusted Group profit before tax increased by 17.2 per cent to £75.5 million; adjusted earnings per share improved by 17.6 per cent to 120.9 pence; and the total dividend for the year has been increased by 17.6 per cent to 44.1 pence per share. These results reflected an excellent performance from the underlying business together with positive contributions from the Crown Chicken and Ballymena businesses

acquired during the year, and underpinned an increase of 20 per cent in Cranswick's share price from 2,133 pence at 31 March 2016 to 2,559 pence at 31 March 2017. The two acquisitions were intersected by the sale of the non-core Sandwich business in July 2016. In addition to 2017 being a busy year in terms of corporate activity, it was also one of record capital investment to add capacity and capability to, and drive further efficiency across, our asset base. This investment builds on the £200 million spent over the previous eight years and provides us with a robust platform to deliver future growth. The Executive Directors, whose average length of service extends to 22 years, have played a pivotal role in the success of Cranswick over that period and have laid solid foundations to ensure that the business is well placed to continue to develop and grow successfully over the long term.

STRUCTURE OF THE REPORT

The report contains the following separate sections:

- **The Chair's annual statement**
- **Remuneration at a glance**
- **The Directors' Remuneration Policy report**, which provides details of the Group's remuneration policy, its link to strategy, performance and headline remuneration. The policy report also highlights the different elements which make up Executive Directors' remuneration, explains how each component operates and details the performance metrics which underpin each element. This policy was approved by the shareholders at the 2015 AGM and is shown for reference purposes only.
- **The Annual Report on Remuneration**, discloses how the Directors' Remuneration Policy has been applied during the year and how it will be implemented in the next financial year. That report and this statement will be subject to an advisory vote at the AGM.

The Committee ensures that executive remuneration targets are stretching, aligned to business strategy to drive long-term shareholder value and reflect the performance of the business during the period under review. Performance during the year reflects the commitment of the Executive Directors to delivery of the Group's strategic objectives and increasing returns for Shareholders. Executive Directors' rewards (excluding base salary and benefits) are two-fold: short term by way of a cash bonus; and longer term by way of share awards under the Company's Long Term Incentive Plan (LTIP).

2017 BONUSES

Bonus awards for 2017 reflect the outstanding strategic progress made and step change financial performance delivered during the year as highlighted above. The maximum bonus of 150 per cent of base salary has been awarded to each of the Executive Directors.

Measure	Threshold	Maximum	Actual
Adjusted profit before tax ¹	£70.6m	£78.8m	£80.6m
Bonus payable	20%	150%	150%

¹ Adjusted profit before tax targets are stated before deduction of bonuses paid to the Executive Directors and the Chief Operating Officer.

2017 LTIP AWARDS

The LTIP awards granted in 2014 were based on the three year performance period from April 2014 to March 2017 and were subject to adjusted EPS (50 per cent) and TSR (50 per cent) targets. Performance over the three year period as measured against each of these metrics has been strong, with the maximum target threshold met in both cases. Consequently, 100 per cent of the award will vest in June 2017.

The Committee also awarded nil-cost share options under the LTIP scheme to senior executives, including the Executive Directors, during the year. The number of shares awarded to each Executive Director was equivalent to 150 per cent of base salary, based on the market value of the Company's shares at the date of award.

REMUNERATION FOR 2018

The current remuneration policy, which was designed to align to the Company's strategy and deliver enhanced shareholder value, was approved by the Shareholders at the 2015 AGM. Under this policy the Executive Directors were awarded a pay increase of 3.1 per cent effective from 1 May 2017, in line with the senior executives and the wider workforce, reflecting the annualised increase in the Retail Price Index (RPI) as at 31 March 2017. Bonus opportunities and LTIP award levels will remain unchanged at 150 per cent of salary for 2018, subject to stretching targets on the same basis as previous years, namely 100 per cent on Adjusted Group profit before tax for the annual bonus, and 50 per cent on EPS and 50 per cent on Relative TSR for LTIP awards.

SHAREHOLDER ENGAGEMENT

Ongoing engagement by the Chairman, Chief Executive and Finance Director has ensured that key Shareholders have been regularly updated on progress and performance throughout the year. The Committee is pleased to report that 99 per cent of those voting voted in favour of the Remuneration Committee's Report at last year's AGM.

EVALUATION OF THE REMUNERATION COMMITTEE

EquityCommunications Limited carried out an independent evaluation of the effectiveness of the Committee as part of the wider review of Board and Committee performance. The independent evaluation concluded that the Committee is working well and has an appropriately balanced composition.

SUMMARY

The Remuneration Committee will continue to monitor the Directors' Remuneration Policy to ensure that Executive Director pay is strongly aligned with the Group's business strategy, financial performance and the creation of long-term Shareholder value. The Committee is aware that the executive remuneration landscape is evolving and of the potential for change, and will continue to monitor developments as they arise. The Committee will consider this as part of its review of executive remuneration in advance of next year's binding remuneration policy vote.

On behalf of the Board I would like to thank you, our Shareholders, for your continued support. Should you have any questions on, or would like to discuss any further aspect of our remuneration strategy, I can be contacted at steven.esom@cranswick.co.uk.



Steven Esom

Chair of the Remuneration Committee

23 May 2017

REMUNERATION COMMITTEE REPORT CONTINUED

REMUNERATION AT A GLANCE

REMUNERATION PRINCIPLES

The remuneration principles underpinning the Remuneration Policy are:

- to provide competitive salaries to attract and retain top class executives, with remuneration aligned to business strategy, performance and promotion of the long-term success of the business;
- to provide an appropriate balance of short-term and long-term incentives, to deliver sustainable growth in shareholder value; and
- to require a minimum shareholding limit by Executive Directors to ensure strong alignment with Shareholders' interests.

POLICY IMPLEMENTATION

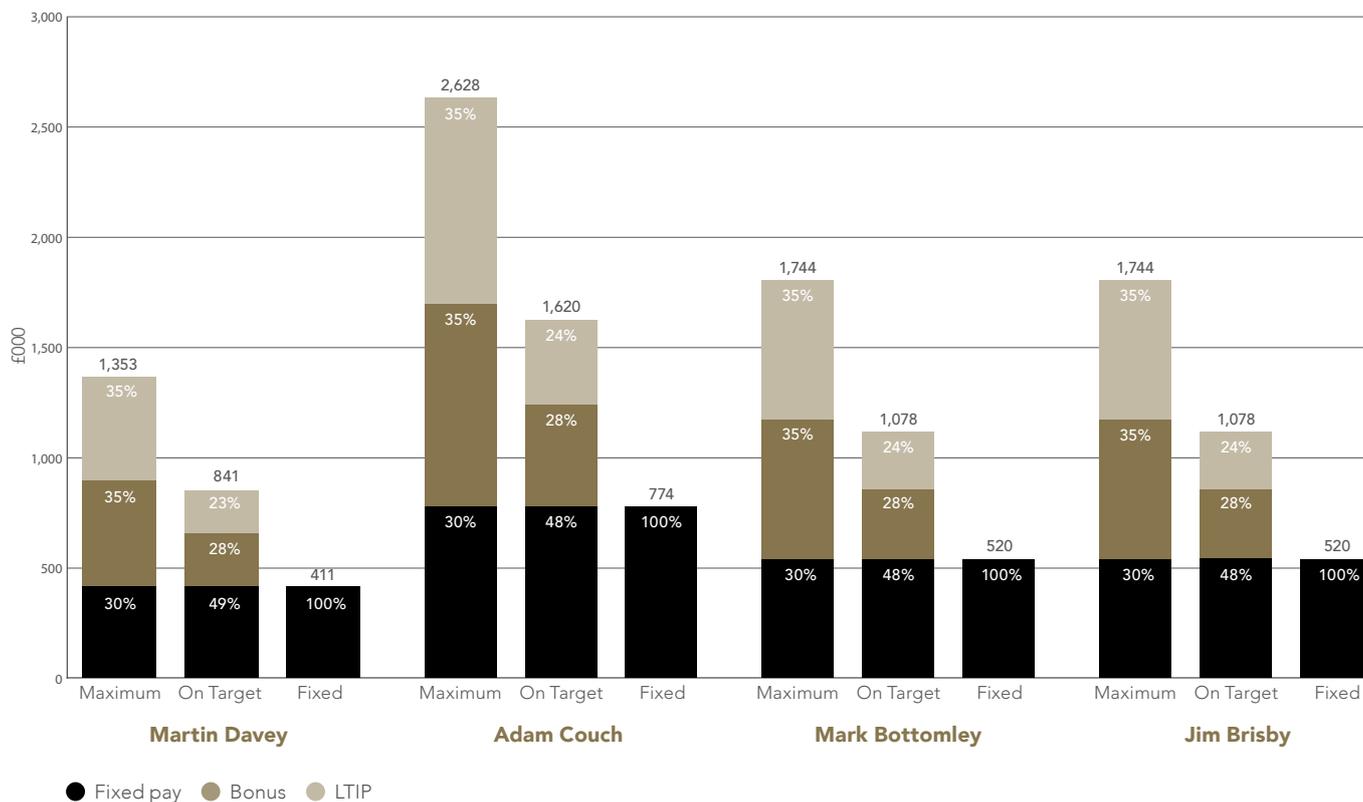
Remuneration	Link to strategy	Remuneration in 2017	Policy implementation in 2018
Base salary including benefits and pension	To provide a market competitive base salary and benefits to attract and retain executives and to provide a framework to save for retirement.	Salary increase of 1.6 per cent, effective 1 May 2016 in line with RPI at 31 March 2016. Chairman: £304,800 Chief Executive Officer: £599,450 Finance Director: £396,250 Commercial Director: £396,250	Salary increase of 3.1 per cent, effective 1 May 2017 in line with RPI at 31 March 2017. Chairman: £314,250 Chief Executive Officer: £618,000 Finance Director: £408,500 Commercial Director: £408,500
Annual bonus	To incentivise Executive Directors and senior executives linked to the performance of the business, on an annual basis, based on key financial metrics.	Maximum bonus opportunity of 150 per cent of salary. 100 per cent on Adjusted Group profit before tax: Threshold target £70.6 million – 20 per cent of salary payable Maximum target £78.8 million – 150 per cent of salary payable. Achieved Adjusted Group profit before tax of £80.6 million – maximum bonus achieved (150 per cent of salary).	Maximum bonus opportunity unchanged at 150 per cent of salary, based on Group profit targets. Targets will be disclosed retrospectively in the 2018 Annual Report provided they are not considered commercially sensitive at that time.
LTIP	To ensure that Executive Directors and senior executives are involved in the long-term success of the Group.	Awards of 150 per cent of salary granted on 1 June 2016. 50 per cent on EPS growth: Threshold target: RPI plus 3 per cent Maximum target: RPI plus 7 per cent 50 per cent on Relative TSR: Threshold target: 50th percentile Maximum target: 75th percentile Awards granted in 2014 Performance measured over the three year period ending 31 March 2017, EPS growth was RPI + 12.69 per cent, and TSR achieved the 100th percentile. LTIP awards made in June 2014 will therefore vest in full in June 2017 in respect of both the EPS and TSR elements.	No change to award levels, performance measures, weightings and targets. A two year holding period will apply following vesting with malus and clawback arrangements in place.
Shareholding requirement	To align interest of Executive Directors with Shareholders.	200 per cent of salary for all Executive Directors. All Executive Directors have holdings in excess of the shareholding requirement.	No change.

2017 TOTAL REMUNERATION (SINGLE FIGURE)

£000	2017	2016
Mark Bottomley	1,878	1,862
Jim Brisby	1,769	1,773
Adam Couch	2,726	2,803
Martin Davey	1,579	2,093

REMUNERATION SCENARIOS

The charts below illustrate the level of remuneration which may be earned by the Executive Directors in the year ending 31 March 2018 under three different scenarios, based on the remuneration arrangements described in the Annual Report on Remuneration. On target and maximum scenarios do not include share price appreciation or dividend roll up.



- Fixed – fixed pay only being base salary as at 1 May 2017, benefits and pension.
- On target – fixed pay plus 50 per cent of maximum annual bonus award and mid-point of LTIP award for EPS and TSR which equates to 62 per cent of the award vesting.
- Maximum – the maximum amount receivable under the annual bonus and LTIP awards of 150 per cent of salary.

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY

The current remuneration policy, which was approved at the 2015 AGM on 27 July 2015, is set out below.

LINK BETWEEN POLICY, STRATEGY AND STRUCTURE

Our remuneration policy is principally designed to attract, motivate and retain Executive Directors and senior executives to execute effectively our corporate and business strategy in order to deliver annual operating plans and sustainable year-on-year profit growth, as well as to generate and preserve value to our shareholders over the longer term without encouraging excessive levels of risk taking. The principles and values that underpin the remuneration strategy are applied on a consistent basis for all Group employees. It is the Group's policy to reward all employees fairly, responsibly and by reference to local market practices, by providing an appropriate balance between fixed and variable remuneration.

The remuneration package is in two parts:

- a non-performance part represented by basic salary (including pension and benefits); and
- a significant performance related element in the form of a profit related bonus and share-based awards.

The details of individual components of the remuneration package are set out below:

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
Base salary			
To provide a market competitive base salary to attract and retain executives.	Set competitively to reflect the individual's skills, experience and responsibilities. Periodic reviews of market rates. Base salaries are reviewed annually and take into account inflation and performance and any changes take effect from 1 May. Every three years a review is carried out, with external advisers, to benchmark the salaries and to ensure they remain competitive.	Any increase is based on individual performance, change in role and the Company pay award.	There is no prescribed maximum increase. Base salaries will move in line with the RPI and consideration of the level of pay awards for other employees. Every three years the base salary will be benchmarked against market rates.
Pension			
To provide a framework to save for retirement.	Executive Directors are entitled to non-contributory membership of the Group's defined contribution pension scheme with the employer's contribution set at up to 20 per cent of each Executive Director's base salary. Alternatively, at their option, Executive Directors may have contributions of the same amount paid to them in cash, in lieu of pension, subject to the normal statutory deductions. In some cases there are payments of pension contributions in lieu of salary.	N/A	Pension entitlement is limited to 20 per cent of base salary.
Benefits			
To provide market competitive benefits as part of the remuneration package.	Market competitive benefits principally comprise health insurance, personal tax advice, pension advice and Company car allowance. Additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with market practice. Benefits are not pensionable.	N/A	Benefits will move in line with market rates.

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
Annual bonus			
To incentivise Executive Directors and senior executives linked to the performance of the business, on an annual basis, based on key financial metrics.	<p>The majority of the annual bonus is based on achievement of targets aligned to the Group's annual financial performance as set and assessed by the Committee each year.</p> <p>A small part of the bonus relates to the achievement of a target profit performance for the first half of the year, where a fixed sum is paid, with the remaining element based on the Group's annual financial performance.</p> <p>The bonus targets are reviewed every year and changes take effect from 1 April with interim payments being made in November and final payments in June the following year, provided targets are achieved.</p> <p>The total bonus is capped at 150 per cent of basic salary and is non-pensionable.</p> <p>There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant.</p>	Details of the performance targets set for the year under review and performance against them are provided in the Annual Report on Remuneration. There is a sliding scale of targets set around financial performance.	The threshold amount payable is 20 per cent rising to a maximum payable of 150 per cent of base salary.
Share-based awards			
A Save As You Earn (SAYE) share scheme is available to all eligible employees.	Subject to approval by the Board of awards to be made, SAYE options are made available to eligible staff, including Executive Directors, with the full 20 per cent discount being given to the relevant share price at the time. Employees can save up to £500 per month in this scheme.	N/A	The maximum that can be saved is limited to £500 per month which is consistent with prevailing HMRC limits.
Long Term incentive (LTIP) awards are available to ensure that executives and senior management are involved in the longer term success of the Group.	<p>The LTIP awards may take the form of nil-cost share options or conditional awards which are granted by the Remuneration Committee and normally vest after three years on the achievement of demanding targets aligned to total shareholder return (TSR) and earnings per share (EPS). The full details of this are set out in the Annual Report of Remuneration.</p> <p>Executive Directors are required to hold the share award for a further two years after vesting.</p> <p>There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant.</p>	The LTIP award during the year will have a three year performance period commencing on 1 April of that year and ending three years later on 31 March.	<p>For Executive Directors the value of the normal maximum entitlement per annum is equivalent to 150 per cent of base salary. In exceptional circumstances this can be increased to 200 per cent of base salary.</p> <p>50 per cent of the award is based on EPS and 50 per cent on TSR targets and if both achieve the minimum performance then 27.5 per cent of the award will vest, rising to 100 per cent of the award vesting for the maximum performance.</p>
Fees payable to Non-Executive Directors			
To pay fees in line with those paid by other UK listed companies of comparable size.	<p>Fees are reviewed periodically and take into account market rates. Additional payments may be paid to the Senior Independent Non-Executive Director and to Chairs of Board Committees to reflect the additional responsibilities attached to these positions.</p> <p>Non-Executive Directors do not participate in the Group's incentive bonus arrangement, pension scheme or share-based awards.</p>	N/A	The maximum available is subject to review of market rates every three years.

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY CONTINUED

ANNUAL BONUS PERFORMANCE TARGETS

The structure of the performance targets applicable to annual bonus awards to be made in a particular year will be set out in the implementation section of the Annual Report on Remuneration which precedes that year rather than in this remuneration policy report. The actual targets will not be disclosed in advance as they are considered to be commercially sensitive information; however, the details will be disclosed retrospectively, provided they are not considered commercially sensitive at that time.

Historically, Group profit before tax, as adjusted for acquisitions, disposals and other non-trading items, was the sole metric against which the annual bonus award was assessed. The policy has been amended to allow flexibility for the Committee to introduce other financial measures, if deemed necessary, to provide an appropriately balanced and stretching incentive. Again, such metrics will be disclosed in the implementation section.

LONG TERM INCENTIVE PLAN

Under the policy approved at the 2015 AGM, an award to an individual cannot exceed 150 per cent of that individual's annual salary except in exceptional circumstances when up to 200 per cent of the annual salary is permitted.

A summary of the main terms of the scheme which was approved and adopted following the 2015 AGM is as follows:

- awards made to Executive Directors in the form of nil-cost options;
- a normal maximum award to the Executive Directors of 150 per cent per cent of base salary;
- a two year post vesting holding period applies; and
- a clawback and malus policy for profit misstatement, performance error or misconduct by a participant.

DISCRETION

The Committee retains discretion to make any payments, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

RECRUITMENT POLICY

The recruitment policy is that new Directors will be entitled to participate in the short term and Long Term Incentive Plans on the same basis as that for existing Directors set out in the policy table, including the same limits on quantum of awards under those plans. Where the new Director is an internal candidate their level of pay will be based on their increasing role and responsibilities and in line with market rates. Any incentive awards made before their promotion will continue to apply.

The Remuneration Committee reserves the right to make awards in addition to the normal participation in the Company's incentive plans to a new Director to 'buy out' the awards to which the Director would have been entitled from their previous employer where it considers that this is necessary to attract the right person. Such awards may be made through a combination of performance and non-performance awards which reflect the profile of the awards foregone and which take into account the likelihood of the performance conditions of those awards being met, in order and so far as is possible to provide an equivalent opportunity which is overall no more generous than the awards foregone.

Where appropriate the Company may also pay reasonable relocation and related costs.

TERMINATION POLICY

There are no termination or exit payments in any of the service contracts. Any sums payable up to the point of leaving will be considered by the Remuneration Committee and will include:

- salary, benefits and pension – earnings up to the date of leaving as per the service agreement;
- for a 'good leaver' only, any bonus earned (subject to the discretion of the Committee) – accrued and apportioned to the date of leaving;
- for a 'good leaver' only, any share awards due, as per the rules of the scheme, apportioned to the date of leaving; and
- any pay in lieu of notice.

A leaver will be a 'good leaver' in the event of:

- retirement;
- redundancy;
- illness, disability or injury;
- death; or
- in other circumstances if the Committee, in its discretion, considers it appropriate.

OVERALL POLICY

The Group's policy is that the overall remuneration package offered should be sufficiently competitive to attract, retain and motivate high quality executives whilst giving consideration to salary levels in similar sized quoted companies in the sector and in the region. Their share-based awards (LTIP) are aligned with the long-term progress of the Group and in line with the Shareholders' interests. The bonus award is linked to the performance of the business based on key financial metrics.

SERVICE CONTRACTS

The Remuneration Committee's current policy is not to enter into employment contracts with any element of notice period in excess of one year. Accordingly, the following Executive Directors have a one year rolling contract: Adam Couch commencing 1 May 2006 (revised 1 August 2012), Mark Bottomley from 1 June 2009 and Jim Brisby from 26 July 2010. For early termination the Remuneration Committee will consider the circumstances including any duty to mitigate loss and determine compensation payments accordingly.

The service contract for Martin Davey includes a one year notice period from 1 May 2006 except in the case of a takeover of the Company when the notice period is two years for the first six months following the takeover. The contract also has special provisions relating to liquidated damages requiring that the notice period stipulated in the contract will be paid in full. These conditions were incorporated into new contracts several years ago when the Directors changed from contracts that had notice periods of up to three years. Whilst these contractual terms differ from the current policy, the Remuneration Committee has concluded that it would not be appropriate, in the circumstances, to seek to further amend the contractual terms agreed with this individual in 2006.

NON-EXECUTIVE DIRECTORS

Each Non-Executive Director has an appointment letter – Steven Esom for three years from 12 November 2014, Kate Allum for three years from 1 July 2016 and Mark Reckitt for three years from 1 May 2017. The continuing appointments are subject to annual re-election at the Company's Annual General Meeting.

The remuneration of the Non-Executive Directors is determined by the Executive Directors and reflects:

- the time, commitment and responsibility of their roles;
- that their fees are reviewed annually with consideration being given to market rates and the need to attract and retain individuals with the necessary skills and experience; and
- that they do not participate in the Group's incentive bonus arrangement, pension scheme or share-based awards.

Copies of the service contracts and letters of appointment are held at the Company's Registered Office and will be available for inspection at the Annual General Meeting.

PAY AND CONDITIONS ACROSS THE GROUP

The Committee does not directly consult with employees regarding the remuneration of the Executive Directors. However, when considering remuneration levels to apply the Committee will take into account base pay increases, bonus payments and share awards made to the Company's employees generally.

The following are the key aspects of how pay and employment conditions across the Group are taken into account when setting the remuneration of employees, including the Executive Directors:

- the Group operates within the UK food sector and has many employees who carry out demanding tasks within the business;
- all employees, including Directors, are paid by reference to the market rate;
- performance is measured and rewarded through a number of performance related bonus schemes across the Group including LTIP share options for Executive Directors and senior executives;
- performance measures are cascaded down through the organisation to individual businesses;
- the Group offers employment conditions that are commensurate with a medium-sized quoted company, including high standards of health & safety and equal opportunities; and
- the Group operates Save As You Earn share schemes which are open to all eligible employees including Executive Directors. (Approximately 20 per cent of the workforce holds shares in the Company.)

REMUNERATION COMMITTEE REPORT CONTINUED ANNUAL REPORT ON DIRECTORS' REMUNERATION

DIRECTORS' REMUNERATION (AUDITED)

The table below sets out the single figure remuneration details of the Directors for the reporting year:

£'000	Salary and fees		Benefits		Bonus		LTIP*		Pension		SAYE		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Executive Directors														
Mark Bottomley	396	389	30	29	594	584	728	782	79	78	51	–	1,878	1,862
Jim Brisby	396	386	32	29	594	579	654	702	79	77	14	–	1,769	1,773
Adam Couch	599	588	31	29	898	882	1,078	1,148	120	118	–	38	2,726	2,803
Martin Davey	304	306	34	29	457	458	723	1,239	61	61	–	–	1,579	2,093
	1,695	1,669	127	116	2,543	2,503	3,183	3,871	339	334	65	38	7,952	8,531
Non-Executive Directors														
Kate Allum	48	47	–	–	–	–	–	–	–	–	–	–	48	47
Steven Esom	56	54	–	–	–	–	–	–	–	–	–	–	56	54
Mark Reckitt	56	54	–	–	–	–	–	–	–	–	–	–	56	54
	160	155	–	–	–	–	–	–	–	–	–	–	160	155
Total emoluments	1,855	1,824	127	116	2,543	2,503	3,183	3,871	339	334	65	38	8,112	8,686

* The values of the LTIP awards which vested in June 2016 have been updated for the actual share price on the date of vesting. In line with the regulations the values for 2017 are based on the average share price over the three month period to 31 March 2017 as these awards will not vest until June 2017.

As reported last year the Executive Directors had pay awards in the year effective from 1 May 2016 of:

Adam Couch	1.6%	In line with the change in RPI
Jim Brisby	1.6%	In line with the change in RPI
Mark Bottomley	1.6%	In line with the change in RPI
Martin Davey	1.6%	In line with the change in RPI

Benefits principally comprise health insurance, personal tax advice, pension advice and Company car allowance.

Pension consists of contributions of up to 20 per cent of base salary which are either paid into a defined contribution pension scheme or are received as a cash allowance in lieu of the pension contribution, or, as a combination of both. No Director has any entitlement or prospective entitlement under any defined benefit pension scheme.

The number of Directors who were active members of the money purchase pension scheme in the year was two (2016: two).

ANNUAL BONUS ARRANGEMENT (AUDITED)

The bonus scheme in operation is based on the achievement of Group profit targets which are set with regard to the Company's budget, historical performance and market outlook for the year. There are four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 150 per cent of base salary with a straight line, pro-rata award for profits falling between the targets. There is a modest fixed sum paid out at the half year stage based on the achievement of the half year target.

The performance in the year was adjusted to take into account acquisitions and disposals and other non-trading items that before charging bonus awards was £80.6 million. This exceeded the maximum profit target resulting in a bonus award of 150 per cent of salary as shown below.

		Threshold		Maximum	Actual
Adjusted profit targets	£70.6m	£73.8m	£76.8m	£78.8m	£80.6m
Bonus payable	20%	50%	100%	150%	150%

This award is reflected in the table above.

LONG TERM INCENTIVE PLAN (AUDITED)

The Remuneration Committee awards nil-cost options under the LTIP scheme in order to ensure that Executive Directors and senior management are involved in the longer term success of the Group. Options can only be exercised if certain performance criteria are achieved by the Group as follows:

- 50 per cent of each award is subject to an earnings per share (EPS) target measured against average annual increases in the Retail Price Index (RPI) over a three year period. The EPS target allows 25 per cent of the shares subject to the target to vest at an average annual outperformance above RPI of 3 per cent and 100 per cent of the shares to vest at an average annual outperformance of 7 per cent with outperformance between 3 and 7 per cent rewarded pro-rata.
- 50 per cent are aligned to a total shareholder return (TSR) target measured against a comparable group of companies over a three year period. The TSR target allows 30 per cent of the shares subject to the target to vest at the 50th percentile and 100 per cent at the 75th percentile with performance between the 50th and 75th percentiles rewarded pro-rata.

The comparison companies used are: Associated British Foods plc, AG Barr plc, Britvic plc, Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Greencore Group plc, Hilton Food Group plc, Kerry Group plc, McBride plc, Premier Foods plc, and Tate and Lyle plc.

The Remuneration Committee, which decides whether performance conditions have been met, considers EPS and TSR to be the most appropriate measures of the long-term performance of the Group.

The value of the LTIP for the year ended 31 March 2017 relates to awards made in 2014 with a performance criteria based on the three years ended 31 March 2017 that will vest in June 2017 calculated at the average price for the three months ending on 31 March 2017 of 2,379 pence. Over the three year performance period the EPS element of the award, based on the criteria set above, gave an out performance of 12.69 per cent over the average increase in RPI so achieving a 100 per cent award. For the TSR element of the award, measured against a comparable group of companies, the business achieved an increase of 116.4 per cent and put the Company at the top of its comparative group which was at the 100th percentile so again an award of 100 per cent was achieved. The total award of 100 per cent is reflected in the table below.

	Date of grant	Options granted	Vesting performance	Shares awarded	Average share price	Value of shares
Mark Bottomley	1 June 2014	30,600	100%	30,600	2,379	727,974
Jim Brisby	1 June 2014	27,500	100%	27,500	2,379	654,225
Adam Couch	1 June 2014	45,300	100%	45,300	2,379	1,077,687
Martin Davey	1 June 2014	30,400	100%	30,400	2,379	723,216

The value of the LTIP for the year ended 31 March 2016 relates to awards, made in 2013, with a performance criteria based on the three years ended 31 March 2016 that vested in June 2016, calculated at a vesting share price of 2,333 pence. The EPS element of the award achieved 100 per cent of its performance target and 100 per cent was achieved under the TSR measure giving an overall award of 100 per cent and this is reflected in the table below.

	Date of grant	Options awarded	Value of award as at 31 March 2016 based on an average price of 1,989p	Value of award when vested in June 2016 at the market price of 2,333p
Mark Bottomley	1 June 2013	33,500	£666,315	£781,555
Jim Brisby	1 June 2013	30,100	£598,689	£702,233
Adam Couch	1 June 2013	49,200	£978,588	£1,147,836
Martin Davey	1 June 2013	53,100	£1,056,159	£1,238,823

The value of the SAYE options relates to awards granted 3, 5 or 7 years ago that have had their full contribution paid by the Executive and have been exercised in the year. The awards in 2017 exercised by Mark Bottomley had an exercise price of 579 pence and a market value of 2,551 pence and for Jim Brisby an exercise price of 916 pence and a market value of 2,333 pence.

PAYMENTS TO PAST DIRECTORS (AUDITED)

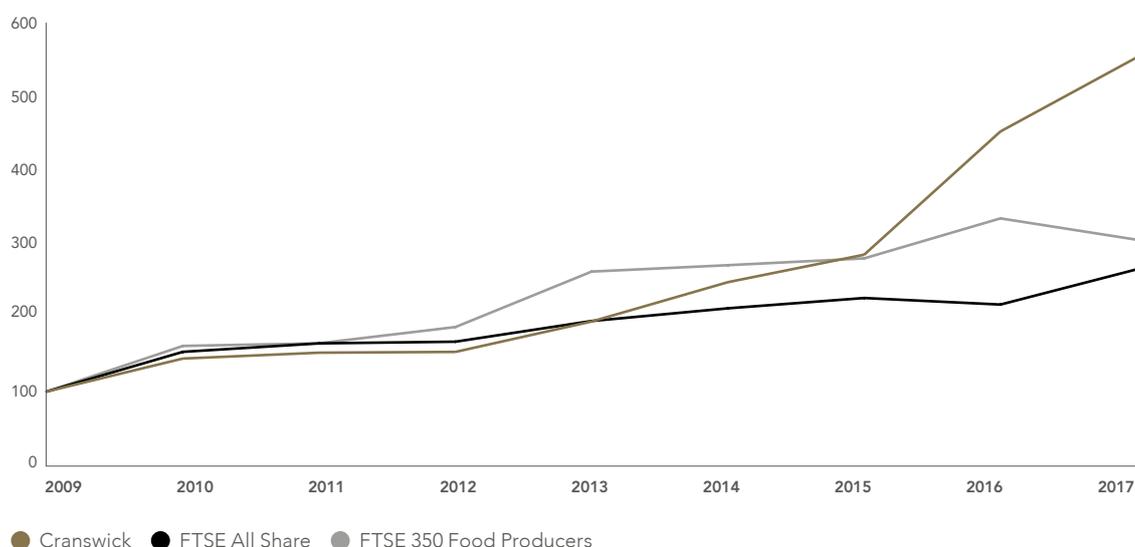
There have been no payments made to past Directors or payments made for loss of office in the year.

REMUNERATION COMMITTEE REPORT CONTINUED

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

PERFORMANCE GRAPH – TOTAL SHAREHOLDER RETURN (UNAUDITED)

The graph below shows the percentage change (from a base of 100 in March 2009) in the Total Shareholder Return (with dividends reinvested) for each of the last eight years on a holding of the Company's shares against the corresponding change in a hypothetical holding in the shares of the FTSE 350 Food Producers and Processors Price Index (FTSE FPP) and the FTSE All Share Index (FTSE All Share). The FTSE FPP and the FTSE All Share were chosen as representative benchmarks of the sector and the market as a whole for the business.



The table below illustrates the change in the total CEO remuneration over a period of eight years, with the bonus awards in those years and the LTIP vesting awards set against a percentage of the maximum available.

£'000	2010	2011	2012	2013	2014	2015	2016	2017
Base salary	464	483	508	505	542	562	588	599
Benefits	24	25	28	28	31	29	29	31
Pension	93	97	102	86	108	112	118	120
Bonus	705	107	453	639	252	843	882	898
LTIP	172	207	243	171	149	825	1,148	1,078
SAYE	–	–	6	7	–	–	38	–
CEO total remuneration	1,458	919	1,340	1,436	1,082	2,371	2,803	2,726
Bonus award against maximum opportunity	97%	14%	56%	80%	31%	100%	100%	100%
LTIP vesting against maximum opportunity	85%	100%	93%	43%	25%	87%	100%	100%

Bernard Hoggarth was the Chief Executive up to August 2012 and from that date Adam Couch has fulfilled that role. The 2013 figures are the sum of the remuneration received by both Directors in that year.

CHANGE IN TOTAL REMUNERATION OF THE CHIEF EXECUTIVE COMPARED TO EMPLOYEES (UNAUDITED)

The table below shows the percentage change from 2016 to 2017 in the Chief Executive's salary compared to the change for all permanent employees of the business (excluding all Board Directors).

	Total pay	Salary	Benefits	Bonus
Chief executive	-1%	2%	7%	2%
All other employees* (excluding all Board Directors)	8%	10%	2%	4%

RELATIVE IMPORTANCE OF THE SPEND ON PAY (UNAUDITED)

The table below shows the total remuneration paid across the Group together with the total dividend paid in respect of 2017 and the preceding financial year.

	2017 £'000	2016 £'000	Change %
Pay against distributions			
Remuneration paid to all employees*	142,012	131,761	7.78%
Total dividends paid in the year	19,577	17,370	12.71%

* Includes the impact of pay awards, growth in employee numbers and corporate activity.

SHARE OPTIONS (AUDITED)

Details of the nil-cost LTIP options granted in the year under the LTIP are set out below:

	Date of grant	Basis of award	Number of shares	Share price at grant*	Face value of shares	Vesting at minimum performance	End of performance period
Mark Bottomley	1 June 2016	150% of salary	25,700	2,313	£594,441	27.5%	31 March 2019
Jim Brisby	1 June 2016	150% of salary	25,700	2,313	£594,441	27.5%	31 March 2019
Adam Couch	1 June 2016	150% of salary	38,900	2,313	£899,757	27.5%	31 March 2019
Martin Davey	1 June 2016	150% of salary	19,800	2,313	£457,974	27.5%	31 March 2019

* Based on the average of the mean high/low share price for the three days preceding the grant date of the options.

The awards are exercisable between 1 June 2019 and 1 June 2026, subject to performance. 50 per cent of the award depends on the performance of EPS and 50 per cent on TSR for the period from 1 April 2016 to 31 March 2019. If the minimum performance was achieved the EPS element would give 25 per cent and the TSR element would give 30 per cent; overall 27.5 per cent of the grant would vest.

OUTSTANDING SHARE AWARDS (AUDITED)

The interests of the Executive Directors in the LTIP and SAYE schemes were as follows:

Long Term Incentive Plan (audited)

	Year of award	At 1 April 2016 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2017 Number	Exercise price p	Market price at grant p
Mark Bottomley	2013	33,500	–	(33,500)	–	–	nil	1,127
	2014	30,600	–	–	–	30,600	nil	1,266
	2015	35,900	–	–	–	35,900	nil	1,628
	2016	–	25,700	–	–	25,700	nil	2,333
Jim Brisby	2013	30,100	–	(30,100)	–	–	nil	1,127
	2014	27,500	–	–	–	27,500	nil	1,266
	2015	35,600	–	–	–	35,600	nil	1,628
	2016	–	25,700	–	–	25,700	nil	2,333
Adam Couch	2013	49,200	–	(49,200)	–	–	nil	1,127
	2014	45,300	–	–	–	45,300	nil	1,266
	2015	54,200	–	–	–	54,200	nil	1,628
	2016	–	38,900	–	–	38,900	nil	2,333
Martin Davey	2013	53,100	–	(53,100)	–	–	nil	1,127
	2014	30,400	–	–	–	30,400	nil	1,266
	2015	28,200	–	–	–	28,200	nil	1,628
	2016	–	19,800	–	–	19,800	nil	2,333

The performance periods run for three years from 1 April in each year and conclude on 31 March three years later and are exercisable on the attainment of certain performance criteria. The range of exercise dates are 1 June 2017 to 1 June 2026.

The LTIP, issued in 2014, which vests in June 2017, will achieve 100 per cent of both the EPS target and the TSR measure giving a maximum share award.

The following Directors exercised LTIP share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Gain on exercise £'000
Mark Bottomley	33,500	21 June 2016	nil	2,105	705
Jim Brisby	30,100	21 June 2016	nil	2,105	634
Adam Couch	49,200	21 June 2016	nil	2,105	1,035
Martin Davey	53,100	21 June 2016	nil	2,105	1,118

REMUNERATION COMMITTEE REPORT CONTINUED

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

Savings related share option scheme (audited)

	Year of award	At 1 April 2016 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2017 Number	Exercise price p	Range of exercise dates
Mark Bottomley	2011	2,590	–	(2,590)	–	–	579	1 Mar 2017–1 Sep 2017
	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
Jim Brisby	2013	982	–	(982)	–	–	916	1 Mar 2017–1 Sep 2017
	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
Adam Couch	2011	936	–	–	–	936	579	1 Mar 2019–1 Sep 2019
	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
	2015	667	–	–	–	667	1,456	1 Mar 2021–1 Sep 2021
Martin Davey	2014	758	–	–	–	758	1,187	1 Mar 2018–1 Sep 2018
	2015	618	–	–	–	618	1,456	1 Mar 2019–1 Sep 2019

The Executive Directors are eligible, as are other employees of the Group, to participate in the SAYE scheme, which by its nature does not have performance conditions.

The following Executive Director exercised savings related share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Notional gain £'000
Mark Bottomley	2,590	28 March 2017	579	2,551	51
Jim Brisby	982	1 March 2017	916	2,333	14

MINIMUM SHAREHOLDING

The Remuneration Committee has recommended that the Executive Directors hold shares in the Company worth at least 200 per cent of base salary, with the holding to be built up over a five year period. The Directors' current holdings and value are now all in excess of the 200 per cent target and are shown below.

DIRECTORS' INTERESTS (AUDITED)

	LTIP (Unvested, subject to performance)	LTIP (Vested*, unexercised)	SAYE (Non-performance related)	Number of shares held as at 31 March 2017	Value of shares held as a % of base salary	Target %
Mark Bottomley	61,600	30,600	1,276	69,924	452	200
Jim Brisby	61,300	27,500	1,276	77,374	500	200
Adam Couch	93,100	45,300	2,879	112,746	482	200
Martin Davey	48,000	30,400	1,376	228,869	1,924	200
Steve Esom	–	–	–	1,441	–	–
Mark Reckitt	–	–	–	1,300	–	–

* LTIP awards are due to vest in June 2017 with the performance criteria now completed.

The share price at 31 March 2017 of 2,559p was used in calculating the percentage figures shown above.

Kate Allum has no interests in the Company at the present time.

There have been no further changes to the above interests in the period from 1 April 2017 to 23 May 2017.

REMUNERATION FOR THE YEAR ENDING 31 MARCH 2018

There are no planned changes to the basis of the Executive Directors' remuneration following the benchmarking exercise carried out in 2015. The Executive Directors were awarded an increase of 3.1 per cent which is in line with the annualised increase in the Retail Price Index (RPI) as at 31 March 2017. This increase is consistent with the average increase awarded to senior executives and to other employees in the Group taking into account local practices and regional variations in pay and conditions.

Following the increase in pay, which will be applicable from 1 May 2017, the Executive Directors' base salaries will be:

Director	New salary	Rationale
Mark Bottomley	£408,500	Increase In line with RPI
Jim Brisby	£408,500	Increase In line with RPI
Adam Couch	£618,000	Increase in line with RPI
Martin Davey	£314,250	Increase in line with RPI

The 2018 bonus scheme in operation will be based on the achievement of Group profit targets which are set having regard to the Company's budget, historical performance and market outlook for the year. The actual 2018 targets are not disclosed as they are considered to be commercially sensitive. The targets will be declared retrospectively in the 2018 Annual Report, provided they are not considered commercially sensitive at that time. There are four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 150 per cent of base salaries with a straight line pro-rata award for profits falling between the target. There is a fixed sum paid out at the half year stage based on the achievement of the half year target.

LTIP awards, equivalent to 150 per cent of basic salary, will be made in June 2017 and vesting will be after a three year performance period for both TSR and EPS. 50 per cent of the award will be based on the target for TSR and 50 per cent on the target for EPS.

THE REMUNERATION COMMITTEE

During the year the Committee comprised all the independent Non-Executive Directors: Steven Esom (Chair), Kate Allum and Mark Reckitt. Their experiences and suitability are highlighted in their biographical details. The Chairman attends the meetings, along with the Chief Executive and the Group Finance Director, in an advisory capacity as and when requested and the Company Secretary attends the meetings as secretary to the Committee. No individual is involved in decisions relating to their own remuneration.

COMMITTEE MEETINGS DURING THE YEAR

There were four meetings held during the year. The attendance of members at the meetings was as follows:

Committee members	Meetings attended	Percentage attended
Steven Esom – Chair	4	100%
Kate Allum	4	100%
Mark Reckitt	4	100%

ROLE OF THE REMUNERATION COMMITTEE AND PRINCIPLES OF REMUNERATION POLICY

The principal role of the Remuneration Committee is to determine and agree with the Board the policy for all aspects of the Executive Directors' remuneration including to:

- review the ongoing relevance and effectiveness of the Group remuneration policy;
- determine the remuneration of the Company's Executive Directors and other senior executives earning in excess of £150,000 per annum to make certain that they are aligned to the Group's strategy and goals;
- monitor the remuneration of the Group's other senior executives;
- approve the design of the Executive Directors' and the Group's senior executives annual bonus arrangement;
- approve the level and appropriateness of the Long Term Incentive Plan (LTIP) for the Executive Directors and senior executives; and
- listen to and consider any Shareholders' views relating to Directors' remuneration as expressed at the AGM.

It also undertakes a regular review of the incentive plans to ensure that they remain appropriate to the Company's current circumstances, prospects and strategic priorities and that, in particular, the remuneration policy adopted is aligned with and based on the creation of value for Shareholders and provides appropriate incentives for management to achieve this objective without taking inappropriate business risks. The Committee also reviews and notes annually the remuneration trends across the Group and any major changes in employee benefit structures.

KEY ACTIVITIES OF THE COMMITTEE

The Committee's key activities during the year ended 31 March 2017 were as follows:

April 2016	<ul style="list-style-type: none"> • review the Executives Directors' and other senior executives' base salaries; • set corporate and personal objectives for the annual bonus arrangements for 2017 for the Executive Directors and senior executives; • review the Committee's Terms of Reference.
May 2016	<ul style="list-style-type: none"> • review the achievements of the Executive Directors' bonus arrangement against the 2016 targets; • review the outcome of performance conditions for the LTIP awards which were granted in 2016; • approve the LTIP awards granted in 2016; • review the Executive Directors' shareholding requirement; • approve the Annual Remuneration Report for 2016.
November 2016	<ul style="list-style-type: none"> • review the interim bonus performance for the Executive Directors against the 2017 target; • approve the issue of the SAYE share scheme for 2017.

REMUNERATION COMMITTEE REPORT CONTINUED

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

ADVISERS TO THE COMMITTEE

The Committee keeps itself fully informed on the developments within the industry and in the field of remuneration and seeks advice from external advisers where appropriate. AON Hewitt have been retained by the Remuneration Committee for advice throughout the year and were paid £2,700 for their services. In addition PricewaterhouseCoopers (PwC) continue to give advice to the Remuneration Committee on share option awards and other benefit schemes, for which £3,750 was paid to them in the year. AON Hewitt is part of the AON Corporation which also provides insurance broking services to the Group and PwC are the Group's tax advisers. However the Committee have reviewed any potential conflicts of interest and judged that the two companies' advice is both objective and independent. As PwC will be appointed external auditors from 1 April 2017 (subject to shareholders approval at the 2017 AGM) the Committee will consider new advisers to replace them.

STATEMENT OF SHAREHOLDERS VOTING (UNAUDITED)

The resolutions to approve the 2016 Remuneration Committee Report were passed on a show of hands at the Company's last AGM held on 25 July 2016.

The votes cast by proxy in respect of those resolutions were:

Remuneration Committee report	Number	%
For	38,159,583	98.6
Against	524,823	1.4
Withheld	4,265	

REMUNERATION DISCLOSURE

This report complies with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 (the Regulations), the principles of the 2014 UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.



Steven Esom

Chair of the Remuneration Committee

23 May 2017