CORPORATE GOVERNANCE REPORT CONTINUED

Directors' remuneration report

DEAR SHAREHOLDER,

I am pleased to present our report for the period ended 1 October 2022 which sets out the details of our new Directors' Remuneration Policy, being put to shareholders at the 2023 AGM, Directors' remuneration in respect of 2021/22 and how we intend to operate the Remuneration Policy in 2022/23.

Overview of performance in 2021/22 and business context

The first half of the reporting year was impacted by the trading restrictions and consumer confidence as a consequence of the Omicron variant of COVID-19. Following the launch of our 'Pubs to be proud of' vision, at the start of the 2021/22 FY, our people worked incredibly hard to deliver our core pub and corporate goals.

Total revenue for the reporting year increased by 99% to £799.6 million (2021: £401.7 million), principally reflecting our recovery from a period severely impacted by the global pandemic and the significant restrictions on pub trading during the prior year. We have seen high levels of guest satisfaction and standards, delivered by our engaged workforce. The performance of the business supports the progress against our strategic goals and the transformation of our business during the reporting year.

Given the significant disruption to trading and margins in the reporting year, and the potential for continuing uncertainty, the Board has agreed that it would not be appropriate to propose a dividend in respect of FY 2021/22. Our immediate priority is to reduce debt, but the Board remains cognisant of the importance of dividends to many of our shareholders and we continue to keep our dividend policy under review.

Performance outcomes for the year

Annual bonus 2021/22

Stretching targets were set at the start of 2021/22, amidst continuing supply and labour challenges and growing concerns over rising inflation, energy costs and interest rates. Targets were based on a balanced mix of financial (EBITDA and FCF) and strategic measures (performance vs Peach market tracker, Reputation scores and employee engagement).

During the year, the Remuneration Committee reviewed the operation of the Peach market tracker, which provides sales data for the UK eating and drinking out market. Following that review, at the March 2022 meeting, the Committee replaced the Peach market tracker with a Group sales measure with equivalently stretching targets. As part of a balanced scorecard, Group sales better reflects overall financial performance.

Having made a strong start to the year, with promising levels of Christmas bookings, the business was heavily impacted by the trading restrictions imposed as a consequence of the Omicron variant in December 2021. It became quickly apparent that the EBITDA and cashflow performance conditions, which had very recently been set, had been rendered unachievable. Recognising the need to maintain motivation within our pub, operational and support teams, the Committee concluded that it would be in shareholders' interests if the targets for both financial measures were adjusted to exclude the negative impact of Omicron by removing trading periods 1–4.

The Committee also agreed that, in the first full year of our new strategy, it was important to make the equivalent adjustments to the senior management team bonus targets. To balance this use of positive discretion, the quantum available under the financial measures applying to 70% of the bonus was reduced by four twelfths. The 30% applying to the strategic measures was unchanged as the targets remained unmodified and were assessed over the full 12 months. As a result, the bonus opportunity for the year was reduced from 100% of salary to 76.66% of salary.

The adjustments to the bonus were aligned across the wider workforce and the original and adjusted target ranges can be found on page 87.

During the remainder of the year, our business was impacted by continuing supply chain challenges, volatility in our economy, rising energy costs and the cost-of-living crisis. Performance against our financial measures (Group sales, EBITDA and FCF) did not reach threshold and no bonus is payable against those measures. However, we have worked hard to raise standards, engage with our people and to consistently improve guest experiences. We were delighted to see our employee engagement score achieve 7.8 at the end of the reporting year, surpassing our threshold target and very close to our ambitious target of 8.0. Despite a challenging year for our people, they have remained fully engaged, which is a notable achievement given the high turnover rate seen in our sector.

Directors' remuneration report

Our Reputation score achieved 731, reflecting the efforts of our people in consistently delivering great guest experiences, ensuring our guests return time and time again, giving us confidence in growing our future sales performance. A full breakdown of the objectives and our performance against them is contained in this report. Overall, based on the achievement of these performance measures, the CEO and CFO will receive a bonus of 14% of maximum.

When reviewing the formulaic outcome of the bonus against the targets, the Committee took into account:

- Wider business performance – an improvement in business performance and a positive year of change, with increased standards and great guest experiences, and an increase in our net asset value.
- The wider workforce experience – our Group scheme earned a pay-out of between 22.5% and 25% of maximum (higher than that of the Executive Directors), ensuring that our people have been recognised for their efforts during the year to raise standards and improve the guest experience.

Based on the considerations set out above, the Committee is comfortable that the formulaic outcome of the bonus is appropriate and so no discretion has been applied on the adjusted formulaic outcome.

LTIP 2019/20 award vesting

The three-year performance period for the LTIP award made in December 2019 ended on 1 October 2022. Performance was based 40% on underlying Earnings Per Share (EPS), 40% on Net Cash Flow (NCF) and 20% on Total Shareholder Return (TSR) versus the companies in the FTSE 250 Index (excluding Investment Trusts). Due to the impact of the pandemic, the EPS and TSR elements did not reach the threshold performance requirement. However, NCF achieved maximum performance. The Committee discussed the formulaic outcome of the LTIP at length. We considered the impact of the disposal of the beer company into the CMBC on the NCF outcome and details of the Committee's considerations in this regard are set out later in this report on page 88.
In addition, the awards were granted prior to the onset of COVID-19 (i.e., there was no potential for COVID-19 related windfall gains). As a result, the Committee is comfortable that there has been a clear and strong link between reward and performance and that discretion was not required to adjust the incentive outcome. Shares received by the Executives on vesting will be held for a further two years before they can be sold, unless they are required to continue to be held to build towards the 200% of salary guidance level.

The Committee is comfortable that actions taken on pay during the year across the Company were appropriate and balanced the interests of all stakeholders and that the Remuneration Policy operated as intended.

Directors' Remuneration Policy

Our current Policy was approved at our 2020 AGM and is due for renewal at our 2023 AGM. Our current Policy has served the Company well over the past three years, enabling us to be flexible in the payments to Executive Directors and to recruit a new CEO and CFO, and it has provided a good overall link between pay and performance. On this basis, and having explored alternative incentive mechanisms, including Restricted Shares, our review concluded that only a few minor amendments were necessary to the structure, mainly relating to simplification and alignment to market best practice.

In addition to looking at structure, the Remuneration Committee reviewed the market competitiveness of the packages and the incentive opportunity, as we seek to execute our strategic growth plans and corporate goals towards achieving our ambition of £1 billion of sales. We have made a modest increase to the maximum annual bonus opportunity available under the Policy, from 100% to 125% of salary. However, whilst stretching targets will still be set for the 2022/23 FY bonus, recognising the need for restraint at the current time, we will continue to operate the bonus at a 100% maximum level, for at least the first year. There are no proposed changes to the LTIP maximum normal grant limit of 150% of base salary under the current Policy.

The change set out above represents an aligned approach between the Executive Committee and Leadership Group. To further balance the increase to potential performance-based remuneration, we have strengthened the deferral under the annual bonus and the post-employment shareholding requirements (which will apply from FY 2022/23 even though the increase to policy headroom for the bonus will not be applied immediately).

Implementation of the Remuneration Policy in 2022/23

The Committee considered how remuneration should be implemented for 2022/23. Part of this process was reviewing current practice against both market and best practice, our Group reward principles and pay ratios, the current economic situation and responses to our shareholder consultation. The Committee recognises the need for restraint at the current time and has agreed that no changes will be made to the operation of our incentive schemes, for at least the first year.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' remuneration report

The key decisions taken for 2022/23 included:

Base salary and fees effective 1 October 2022
During the year, the Committee reviewed the salary increases for the wider salaried workforce taking into account high inflation and the cost of living and also the need to control our cost base. As a result of the review, the majority of the wider salaried workforce received an increase of 4% of salary. In addition, most salaried employees were eligible to receive a one-off payment of up to £750, to help with the sharp increase to the cost of living and energy costs. Therefore, with an increase of 4% applied to the majority of the salaried workforce, plus the additional payments, the Committee was comfortable with a lower increase of 3% for the Executive Directors.

Non-executive Director and Chair's fees have been increased by 3% for 2022/23.

Annual bonus for 2022/23
The annual bonus opportunity for Executive Directors will be 100% of salary, in line with the previous year. Performance measures remain unchanged and are aligned to our strategic objectives. In line with the new Remuneration Policy, more stringent deferral requirements will apply and so, one third of any bonus paid will be deferred into shares for three years.

LTIP for 2022/23
There were no proposed changes to the maximum grant limit of 150% of base salary under the current policy, recognising that this provided headroom above the currently applied grant level of 125% of salary. For the next policy period, recognising that stretch targets would be set in line with the longer term strategy to 2025 and beyond, we had intended to increase the grant level from 125% of salary to 150% for the CEO combined with challenging and stretching performance targets to drive top-end performance.

However, should the current weakness in the share price, at the time of writing, persist, we have decided that, for the FY 2022/23 award, we will reduce the grant level for the CEO from 150% back to 125% of salary, with the same proportionate scale back for the CFO, whose grant level would reduce from 125% to 104%. Despite the scale-back, stretch targets will still be set.

ROCE has been introduced as a performance measure. ROCE, alongside the other measures previously included (NCF, TSR and PBT), will provide a rounded assessment of our overall profitability and shareholder return.

Other considerations during the year

Executive Director pay and the wider workforce
We aim to operate with fairness, integrity, and transparency across the business. Salary, benefits and performance related rewards provided to employees are taken into account when setting the policy for Executive Directors' remuneration.

Salary increases across the workforce were reviewed during the year, taking into account inflation. For the majority of our pub teams, their remuneration is set by statute rather than the market. However, following the statutory increases applied in April 2022 to the National Minimum Wage (NMW), the Company applied additional increases that ensured our team members are paid more than the statutory minimum, regardless of their age.

The Committee also has oversight of how bonus schemes throughout the organisation align, and of the performance measures, targets and outturn of each scheme. The amendments made to the 2021/22 bonus measures and the pay-out under the bonus were aligned across the workforce.

The achievement of our strategic objectives is dependent upon the quality of our people. The engagement and enablement of our teams remains front and centre of our plans. The Committee has engaged directly with employees to explain the alignment of pay across the Group (including the Directors' Remuneration Policy).

An in-person session was originally planned for 19 September 2022 but, due to the Bank Holiday for the Queen's funeral, the session was held virtually in October 2022. The Directors' Remuneration Policy and its implementation were not raised as a material issue in the discussion during the engagement and so no amendments to the Remuneration Policy or its proposed implementation were required. Positive comments were made on the bonus opportunities for the workforce, particularly on the alignment of performance measures and understanding of their contribution to the Company's performance.

Directors' remuneration report

Shareholder engagement

During 2022, we engaged with our largest investors as well as Institutional Shareholder Services (ISS), Investment Association (IA) and Glass Lewis, to understand their views on our proposed new Policy and the proposed implementation in 2022/23. Overall, the feedback received was supportive for the new policy, although there was encouragement for restraint on any quantum increases at the current time. The Committee took these views into account when finalising the policy proposals and operation for FY 2022/23.

We welcome and encourage all feedback from our shareholders as it helps inform our thinking on remuneration matters and we hope we can rely on your continuing support. If you would like to contact me directly to discuss any aspect of our Policy or this report, then please email me at **remunerationchair@marstons.co.uk**. I will be available at the AGM (on 24 January 2023) to answer your questions. Alternatively, if you are not able to attend or, if any prevailing restrictions at the time prevent the AGM from being held as a physical meeting, please do send your questions to the email address above.

OCTAVIA MORLEY
CHAIR OF THE REMUNERATION COMMITTEE

Our responsibilities

- Determining the framework and policy for Executive Directors' remuneration.
- Within that framework, setting the remuneration for the Executive Directors and other members of the Executive Committee (including the General Counsel & Company Secretary).
- Setting the Chair's remuneration.
- Establishing remuneration schemes that promote long-term shareholdings by Executive Directors, that support alignment with long-term shareholder interests.
- Designing remuneration policies and practices to support strategy and promote long-term sustainable success, with remuneration aligned to the Group's purpose and values and linked to the successful delivery of our long-term strategy. Choosing appropriate performance measures and targets for annual and long-term incentive awards, exercising independent judgement and discretion when considering awards and pay-outs, taking account of Group and individual performance, and wider circumstances.
- When determining remuneration policy and practices, considering the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- To consider remuneration policy in the context of the wider workforce benefit structures, pension provision and remuneration trends across the Group and challenge, when necessary, to ensure alignment.

Key activities of the Committee in respect of the year

- Reviewed the Remuneration Policy ahead of the 2023 AGM.
- Consulted with investors on the Remuneration Policy and the proposed implementation of the Policy in 2022/23.
- Engaged with the wider workforce on the alignment between Executive pay and the wider workforce.
- Consideration of pay review proposals for the Chair, senior management and the wider workforce.
- Continued to monitor the impact of the COVID-19 pandemic on employee wellbeing, reward and motivation as the business reopened.
- 2022 bonus and 2019/20 LTIP award outturns, as outlined above.
- Consideration of targets for Operational, Group, senior management and Executive Director bonus schemes.
- Consideration of LTIP grants.
- Review of Executive Directors' and senior management shareholdings in the Company, in the context of shareholding guidelines.
- CEO pay ratio reporting.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' remuneration report

Attendees

The Committee met three times during 2021/22. The names of each Committee member and meeting attendance are shown below. For further details on Committee membership and the membership of other Board Committees, see pages 58 and 59.

Committee member	Meeting attendance
Octavia Morley (Chair)	3/3
Bridget Lea	3/3
Matthew Roberts	3/3
Nick Varney[1]	1/1

1 Nick Varney was appointed to the Board and the Remuneration Committee with effect from 1 July 2022.

The Committee receives advice from a number of different sources. This helps to inform decision-making and ensures the Committee is aware of pay and conditions in the Group as a whole, and conditions in the wider market.

Andrew Andrea, CEO, attended the majority of meetings during the year to provide advice in respect of the remuneration of senior management. HR Director and Deputy Company Secretary also attend each meeting and provide advice to the Committee. No person is in attendance for any discussions regarding their own remuneration.

Korn Ferry were appointed by the Committee following a review in 2022 and attend meetings when required. Korn Ferry provided advice on the Remuneration Policy and supported management with technical matters relating to the execution of the Committee's decisions. Korn Ferry received fees amounting to £35,762 during the year in respect of advice given to the Committee. Korn Ferry is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received was objective and independent. Prior to the appointment of Korn Ferry, Deloitte received fees amounting to £5,200 during the reporting year, in respect of advice given to the Committee.

Annual General Meeting voting outcomes

The following table summarises the details of votes cast for the Directors' Remuneration Policy and the Directors' remuneration report at the 2020 and 2022 AGM, along with the number of votes withheld. The Committee will continue to consider the views of, and feedback from, shareholders when determining and reporting on remuneration arrangements.

	Votes For	%	Votes Against	%	Votes Total	Votes Withheld
Directors' remuneration report 2022 AGM	81,110,385	95.90%	3,465,338	4.10%	84,575,723	95,575
Directors' Remuneration Policy 2020 AGM	89,792,873	86.05%	14,551,016	13.95%	104,343,889	131,691

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration summary

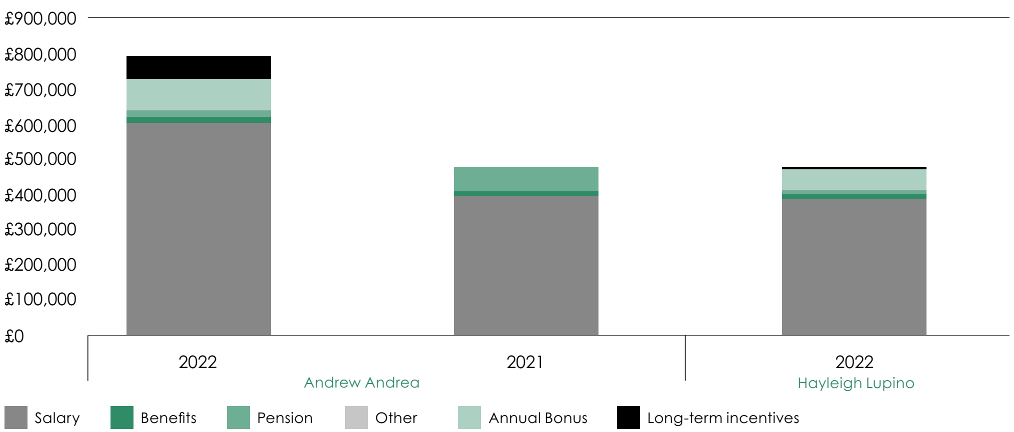
Performance snapshot

Measure	Annual bonus performance Performance	 Achievement (% of max)
Group EBITDA	30%	0%
Group Free cash flow	40%	0%
Group Sales	10%	0%
Reputation score	10%	100%
Employee engagement	10%	40%

Measure	Long-term incentive performance Performance	 Achievement (% of max)
Underlying EPS	40%	0%
Net cash flow	40%	100%
Relative TSR vs FTSE250 (excluding Investment Trusts)	20%	0%

Total remuneration

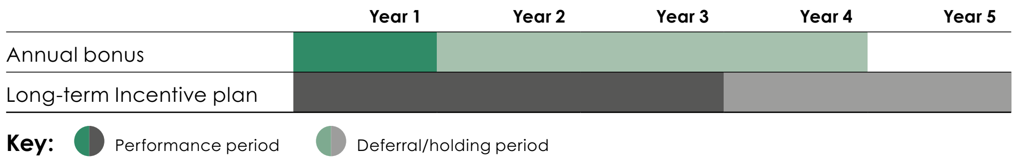
Total remuneration



Implementation for 2022/23

Base Salary	• Andrew Andrea – £620,626 (3% increase) • Hayleigh Lupino – £397,838 (3% increase)
Benefits	No change
Pension	3% of salary
Bonus	• Maximum opportunity: 100% of salary • Subject to EBITDA, FCF, sales, reputation score and employee engagement score objectives • One third of any bonus earned will be deferred for three years
LTIP	• Maximum opportunity: – Andrew Andrea –125% of salary – Hayleigh Lupino – 104% of salary • Awards subject to NCF, TSR, PBT and ROCE • 2-year post-vesting holding period applies
Shareholding guidelines	• In employment: 200% of salary • Post-employment: 200% of salary for 2 years

Incentive timelimes



CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

This report has been prepared in accordance with the provisions of the Companies Act 2006, the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 and the subsequent amendments, and the Financial Conduct Authority (FCA) Listing Rules. In addition, the report has been prepared on a 'comply or explain' basis with regard to the UK Corporate Governance Code 2018.

The Remuneration Policy described in this section is intended to apply for three years and will be applicable from the date of approval by shareholders at the Company's 2023 AGM.

The key changes to the Policy are set out below.

- Pension:
  - All Executive Directors must have a pension contribution in line with the wider workforce (currently 3% of salary) rather than just new hires. This element is purely a change to the Policy wording, as the current Executive Directors already comply.
- Annual bonus:
  - The Remuneration Committee reviewed the market competitiveness of the packages and the incentive opportunities, as we seek to execute our strategic growth plans and corporate goals towards achieving our ambition of £1bn of sales. As a result, we have made a modest increase to the maximum bonus opportunity available under the Policy, from 100% to 125% of salary.
  - Currently, bonus payments up to 40% of the maximum are payable in cash and those in excess of 40% of maximum are deferred into shares for three years. Under the proposed Policy, one third of any bonus earned will be deferred for three years. The de minimis requirement for the bonus deferral has also been removed. This means that part of the bonus will always be deferred, which will help the Executive Directors (and Executive Committee to whom this will also apply) build up a shareholding in the Company quicker and aligns with market practice.
  - The pay-out schedule for the financial and non-financial measures will be aligned with 20% of maximum paying out at threshold (where the nature of the performance metric allows such an approach).
- Long-term incentive plan (LTIP):
  - The current Policy states that the LTIP will be based on financial measures and/or share price growth related measures, aligned to the Group's long-term strategy. The proposed Policy provides greater flexibility in the Policy to allow the Remuneration Committee to use other measures in the LTIP that best align to Company strategy e.g., ESG and other non-financial strategic measures. Financial or shareholder return targets will apply to a majority of the award.
  - The policy regarding dividend equivalents has been updated to reflect market practice. Rather than dividend equivalents only being awarded from the end of the performance period until the date of release, the participants may receive dividend equivalents equal to the value of dividends that would have been received on the shares over the vesting period (and holding period if structured as a nil-cost option).
- Shareholding requirement:
  - The current Policy requires Executive Directors to hold 100% of all vested shares from the LTIP, net of tax, until the guideline is met (deferred bonus shares do not need to be retained). Under the proposed Policy, Executive Directors will be required to continue to hold 50% of deferred shares, as well as vested LTIP awards until the guideline is achieved. This brings this feature in line with normal market practice and provides a better balance between a cash payment and the retention of shares.
  - The current Policy for post-employment shareholding requires 200% of salary to be held for one year and 100% of salary for an additional year. The revised Policy states that the full 200% of salary must be held for 2 years post-cessation, in line with IA guidelines and market best practice.
- Other Policy elements:
  - The recruitment and leaver policies have been simplified and aligned to normal market practice, and to remove the ability for the bonus earned for the year of departure and the preceding year to be paid wholly in cash (with no deferral).

Determining the Remuneration Policy

The Committee is responsible for the development, implementation, and review of the Directors' Remuneration Policy. In addressing this responsibility, the Committee works with management and external advisers to develop proposals and recommendations. The Committee considers the source of information presented to it, takes care to understand the detail and ensures that independent judgement is exercised when making decisions.

Remuneration Policy

When setting the Remuneration Policy, the Committee considered the Company's strategic objectives over both the short and the long term, the external market, market best practice and pay across the Group. The Policy has been tested against the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the Policy is as clear as possible and is described in straightforward concise terms to shareholders and our people in this report.
- **Simplicity** – remuneration structures are as simple as possible and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance and strategy, minimising the risk of rewarding failure.
- **Risk** – The Committee monitors the bonus and LTIP to take into account risk levels. Pay is focused on long-term performance through the LTIP, mandatory bonus deferral, recovery provisions and in-employment and post-employment shareholding requirements. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.
- **Predictability** – elements of the Policy are subject to caps. Examples of how remuneration varies depending on performance is set out in the scenario charts (set out on page 85). The Committee may exercise its discretion to adjust Directors' remuneration if a formula-driven incentive pay-out is inappropriate in the circumstances.
- **Proportionality** – there is a sensible balance between fixed pay and variable pay, and incentive pay is weighted to sustainable long-term performance. Incentive plans are subject to performance conditions that consider both financial and non-financial performance linked to strategy. Outcomes will not reward poor performance.
- **Alignment to culture** – we operate with fairness, integrity and transparency across the organisation. Pay provided to employees is taken into account when setting policy for Executive Directors' remuneration. Where possible, in support of our performance culture, we align remuneration across the Group.

The pay alignment across the business

The Company aims to provide a remuneration package that is market competitive, complies with any statutory requirements and is applied fairly and equitably across the wider employee population. Where remuneration is not determined by statutory regulation, the Company operates the same core principles as it does for Executive Directors, namely:

- We remunerate people in a manner that allows for stability of the business and the opportunity for sustainable long-term growth.
- We seek to remunerate fairly and consistently for each role with due regard to the marketplace, internal consistency and the Group's ability to pay.

Our bonus schemes have evolved to ensure all our employees have the opportunity to be appropriately rewarded for the achievement of our core pub and corporate goals. Performance measures and targets are aligned to our vision of 'Pubs to be proud of' and cascade as appropriate, from Executive Directors down to pub level.

Mandatory bonus deferral (where applicable) and participation in the LTIP is extended to the senior management team in line with the policy for Executive Directors. Share ownership is encouraged and shareholding requirements apply to the Executive Committee and Leadership Group. We also encourage long-term employee engagement through the offer of an all-employee share plan to all employees of the Group who meet a minimum service requirement.

Remuneration Policy

How employee views are taken into account

Salary, benefits and performance-related rewards provided to employees are taken into account when setting policy for Executive Directors' remuneration. We engage with our employees through Peakon monthly surveys and workforce engagement sessions.

In October of each year a paper is submitted to the Committee by the HR Director summarising the outcome of any annual reviews made to the wider workforce (which includes all employees except for the majority of pub-based employees who have their remuneration rate set by statute rather than the market). This paper is taken into account when setting Executive Directors' remuneration effective from the start of October for the following 12 months.

In addition, and where relevant, a similar paper is submitted in October covering the decisions taken by the Executive Committee relating to bonus payments for employees within the wider workforce. This is taken into consideration by the Committee when approving bonus awards for Executive Directors.

Our monthly engagement survey reaches all of our employees and our workforce engagement sessions are attended by at least one Non-executive Director. The Committee engaged directly with employees to explain the alignment of pay across the Group and the key elements of the Directors' Remuneration Policy.

How shareholder views are taken into account

In considering the operation of the Remuneration Policy, the Remuneration Committee will take into account the published remuneration guidelines and specific views of shareholders and proxy voting agencies.

The Committee is committed to open and transparent dialogue with shareholders and welcomes feedback on Executive and Non-executive Directors' remuneration. The Remuneration Committee will consult with our larger shareholders, where considered appropriate, regarding changes to the operation of the Remuneration Policy and when the Remuneration Policy is being reviewed and brought to shareholders for approval. Furthermore, the Remuneration Committee will consider specific remuneration concerns or matters raised at any time by shareholders.

During 2022, we engaged with our largest investors as well as Institutional Shareholder Services (ISS), Investment Association (IA) and Glass Lewis, to understand their views on our proposed new Policy and the proposed implementation in 2022/23. The outcome of this shareholder consultation is set out in the Chair's Statement.

Aims

The Policy is designed to ensure that Executive Directors are provided with sufficient remuneration to motivate each individual with incentives that are aligned to strategy and encourage enhanced performance. The Committee believes that variable pay should only be earned for achievement against stretching targets and will continue to ensure that targets provide an appropriate balance between motivating and rewarding Executive Directors to deliver stretching but sustainable performance, without encouraging excessive risk taking.

The table below and the accompanying notes describe the Remuneration Policy for Executive Directors.

Base salary	
Purpose and link to strategy	Core element of fixed remuneration, reflecting the individual's role and experience.
Operation	Usually reviewed annually and fixed for 12 months commencing 1 October. Whilst Executive Directors are contractually entitled to an annual review of their salary, there is no entitlement to an increase as a result of this review. Salary levels are determined by the Committee taking into account a range of factors including: • role, experience and performance; • underlying performance of the business; • alignment with workforce; • prevailing market conditions; and • external benchmarks for similar roles at comparable companies.
Opportunity	Salary increases are reviewed in the context of salary increases across the wider workforce. The Committee considers any increase which is out of line with these very carefully and such increases may be awarded where there is a reason to do so taking into account relevant factors. These circumstances may include but are not limited to: • increase in scope and responsibility; • development and performance in the role (including that if a newly appointed Executive Director's salary is positioned below a market rate it may be increased to a market rate over such period as the Committee considers appropriate); or • a salary falling significantly below market positioning.
Performance metrics	Not applicable, although the individual's contribution and overall performance are considerations in determining the level of any salary increase.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Benefits	
Purpose and link to strategy	Ensures the overall package is competitive.
Operation	Executive Directors receive benefits in line with market practice which include a car allowance, private medical insurance and life assurance. Other benefits may be provided based on the role and individual circumstances. These may include, for example, relocation and travel allowances.
Opportunity	Set at a level which the Committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances.
Performance metrics	Not applicable.

Retirement benefits	
Purpose and link to strategy	Contributing to savings to deliver appropriate income in retirement.
Operation	Executive Directors are eligible to participate in the defined contribution pension scheme (or such other pension plan as may be deemed appropriate). In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan.
Opportunity	Pension contributions (or cash allowance) will not exceed the pension contributions available to the majority of the workforce (which is currently 3% of salary).
Performance metrics	Not applicable.

Annual bonus	
Purpose and link to strategy	Rewards performance against targets which support the strategic direction of the Group. Compulsory deferral into shares aligns Executive Directors with shareholder interests and provides a retention element.
Operation	Performance measures and applicable targets are set annually and any payout is determined by the Committee after the period end, based on performance. The Committee has discretion to vary the bonus payout should any formulaic output not reflect the Committee's assessment of overall business performance or not be appropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year. One third of any bonus paid (after tax) will be used to purchase shares which the Executive Director must normally hold for three years. Recovery provisions apply, as referred to below.
Opportunity	The maximum annual bonus opportunity is 125% of base salary.
Performance metrics	Performance measures are determined each year reflecting the business priorities that underpin Group strategy. At least 50% of the award will be based on financial performance measures aligned to the Group's financial key performance indicators. The balance of the bonus opportunity may be based on non-financial objectives such as the delivery of strategic/individual/ESG objectives. No more than 20% of the relevant portion of the annual bonus is payable for delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach). There is usually straight-line vesting between the threshold and target performance levels and between target and maximum performance levels.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Long Term Incentive Plan (LTIP)	
Purpose and link to strategy	Incentivises Executive Directors to deliver against the Group's strategy over the longer term. Long-term performance targets and share-based remuneration support the creation of sustainable shareholder value.
Operation	Awards of conditional shares or nil-cost options can be made with vesting dependent on the achievement of performance conditions, normally over a three-year performance period. Vested LTIP awards are normally subject to an additional holding period of two years before being released. The Committee may grant nil-cost options in conjunction with a tax-advantaged option granted under the tax-advantaged schedule to the LTIP (a 'Linked Nil-Cost Option'). This linking arrangement gives the participant and the Group the opportunity to benefit from the tax treatment available in respect of tax-advantaged options without increasing the pre-tax value delivered to the participant. The Committee has discretion to vary the formulaic vesting output applying to any LTIP award where it believes the outcome does not reflect the Committee's assessment of overall business performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. LTIP Awards may (where permissible) carry a right to a separate payment (in cash or shares) equal to the value of dividends that would have been received on the shares over the vesting period (and holding period if structured as a nil-cost option). The payment may assume the reinvestment of the dividends. Recovery provisions apply as referred to below.

Long Term Incentive Plan (LTIP) continued	
Opportunity	The normal maximum award size will be up to 150% of base salary in respect of any financial year. In exceptional circumstances the Committee reserves the right to award up to 200% of base salary in respect of any financial year. For the reasons above, if an LTIP award is granted as a Linked Nil-Cost Option, the shares subject to the tax-advantaged option to which it is linked will not count towards this limit.
Performance metrics	The vesting of LTIP awards is subject to the satisfaction of performance targets set by the Committee. Performance measures will be determined by the Committee for each LTIP award in line with the long-term business strategy and KPIs. Threshold performance under each metric will result in no more than 25% of that portion of the award vesting. The Committee will regularly review the performance conditions and targets to ensure they are aligned to the Company's strategy and remain challenging and reflective of commercial expectations. Financial or shareholder return targets will apply to the majority of an award.

All employee share plan	
Purpose and link to strategy	To provide alignment with Group employees and to promote share ownership.
Operation	The Executive Directors may participate in any all-employee share plan operated by the Company.
Opportunity	The value of shares over which awards may be granted will be in line with the relevant legislative limits (from time to time).
Performance metrics	Not applicable.

Remuneration Policy

Shareholding guidelines	
Purpose and link to strategy	To provide alignment with shareholders' interests.
Operation	**During employment** Executives are required to build up and retain a shareholding equivalent to 200% of their base salary. Until the shareholding requirement is met, Executive Directors will be required to retain 50% of the net of tax shares they receive under any incentive plan. **Post-employment** Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary, for a period of two years. The Committee will have discretion to amend the requirement in exceptional circumstances.
Opportunity	Not applicable.
Performance metrics	Not applicable.

Recovery provisions (malus and clawback)

Annual bonus awards and LTIP awards are subject to recovery provisions which may be applied for up to two years following the payment in the case of the annual bonus, and for up to two years following vesting in the case of an LTIP award. These provisions may be applied in the following circumstances:

- a material misstatement of the Company's audited financial results;
- a material failure of risk management by, or corporate failure of, the Company, any member of the Company's group ('Group') or a relevant business unit;
- the Remuneration Committee determining that the relevant Participant or former Participant has been guilty of serious misconduct;
- serious reputational damage to the Company, any Group member or a relevant business unit as a result of the Participant's misconduct or otherwise;
- an error in assessing a Performance Condition applicable to the Award; and
- in the case of recovery before vesting, other relevant circumstances at the discretion of the Committee.

Malus and clawback may be applied to any tax-advantaged option granted under the LTIP to the extent permitted by the applicable tax legislation.

Non executive Director fees	
Purpose and link to strategy	Non-executive Director fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.
Operation	Fees are reviewed as required and amended to reflect market positioning and any change in responsibilities. The Remuneration Committee recommends the remuneration of the Chair to the Board. Fees paid to Non-executive Directors are determined and approved by the Board as a whole. The Non-executive Directors do not participate in the annual bonus plan or any of the Group's share incentive plans. Non-executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate (and may be reimbursed for any tax liability thereon). Fees may be payable in cash or shares.
Opportunity	Fees are set taking into account the level of fees paid to Non-executive Directors serving on boards of similar-sized UK-listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and an additional fee for further duties (for example chairing a Committee or Senior Independent Director responsibilities or holding the position of Non-executive Director responsible for workforce engagement).
Performance metrics	Not applicable.

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed before this Policy came into effect or, at a time when the relevant individual was not a Director of the Company (or other person to whom this Policy applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company (or other such person).

For these purposes the term 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Remuneration Policy

Explanation of performance metrics chosen

Performance measures are selected to reflect the Group's strategy. Stretching performance targets are set each year for the annual bonus and long-term incentive awards. In setting these performance targets the Committee will take into account a number of different reference points which may include the Group's business plans and strategy and the market environment.

The Committee retains the discretion to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate, and that amendment is required so that they achieve their original purpose.

Discretion

The Remuneration Committee can exercise discretion in a number of areas when operating the Company's incentive schemes, in line with the relevant rules of the schemes and, where relevant, HMRC guidance and the legislation relating to tax-advantaged schemes. These areas include (but are not limited to):

- the choice of participants
- the size of awards in any year (subject to the limits set out in the policy table above)
- the extent of payments or vesting in light of the achievement of the relevant performance conditions
- determination of 'qualifying leavers' and the treatment of outstanding awards (subject to the provisions of the scheme rules and the Remuneration Policy provisions), and
- the treatment of outstanding awards (other than tax-advantaged options on a change of control).

Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans. Shares awards granted under any such plan may be settled (in whole or in part) in cash where permitted, although the Committee would only do so where the particular circumstances made it appropriate to do so – for example, where there is a regulatory restriction on the delivery of shares.

Illustration of application of Remuneration Policy

The charts on the following page show the relative split of remuneration between fixed pay (base salary, benefits and pension) and variable pay (annual bonus and LTIP) for each Executive Director on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations and maximum remuneration (including and excluding share price appreciation of 50% on the LTIP award).

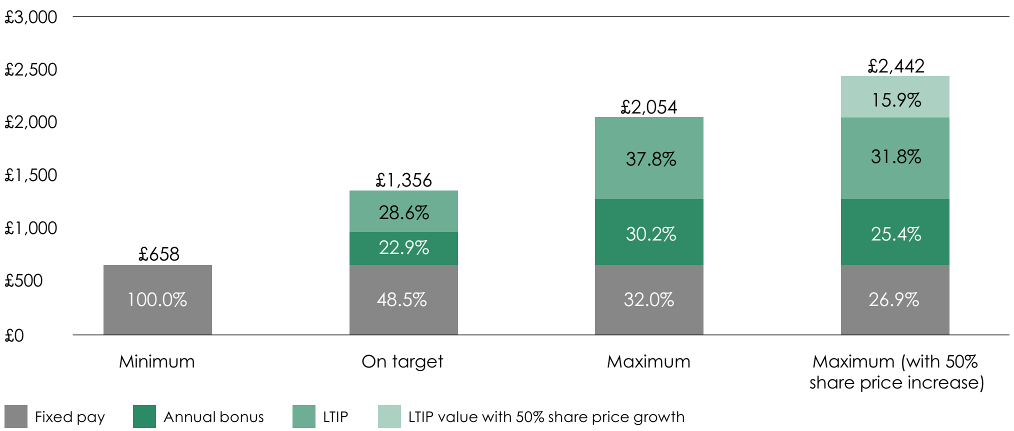
In illustrating the potential reward, the following assumptions have been made:

- Minimum: Comprises fixed pay only using the salary on 1 October 2022, the benefits value has been assumed to be equivalent to that included in the single figure calculation on page 87 and a 3% company pension contribution.
- On-target: Fixed pay plus a bonus pay-out at 50% of maximum and the FY2022/23 LTIP vesting at 50% of face value.
- Maximum: Comprises fixed pay and assumes full pay-out under the annual bonus and that the FY2022/23 LTIP grant vests in full.
- Maximum performance with share price appreciation of 50%: the maximum scenario assuming 50% share price growth on the LTIP award from the date of grant to vesting.

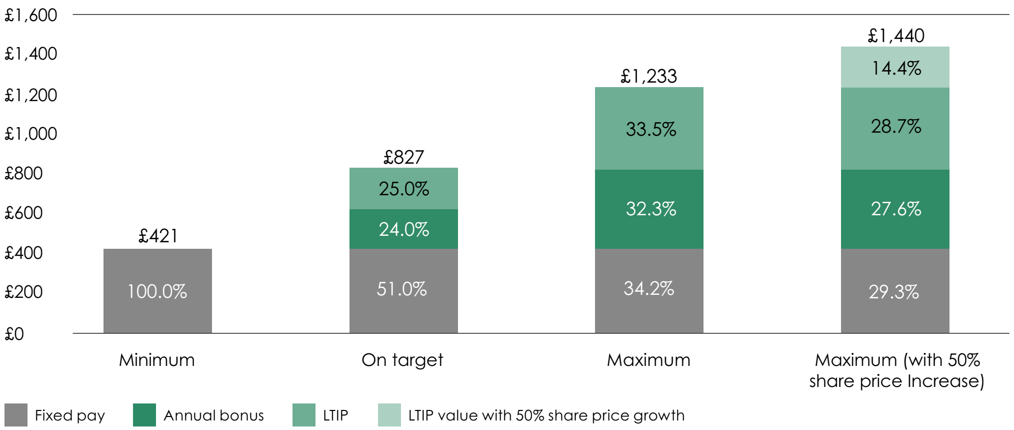
CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Andrew Andrea (£'000)



Hayleigh Lupino (£'000)



Recruitment Remuneration Policy

Executive Directors

When setting remuneration packages for new Executive Directors, pay will be set in line with the Remuneration Policy outlined above. In determining appropriate remuneration, the Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure the arrangements are in the best interests of Marston's and its shareholders.

Salary	Base salary will be set at a level appropriate to the role and experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with experience and/or responsibilities and subject to good performance, where it is considered appropriate.
Pension and benefits	Pension and benefits will be provided in line with the Policy.
Relocation	Appropriate costs and support will be covered if the recruitment requires relocation of the individual.
Annual bonus	New joiners may receive a pro-rated annual bonus based on their employment as a proportion of the financial year and targets may be different to those set for other Executive Directors subject to a maximum annual bonus opportunity of 125% of base salary.
LTIP	Grants under the LTIP will be made in line with the Remuneration Policy in the year of joining, subject to the maximum award limit of 200% of base salary. For the avoidance of doubt, in the case of an internal promotion, legacy arrangements should be allowed to continue including continuation of the plan the individual is in for the year of joining if required.
Buyout awards	For external appointments, the Committee (if it is considered appropriate) may make an award to 'buy-out' incentive awards that will be forfeited on leaving a previous employer. To the extent possible buy-out awards will be made on a broadly like-for-like basis. In doing so the Committee will take account of relevant factors including the vehicle (i.e. cash or equity), the performance conditions attached to vesting, the vesting schedule and the likelihood of vesting of the forfeited incentives. The Committee would seek to incorporate buy-out awards in line with the Company's remuneration framework as far as is practical. The Committee may consider other components for structuring the buy-out, including cash or share awards, restricted stock awards and share options where there is a commercial rationale for doing so.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Non-executive Directors

Fees payable to a newly appointed Chair or Non-executive Director will be in line with the fee policy in place at the time of appointment.

Service contracts and policy on payment for loss of office

The Executive Directors have a service contract requiring nine months' notice of termination from either party as shown below.

The current Non-executive Directors, including the Chair, do not have a service contract and their appointments, whilst for a term of three years, may be terminated without compensation at any time. All Non-executive Directors have letters of appointment, and their appointment and subsequent reappointment is subject to annual approval by shareholders.

Name	Commencement date	Unexpired term remaining as at 1 October 2022
Andrew Andrea	3 October 2021	Terminable on nine months' notice.
Hayleigh Lupino	3 October 2021	Terminable on nine months' notice.
Bridget Lea	1 September 2019	Fixed term expiring on 31 August 2025 (subject to renewal) and terminable on one month's notice.
Octavia Morley	1 January 2020	Fixed term expiring on 31 December 2022 (subject to renewal) and terminable on one month's notice.
Mathew Roberts	1 March 2017	Fixed term expiring on 28 February 2023 (subject to renewal) and terminable on one month's notice.
William Rucker	1 October 2018	Fixed term expiring on 30 September 2024 (subject to renewal) and terminable on six months' notice.

The principles on which the determination of payments of loss of office will be approached are summarised below:

Provision	Treatment upon loss of office
Payment in lieu of notice	Payments to Executive Directors upon termination of their contracts will be equal to base salary plus the value of core benefits for the duration of the notional notice period. They will also be entitled to pension contributions for the duration of the notional notice period or the requisite cash allowance equivalent. The Executive Director will normally have a duty to seek alternative employment and any outstanding payments will be subject to offset against earnings from any new role. A de minimis value of £1,000 will apply for reporting purposes.
Annual bonus	'Qualifying leavers' will be eligible to receive an annual bonus at the usual time with performance measured at the usual time. The annual bonus will normally be pro-rated for service during the financial year. Any bonus earned will be paid in cash and shares in line with the current policy. 'Non-qualifying' leavers will not normally be eligible to receive an annual bonus. Shares subject to a holding period will normally be released at the normal time.
LTIP	The treatment of any award under the LTIP would be determined based on the leaver provisions contained within the LTIP rules. Awards are forfeited on cessation of employment except for 'qualifying leavers' (where awards vest subject to performance conditions and are normally scaled back pro rata to the proportion of the performance or vesting period served). Shares subject to a holding period will normally be released at the normal time.
Change of control	There are no enhanced contractual provisions on a change of control. Upon a change of control incentive awards will usually vest and be subject to performance conditions. Pro-rating for time, to reflect the proportion of the performance period that has elapsed will ordinarily apply to LTIP awards. The Committee retains the discretion to waive pro-rating for time. Awards may vest on a similar basis on the occurrence of any other relevant event.
Other payments	Payments may be made in the event of loss of office under the all-employee scheme (which is governed by its respective rules and the applicable tax legislation and does not provide for discretionary treatment). The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to payments in respect of accrued holiday pay, outplacement and legal fees and other relevant benefits.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

This part of the Directors' Remuneration Report sets out how we have implemented our current Remuneration Policy during the period ended 1 October 2022. Sections in the report not specifically stated as audited are not subject to audit.

Executive Directors

Total remuneration payable (audited)

Period ended 1 October 2022	Salary £	Benefits[2] £	Pension[3] £	Other[4] £	Total fixed £	Bonus £	Long-term incentives £	Total variable £	Total £
Andrew Andrea	601,765	17,465	18,360	4,996	**642,586**	84,357	64,971	**149,328**	**791,914**
Hayleigh Lupino	385,310	13,478	11,603	4,996	**415,387**	54,075	7,660	**61,735**	**477,122**

Period ended 2 October 2021	Salary £	Benefits[2] £	Pension £	Total fixed remuneration £	Bonus £	Long-term incentives £	Total variable remuneration £	Total £
Andrew Andrea	392,928	14,719	70,727	478,374	0	0	0	478,374
Ralph Findlay	586,682	19,327	105,603	711,612	0	0	0	711,612

1. Ralph Findlay stepped down from the Board on 2 October 2021. Andrew Andrea was appointed CEO and Hayleigh Lupino was appointed CFO. Both appointments were effective from 3 October 2021.
2. Private medical insurance benefits are unchanged but premiums may vary from year to year. Benefits include a car allowance, private medical insurance and life assurance.
3. Andrew Andrea and Hayleigh Lupino received a pension contribution of 3% of salary.
4. This figure relates to the grant of Sharesave options during the reporting year.

Annual bonus 2021/22

Stretching targets were set at the start of 2021/22. Targets were based on a balanced mix of financial (EBITDA and FCF) and strategic measures (performance vs Peach market tracker, Reputation scores and employee engagement).

During the year, the Remuneration Committee reviewed the operation of the Peach market tracker. Following that review, at the March 2022 meeting, the Committee used its discretion to replace the Peach market tracker with a Group sales measure with equivalently stretching sales targets. As part of a balanced scorecard, Group sales better reflects overall financial performance.

As noted above, having made a strong start to the year, with promising levels of Christmas bookings, the business was heavily impacted by the trading restrictions imposed as a consequence of the Omicron variant in December 2021. It became quickly apparent that the EBITDA and cashflow performance conditions, which had very recently been set, had been rendered unachievable.

Recognising the need to maintain motivation within our pub, operational and support teams, the Committee concluded that it would be in shareholders' interests if the targets for both measures were adjusted to exclude the negative impact of Omicron from the financial targets by removing trading periods 1-4. The Committee also agreed that, in the first full year of our new strategy, it was important to make the equivalent adjustments to the senior management team bonus targets. To balance this use of positive discretion the quantum available under the financial measures applying to 70% of the bonus was reduced by four twelfths. The 30% applying to the strategic measures was unchanged as the targets remained unmodified and were assessed over the full 12 months. As a result, the bonus opportunity for the year was reduced from 100% of salary to 76.66% of salary.

Targets were adjusted in the context of continuing uncertainty and economic challenges, with the aim of incentivising our people to achieve a rapid recovery post Omicron, and remain focused on our strategic measures. The adjustments to the bonus were aligned across the Group and the adjusted target ranges are summarised below:

Performance metric		Weighting	Threshold (20% of maximum)	Target (50% of maximum)	Maximum (100% of maximum)	Actual	% of salary
Group EBITDA	Previous target (applicable for 12 months)	30%	£170.81m	£179.80m	£189.00m	£159.60m	0%
	Target adjusted by the Committee applying for periods 5–12		£122.60m	£129.10m	£135.50m	£112.30m	
Group free cash flow	Previous target (applicable for 12 months)	40%	£60.42m	£63.60m	£66.84m	£55.50m	0%
	Target adjusted by the Committee applying for periods 5–12		£45.30m	£47.70m	£50.10m	£36.40m	
Group sales		10%	£577.90m	£608.30m	£639.30m	£563.10m	0%
Reputation score		10%	575	600	650	731	10%
Employee engagement		10%	7.5	8.0	8.2	7.8	4%
Bonus outturn							14%

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

The annual bonus outcomes for Executive Directors during the year are shown below. As reported in the Annual Statement, on page 72, our business was impacted by economic volatility, rising costs, supply chain challenges and the cost-of-living crisis. Whilst performance did not reach threshold on the financial measures, our people have worked hard to deliver great guest experiences during the year, as shown in our Reputation score, and have remained highly engaged. The Committee is satisfied that no adjustments to the pay-outs are required, and that the outcome is reflective of underlying performance. The bonus is payable in cash.

Executive Director	Annual bonus outcome % salary (out of reduced maximum 76.66% of salary)	Value £
Andrew Andrea	14%	84,357
Hayleigh Lupino	14%	54,075

LTIP award vesting in respect of performance during 2021/22

The 2019/20 LTIP award was granted in December 2019, prior to the disposal of Marston's Beer Company into the partnership with Carlsberg. As reported in the 2021 Directors' Remuneration Report, performance targets were set at the time with the assumption that the beer company would remain a part of the Group and contribute to the underlying EPS number. The beer company profit in 2019 equated to a 5.1p contribution to the underlying EPS target. The revised targets, ranges and outturn are shown below. NCF and relative TSR targets and ranges were not adjusted.

The performance targets for these awards and the performance to 1 October 2022 are shown below:

Performance metric	Weighting	Threshold 25% vesting	On-target 50% vesting	Maximum 100% vesting	Actual	LTIP vesting
Underlying EPS	40%	7.7p	8.0p	8.6p	4.3p	0% out of 40%
Free cash flow	40%	£100m	£125m	£150m	£194.8m	40% out of 40%
Relative TSR vs FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile	Below median	0% out of 20%
Total						**40% out of 100% of maximum**

The Committee reviewed the outturn in relation to the NCF targets and was satisfied that the pay-out was justified for the following reasons:

- As a result of the beer company disposal, the Group holds a 40% investment in CMBC i.e., the outcome of the disposal was not purely a substantial cash inflow.
- Considering the safeguards that were discussed at the time of the award, the NCF outturn has not resulted in the underinvestment in our estate, with the capex programme now ensuring that every pub is refreshed at least once every 4 years, with the previous cycle being longer.
- Additionally, the transaction and resulting cash inflow underpinned the financial stability of the Group during the pandemic and ensured we could avoid the potential requirement to raise equity.
- Awards were granted in December 2019, prior to the onset of the global pandemic (i.e., there was no potential for COVID-19 related windfall gains).

Overall, the Committee is comfortable that the level of vesting is in line with underlying performance over the performance period. As such, the awards will vest in December 2022, with the shares subject to a two-year holding period.

The 2019 awards will therefore vest as follows:

Executive Director	Number of shares granted[1]	Number of shares due to vest	Total[2] £
Andrew Andrea	372,124	148,849	64,971
Hayleigh Lupino[3]	43,875	17,550	7,660

1. The share price was £1.294 at the time of grant of the award, compared to the three-month average share price of £0.436 to 1 October 2022. Therefore, none of the value of the award is due to share price appreciation.
2. Value of shares based on a three-month average share price of £0.436 to 1 October 2022. This value will be restated next year based on the actual share price on the date of vesting.
3. Hayleigh Lupino received the 2019 LTIP award in her previous role within the Group.

LTIP awards granted during 2021/22

LTIP awards were granted on 6 December 2021 as APSP awards. The APSP awards comprised three elements: (i) an HMRC Tax Qualifying Option over shares with a total value at the date of grant of £30,000 with an exercise price of £0.6705 per share; (ii) a 'Linked Award' which is, principally, a funding award in the form of a nil-cost option (i.e. in the form of an LTIP award) over such number of shares whose total value at exercise equals £30,000; and (iii) an LTIP award in the form of a nil-cost option over shares to the value of the remainder of the APSP award above the £30,000 limit.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

The details of the awards granted are as follows:

	Percentage of salary	Number of nil-cost options granted	Number of Tax Qualifying options granted[1]	Face value at grant[2]	% of award vesting at threshold	Performance period	Holding period
Andrew Andrea	125%	1,078,580	44,742	730,946	25%	Financial periods 2021/22–2023/2024	Financial periods 2024/25–2025/26
Hayleigh Lupino	125%	675,336	44,742	468,555	25%		

1. Tax Qualifying option with an exercise price of £0.6705 per share.
2. Calculated using the mid-market share price at date of grant of £0.6705.

The awards will vest subject to the satisfaction of performance metrics set out below:

	Weighting	Threshold 25% vesting	On-target 50% vesting	Maximum 100% vesting
Underlying PBT (in FY 2023/24)	40%	£63.65m	£67.0m	£68.67m
NCF (cumulative over three years)	40%	£125m	£150m	£182m
TSR v FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile

1. Straight-line vesting applies between threshold, on-target and maximum performance.

All-employee scheme interests granted during the year

During the year, the CEO and CFO received an award under the Company's Sharesave Scheme. The savings contract commenced on 1 September 2022; further details are shown below:

	Number of options granted[1]	Exercise price[2]	Face value at grant[3]	% of award vesting at threshold	Date on which exercisable
Andrew Andrea	40,909	£0.44	£22,316	N/A	1 September 2025
Hayleigh Lupino	40,909	£0.44	£22,316	N/A	1 September 2025

1. The exercise price represents a 20% discount to the value of the shares at close of business on 31 May 2022.
2. The number of shares included in the award was determined based on their expected monthly saving over a 36-month period of £500 per month.
3. Calculated using the share price on 31 May 2022, of £0.5455.

Non-executive Directors

Total remuneration (Chair and Non-executive Directors) (audited)

	Base Fee £	Committee Chair £	SID £	2021/22 Total £	2020/21 Total[1] £
Bridget Lea	55,500			**55,500**	54,000
Octavia Morley	55,500	10,000	10,000	**75,500**	62,750
Matthew Roberts	55,500	10,000		**65,500**	61,500
William Rucker	206,000			**206,000**	200,000
Nick Varney	13,875			**13,875**	–

1. The maximum authority for Non-executive Directors' fees (in aggregate), as outlined in our Articles of Association, is £750,000 a year, as approved by shareholders at our 2017 AGM.

Interests in ordinary shares (audited)

The beneficial interests of the Non-executive Directors and their connected persons in the share capital of the Company are shown below:

	As at 01.10.22	As at 02.10.21
Bridget Lea	**50,000**	50,000
Octavia Morley	**25,000**	25,000
Matthew Roberts	**25,000**	25,000
William Rucker	**400,000**	200,000
Nick Varney	**227,902**	–

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

Payment for loss of office (audited)

No payments were made for loss of office.

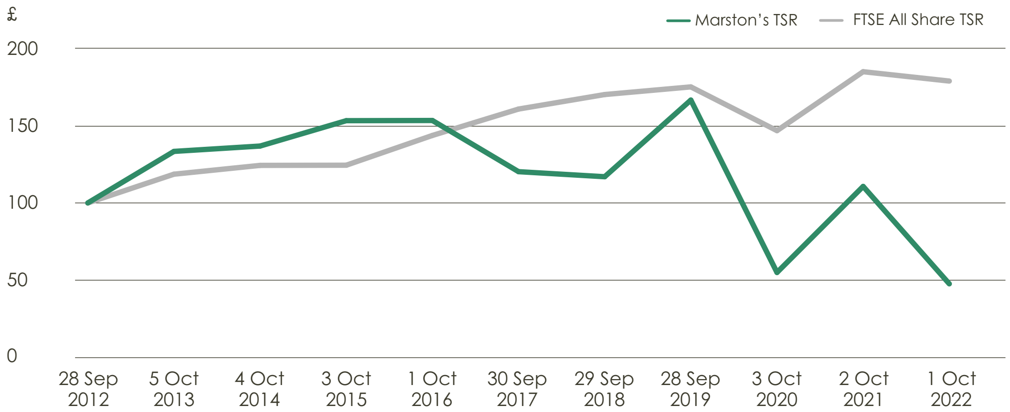
Payments to past Directors (audited)

No payments were made to past Directors other than as disclosed in the 2020/21 annual report in relation to Ralph Findlay's continuing private medical insurance.

Total shareholder return chart and CEO remuneration history

This graph shows the value, at 1 October 2022, of £100 invested in the Company on 29 September 2012 compared to the value of £100 invested in the FTSE All Share Index. The FTSE All Share Index has been selected as a comparator because the Company is a member of that index.

The intermediate points show the value at the intervening financial period ends.



The total remuneration of the CEO over the past ten financial periods is shown below. The annual bonus pay-out and LTIP vesting level as a percentage of the maximum opportunity is also shown.

	Name	Total remuneration £	Annual bonus (% of maximum)	LTIP vesting (% of maximum)
2021/22	Andrew Andrea[1]	791,914	14%	40%
2020/21	Ralph Findlay[1]	711,612	0%	0%
2019/20	Ralph Findlay	592,423	0%	0%
2018/19	Ralph Findlay	722,432	0%	0%[2]
2017/18	Ralph Findlay	807,665	17.7%	0%
2016/17	Ralph Findlay	803,303	20%	0%
2015/16	Ralph Findlay	1,008,320	40%	21%
2014/15	Ralph Findlay	876,788	40%	0%
2013/14	Ralph Findlay	1,121,294	25%	41.9%
2012/13	Ralph Findlay	937,312	0%	44.2%

1. Ralph Findlay stepped down from the Board and retired from the Group as CEO on 2 October 2021. Andrew Andrea was appointed CEO from 3 October 2021.
2. The performance conditions were achieved at a level such that 11.2% of the 2016/17 LTIP would have vested. However, the Executive Directors waived their rights to this award.

Annual report on remuneration

Change in remuneration of Directors' and employee pay

The table below shows the percentage change in the Directors' salary, benefits and annual bonus over the last three financial years. This is then compared to the wider workforce. It was agreed that all employees of the Group should be included in the comparison. Marston's PLC does not have any direct employees, as all employees within the Group are employed by a wholly owned subsidiary company, Marston's Trading Limited.

		Wider workforce	Andrew Andrea	Hayleigh Lupino	William Rucker	Bridget Lea	Octavia Morley	Matthew Roberts	Nick Varney
Salary/ fees[1]	**2021/22 and 2020/21**	11.1%	53%[4]	N/A	3%	2.7%	8.7%	6.5%	N/A
	2020/21 and 2019/20	2.9%	2%	N/A	0%	0%	0%	0%	N/A
	2019/20 and 2018/19	6.4%	2%	N/A	0%	N/A	N/A	0%	N/A
Taxable benefits	**2021/22 and 2020/21**	See note 5	18.7%	N/A	–	–	–	–	–
	2020/21 and 2019/20	See note 5	5.8%[6]	N/A	–	–	–	–	–
	2019/20 and 2018/19	See note 5	(6.3%)	N/A	–	–	–	–	–
Annual bonus[7]	**2021/22 and 2020/21**	See note 7	100%	N/A	–	–	–	–	–
	2020/21 and 2019/20	See note 7	0%	N/A	–	–	–	–	–
	2019/20 and 2018/19	See note 7	0%	N/A	–	–	–	–	–

Notes
1. Salary/fee reviews for the Executive Directors, Non-executive Directors, and salaried workforce are effective 1 October. However, whilst Marston's accounting reference date is 30 September, the Group reports on a 52 week basis and, therefore, the period end date changes from year to year. The year-on-year comparisons in the table above are based on the salaries/fees applying with effect from 1 October. Average employee change to salary is calculated by reference to the mean of employee pay. The majority of pub-based employees have their remuneration set by statute rather than the market.
2. Where the incumbent did not serve for the full year, the calculation has not been made as it is unrepresentative. Hayleigh Lupino was appointed CFO effective from 3 October 2021. Nick Varney was appointed Non-Executive Director to the Board with effect from 1 July 2022.
3. Ralph Findlay stepped down from the Board and retired from the Group as CEO on 2 October 2021, as a result he has been removed from the table above. See the 2021 Annual Report for details on changes in Ralph's remuneration when he was a Director.
4 Andrew Andrea's percentage increase from 2020/21 to 2021/22 reflects his appointment as CEO (having previously been CFO) and the responsibilities, and associated level of benefits, that accompany that position.
5. No changes to benefit policy. Premiums for private medical insurance may vary from year to year. Eligibility to receive the individual benefits under the policy may be determined by an employee's role or length of service, where applicable.
6. During the 2019/20 period, during the first national lockdown, those employees who continued to work were asked to accept a 20% voluntary reduction in their salary during the period from April to July 2020, with normal salaries paid from August 2020. The car allowance element of the benefits policy was subject to the 20% voluntary reduction during the same period. The increase in the Executive Directors' benefits from 2019/20 to 2020/21 therefore reflects the ending of this reduction.
7. No bonuses were payable in respect of 2020/21, or the prior period, based on Group performance, therefore a comparison with bonuses earned in respect of 2021/22 is not meaningful. Bonuses and other discretionary payments were earned by a number of employees, within the wider workforce, during the prior period, details of which are set out on pages 59 to 60 of the 2020 Annual Report and Accounts.

Annual report on remuneration

CEO pay ratio

The tables below show how the CEO's single total figure of remuneration compares with the equivalent figures for UK employees whose remuneration was ranked at the 25th percentile, 50th percentile, and 75th percentile.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021/22	Option B	46:1	45:1	40:1
2020/21	Option B	47:1	44:1	43:1
2019/20 (based on contractual salary and benefits)	Option B	48:1	45:1	41:1
2019/20 (reflecting voluntary reduction in salary and benefits)	Option B	40:1	37:1	34:1

1. Andrew Andrea was appointed CEO from 3 October 2021. As a result, the 2021/22 pay ratio is assessed against Andrew Andrea's total remuneration. Prior years are assessed against Ralph Findlay's total remuneration who stepped down from the Board 2 October 2021.

Component	CEO £	25th percentile £	50th percentile £	75th percentile £
Base salary	601,765	17,108	17,472	19,601
Total remuneration	791,914	17,108	17,472	19,601

We have chosen Option B which uses the hourly rate data from the most recent Gender Pay Gap reporting. This represents the most efficient and robust method to determine the respective pay ratios. To ensure year-on-year methodology and reporting is consistent, we have removed any variances in the total remuneration package for employees sitting at each of the percentiles as, for example, not all employees contribute to a pension scheme or receive a bonus. In order to determine the full-time equivalent salary component for the representative employees, the hourly rate was multiplied by 35 hours to calculate the full-time equivalent salary. The calculations for the relevant representative employees were performed as at 5 April 2022. Sensitivity analysis was performed around the 25th, median and 75th percentile employees to ensure that they were reasonably representative.

Two sets of pay ratios are included in the table above for 2019/20, reflecting Ralph Findlay's voluntary reduction in salary and benefits during the period from April to July 2020 and his contractual salary and benefits for 2019/20. There has not been a significant change to the CEO pay ratio over the last three years (when compared to the contractual salary and benefits).

A substantial proportion of the CEO's total remuneration is performance-related and delivered in shares. The ratios will depend significantly on the CEO's annual bonus and long-term incentive outcomes and may fluctuate year-on-year. The Company considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression.

Relative importance of spend on pay

The table below demonstrates the relative importance of the Group's expenditure on total employee pay compared to dividend payments to shareholders.

	2021/22	2020/21	% change
Dividend payments[1]	**£0m**	£0m	–
Total employee pay[2]	**£214.0m**	£186.7m	14.6%[3]

1. No distributions by way of share buybacks were made to shareholders during the 2021/22 or 2020/21 financial years.
2. Excluding non-underlying items.
3. The increase in total employee pay is predominately due to the increase in the NMW during the year, and the additional uplifts applied to the NMW rates for all age groups by the Company.

External appointments for Executive Directors

Executive Directors are permitted to take up external appointments, subject to approval by the Board, and are allowed to retain any fees received.

Directors' share interests (audited)

Each Executive Director is required to build and retain a shareholding with a value equal to two times salary. To achieve these holdings under the current policy, Directors are required to retain any vested shares from the LTIP, net of tax, until the guidelines are satisfied. Under the proposed policy, Executive Directors will be required to retain 50% of the net of tax shares they receive under the annual bonus and LTIP. Shares subject to vested LTIP awards which are in a holding period count towards this guideline (on a net of assumed tax basis) and deferred bonus shares also count towards the shareholding guideline.

As at 1 October 2022, Andrew Andrea held shares worth 84% of base salary and Hayleigh Lupino held 18% of base salary in shares.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

Executive Directors' share interests as at 1 October 2022

	Shares owned outright		Share options[2]		Shareholding requirement (% of salary)	Actual % of salary holding
	At 01.10.22	At 02.10.21	Not subject to performance	Subject to performance		
Andrew Andrea	**390,773**	352,773	40,909	2,005,741	200%	84%
Hayleigh Lupino	**104,629**	–	71,038	869,406	200%	18%

1. The table above includes the holdings of persons connected with each of the Directors.
2. All scheme interests are structured as nil-cost or tax-advantaged options.
3. Of the 71,038 share options, 40,909 are Sharesave options.

In assessing the extent to which the guidelines are satisfied, shares are valued at the end of the relevant financial year. Once the required holding has been achieved, any change in the share price is disregarded when assessing the value attributed to shares already held.

Executive Directors' interests in share options as at 1 October 2022

		Grant date[1]	Brought forward 02.10.21	Granted	Exercised/ vested	Cancelled/ lapsed	Carried forward 01.10.22	Exercise price £	Vesting date	Release date
Andrew Andrea	LTIP	2018[2]	473,033	–	–	473,033	**0**	N/A	2021	N/A
		2019[3]	372,124	–	–	–	**372,124**	Nil	2022	2024
		May 2021[4]	510,295		–	–	**510,295**	Nil	2024	2025
		Dec 2021	–	1,078,580	–	–	**1,078,580**	Nil	2024	2026
			–	44,742	–	–	**44,742**	£0.6507	2024	2026
	Sharesave	June 2022	–	40,909	–	–	**40,909**	£0.44	2025	N/A
Hayleigh Lupino	LTIP	2018[2]	52,124	–	–	52,124	**0**	N/A	2021	N/A
		2019[3]	43,875	–	–	–	**43,875**	Nil	2022	2024
		May 2021[4]	75,324	–	–	–	**75,324**	Nil	2024	2025
		Dec 2021	–	675,336	–	–	**675,336**	Nil	2024	2026
			–	44,742	–	–	**44,742**	£0.6507	2024	2026
	Sharesave	June 2022	–	40,909	–	–	**40,909**	£0.44	2025	N/A
	Deferred bonus	May 2021	30,129	–	–	–	**30,129**	Nil	2024	N/A

1. Awards granted annually in December, unless otherwise stated.
2. The performance conditions applying to the 2018/19 LTIP are set out on page 67 of the 2019 Directors' Remuneration Report.
3. The performance conditions applying to the 2019/20 LTIP are set out on page 67 of the 2020 Directors' Remuneration Report.
4. The performance conditions applying to the 2020/21 LTIP are set out on page 67 of the 2021 Directors' Remuneration Report.
5. The performance conditions applying to the 2021/22 LTIP are set out on page 67 of the 2021 Directors' Remuneration Report.
6. The exact release date will be confirmed when the date of the relevant preliminary results announcement is known and the associated closed period ends.

There have been no changes to the Directors' share interests and interests in share options between 1 October 2022 and 5 December 2022 (being the latest practical date prior to the date of this report).

Implementation of the Policy in 2022/23

The section below sets out the implementation of the Remuneration Policy in 2022/23 which has been set in line with the Remuneration Policy to be put to shareholders at the 2023 AGM.

Base salary

During the year, the Committee reviewed the salary increases for the wider salaried workforce taking into account high inflation and the cost of living and also the need to control our cost base. As a result of the review, the majority of the wider salaried workforce received an increase of 4% of salary. In addition, most salaried employees were eligible to receive a one-off payment of up to £750 to help with the sharp increase to the cost of living and energy costs. Therefore, with an increase of 4% applied to the majority of the salaried workforce, plus the additional payments, the Committee was comfortable with a lower increase of 3% for Executive Directors.

Annual report on remuneration

Name	Base salary 2021/22 £	Base salary 2022/23 £
Andrew Andrea	602,550	**620,626**
Hayleigh Lupino	386,250	**397,838**

Note:
The majority of the wider workforce (pub-based employees) have their remuneration set by statute rather than the market.

Annual bonus

The annual bonus opportunity for Executive Directors will be 100% of salary, in line with the previous year. Performance measures remain unchanged and are aligned to our strategic objective and core pub and corporate goals.

Strategic pillar	Performance measure	% Weighting for 2022/23
We will grow	Group EBITDA	30%
	Free cash flow	20%
	Group sales	20%
We are guest obsessed	Reputation score	15%
We raise the bar	Employee engagement	15%

The Directors consider that the annual bonus targets for 2022/23 financial year are commercially sensitive. The Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets in next year's report.

One third of any bonus paid will be deferred into shares which must be held for three years.

LTIP

For the next policy period, recognising that stretch targets would be set in line with the longer-term strategy to 2025 and beyond, we had intended to increase the grant level from 125% to 150% for the CEO combined with challenging and stretching performance targets to drive top-end performance.

However, should the current weakness in the share price, at the time of writing, persist, we have decided that, for the FY 2022/23 award, we will reduce the grant level for the CEO from 150% back to 125% of salary, with the same proportionate scale back for the CFO, whose grant level would reduce from 125% to 104% of salary, unless there is a material uplift in the share price between now and the grant date in December 2022.

The extent to which the LTIP awards will vest will be determined by the performance measures listed below.

	Weighting	Threshold 25% vesting	Maximum 100% vesting
Underlying Profit Before Tax in FY 2024/25	30%	£72.0m	£87.0m
Net Cash Flow (three-year aggregate)	30%	£130.0m	£164.0m
Return on Capital Employed (three-year average)	20%	6.5%	7.3%
Relative Total Shareholder Return vs FTSE250 (excl. Investment Trusts)	20%	Median	Upper quartile

ROCE has been introduced as a performance measure and will drive value for shareholders. ROCE, alongside the other measures previously included, will provide a rounded assessment of our overall profitability and shareholder return.

The Committee is comfortable that these targets provide an appropriate level of stretch and represent a strong link between pay and performance.

Non-executive Director remuneration

A 3% increase will be applied to the base fee, and additional fees, for Non-executive Directors and the Chair's fee. The fees that will apply from 1 October 2022 are set out below.

	2022/23	2021/22
Chair's fee	**£212,180**	£206,000
Non-executive Director basic fee	**£57,165**	£55,500
Additional fee for:		
Chairing the Audit Committee	**£10,300**	£10,000
Chairing the Remuneration Committee	**£10,300**	£10,000
Senior Independent Director	**£10,300**	£10,000

Approval

This Remuneration Report was approved by the Board of Directors on 7 December 2022 and signed on its behalf by the Remuneration Committee Chair:

OCTAVIA MORLEY
CHAIR OF THE REMUNERATION COMMITTEE
7 December 2022