

4. Bonus Design 2016

For 2016 it is proposed that the single financial measure (EPS) applied to the business unit schemes in 2015 be supplemented by a cash conversion measure.

Bonus 2016

- 50% of any payment will be deferred for 3 years for Executive Directors.
- LEAP participants have a reduced financial element replaced by an opportunity measured by reference to individual stretch strategic targets.
- Participants will have an EPS target and a cash conversion target for 2016.
 - The payment of the personal and strategic elements are not dependent on EPS levels being achieved
 - EPS must be achieved for financial element to be paid. If EPS levels are not achieved no payment for cash conversion will be made.
 - Personal objectives include hard measures e.g. safety, cost and work winning.

+10%	Entry	Target	Maximum
Financial - EPS	-	36.1p 0%	39.7p Up to 30%
Financial - Cash Conversion	Underlying cash flow from operations to be 95% of underlying profit from operations 0%	Underlying cash flow from operations to be 100% of underlying profit from operations 10%	Underlying cash flow from operations to be 110% of underlying profit from operations Up to 20%
Personal	-	0%	Up to 25%
Strategic	-	0%	Up to 25%

Bonus 2015

- Based on bonus 2014
- 50% of any payment will be deferred for 3 years for Executive Directors.
- LEAP participants have a reduced financial element replaced by an opportunity measured by reference to individual stretch strategic targets.
- Business Unit MDs had an EPS target only for 2015 rather than EPS and business unit PBT as in 2014.
 - The payment of the personal and strategic elements are not dependent on EPS levels being achieved
 - EPS must be achieved for financial element to be paid.
 - Personal objectives include hard measures e.g. safety, cost and work winning.

+10%	Entry	Target	Maximum
EPS	-	34.7p	38.1p
Financial	-	0%	50%
Personal	-	0%	Up to 25%
Strategic	-	0%	Up to 25%

Bonus 2014

- Based on bonus 2013
- 50% of any payment deferred for 3 years for Executive Directors.
- LEAP participants had a reduced financial element replaced by an opportunity measured by reference to individual stretch strategic targets.
- Business Unit MDs had PBT target in addition to EPS.
 - The payment of the personal and strategic elements are not dependent on EPS levels being achieved
 - EPS must be achieved for financial element to be paid.
 - Any EPS payment will be discretionary if PBT target is not met.
 - Personal objectives include hard measures e.g. safety, cost and work winning.

+10%	Entry	Target	Maximum
EPS	-	35.5p	39p
Pre-tax profit	-	£185.0m	£203.0m
Financial	-	0%	50%
Personal	-	0%	Up to 25%
Strategic	-	0%	Up to 25%

5. CEO Second Stage of Salary Review

2016 Base salary

At the last AGM a phased approach was agreed in respect of proposed increases for Richard Howson. The second increase, which was not guaranteed, was scheduled for 1 January 2016. Implementation of the 1 January 2016 increase is contingent on a continued improvement in corporate performance and of Richard Howson's personal performance. The Remuneration Committee is required to review the following factors in reaching its decision;

- The financial performance of the business against budgets for the 2015 financial year
- The meeting of personal objectives
- Outcome of the Chief Executive's personal development review by the Chairman
- An assessment of any impending risk factors which might impact the business in the coming year

It is proposed to move the Chief Executive's base salary to £660,000 with effect from 1 January 2016.