Remuneration policy

1. *New Policy for executive Directors*

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	To attract and retain high performing talent required to deliver the business strategy, providing core reward for the role.	Ordinarily reviewed annually. The review typically considers competitive positioning, the individual's role, experience and performance, business performance and salary increases throughout the Group. Market benchmarking exercises are undertaken periodically and judgement is used in their application.	Whilst we do not consider it appropriate to set a maximum base salary level, any increases will take into account the individual's skills, experience, performance, the external environment and the pay of employees throughout the Group. Whilst generally the intention is to maintain a link with general employee pay and conditions, in circumstances such as significant changes in responsibility or size and scope of role or progression in a role, higher increases may be awarded. Thus, where a new director is appointed at a salary below market competitive levels to reflect initial experience, it may be increased over time subject to satisfactory performance and market conditions. This will be fully disclosed in advance on appointment.	N/A
Benefits	To provide market competitive benefits consistent with role.	Benefits typically include medical insurance, life assurance, membership of the Bovis Homes Regulated Car Scheme for Employees or cash car allowance, annual leave, occupational sick pay, health screening, personal accident insurance, and participation in all employee share schemes (SAYE and SIP). In line with business requirements, other expenses may be paid, such as relocation expenses, together with related tax liabilities.	We do not consider it appropriate to set a maximum benefits value as this may change periodically.	N/A
Pension	To attract and retain talent by enabling long-term pension saving.	Executives joining the Group since January 2002 can choose to participate in a defined contribution arrangement, or may receive a cash equivalent.	A pension allowance of up to 20 per cent. of base salary may be paid for current incumbents. For new incumbents, the contribution rate is set at 7 per cent. of	N/A

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
		A salary supplement may also be paid as part of a pension allowance arrangement.	base salary, to be maintained in line with changes in the rate applicable to the workforce. This may be taken as a contribution to the Group Personal Pension Plan, as a cash supplement, or a combination of the two. Salary increases awarded after the first year of the Policy are not pensionable for directors who receive pension contributions at a rate above that applicable to the workforce. From January 2023 or earlier, all directors pension contributions shall be maintained in line with the rate set for the workforce.	
Annual bonus	To incentivise and reward the delivery of near-term business targets and objectives.	The annual bonus scheme is a discretionary scheme and is reviewed prior to the start of each financial year to ensure that it appropriately supports the business strategy. Performance measures and stretching targets are set by the Committee. Bonuses are normally paid in cash and any amounts awarded over 100 per cent. of base salary can be deferred in cash or shares for two years. It is the intention for the default treatment for deferred awards to be in shares. In any year in which no dividend is proposed discretion may be exercised to pay part, or all, of the bonus in ordinary shares, consistent with the deferral profile above. Actual bonus amounts are determined by assessing performance against the agreed targets after the year end. The results are then reviewed to ensure that any bonus paid accurately reflects the underlying performance of the business. Clawback provisions apply (for a period of two years from the bonus payment date). Circumstances include: a material misstatement,	The annual bonus scheme offers a maximum opportunity of up to 150 per cent. of base salary. Achievement of stretching performance targets is required to earn the maximum.	Performance measures are selected to focus executives on strategic priorities, providing alignment with shareholder interests and are reviewed annually. Weightings and targets are reviewed and set at the start of each financial year. Financial metrics will comprise at least 50 per cent. of the bonus and are likely to include one or more of: • a profit-based measure • a cash-based measure • a capital return measure Non-financial metrics, key to business performance, will be used for any balance. These may include measures relating to build quality and customer service. Overall, quantifiable metrics will comprise at least 70 per cent. of the bonus. Below threshold performance delivers no bonus and target performance achieves a bonus of 75 per cent. of base salary.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
		serious misconduct, a material failure of risk management, restatement of prior year results, corporate failure, or serious reputational damage to any Group company.		
LTIP	To incentivise, reward and retain executives over the longer term and align the interests of management and shareholders.	Typically, annual awards are made under the LTIP. Awards can be granted in the form of nil-cost options, forfeitable shares or conditional share awards. Performance is measured over a performance period of not less than three years. LTIP awards do not normally vest until the third anniversary of the date of the grant. Vested awards are then subject to a two-year holding period. For nil-cost options, this will be a prohibition on exercise until the end of the holding period. Awards may be granted with the benefit of dividend equivalents, so that vested shares are increased by the number of shares equal to the value of dividends, the record dates of which, fall between the date of grant and the date of vesting (or in the case of an option subject to a holding period, between the date of grant and the first date on which the option becomes exercisable). Dividend equivalents may be calculated on a reinvestment basis. Malus provisions can be applied to awards prior to the vesting date and clawback provisions can be applied for two years thereafter. Circumstances include: a material misstatement, serious misconduct, a material failure of risk management, restatement of prior year results, corporate failure, or serious reputational damage to any Group company.	The maximum annual award, under normal circumstances is 200 per cent. of base salary for executive Directors.	The performance measures applied to LTIP awards are reviewed annually to ensure they remain relevant to strategic priorities and aligned to shareholder interests. Weightings and targets are reviewed and set prior to each award. Performance measures will include long-term performance targets, of which financial and/or share price-based metrics will comprise at least two-thirds of the award. Quantifiable non-financial metrics, key to business performance, will be used for any balance. Any material changes to the performance measures from year to year would be subject to prior consultation with the Company's major shareholders. Below threshold performance realises 0 per cent. of the total award, threshold performance realises 25 per cent. and maximum performance realises 100 per cent. The Committee may adjust downwards the number of shares realised if it considers such adjustment is justified based on: (a) the performance of the Company, any business area or team; (b) the conduct, capability or performance of the participant; or (c) the occurrence of unforeseen events or of events outside of the participant's control.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
		Malus can also be applied for any other reason which the Committee considers appropriate.		

The New Policy includes the power to deploy the one-person new LTIP exemption from the need for prior shareholder consent in unusual circumstances permitted under the Listing Rules.

Notes to the New Policy table

The Committee may make minor amendments to the New Policy set out above (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval, for that amendment. The executive Directors may request, and the Company may grant salary and bonus sacrifice arrangements. The LTIP rules permit the substitution or variance of performance conditions to produce a fairer measure of performance as a result of an unforeseen event or transaction. They include discretions for upwards adjustment to the number of shares to be realised in the event of a takeover, and scheme of arrangement or voluntary winding up. Non-significant changes to the performance metrics may be made by use of discretion under the performance conditions. Awards are normally satisfied in shares, although there is flexibility to settle in cash.

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the New Policy table set out above where the terms of the payment were set out:

(i) before 16 May 2014 (the date the Company's first remuneration policy came into effect);

(ii) under the Company's previous shareholder-approved remuneration policies, provided that the terms of payment were consistent with the relevant remuneration policy in force at the time they were set out; or

(iii) 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 for the individual becoming a director of the Company.

For these purposes, "payments" includes the Committee determining and paying short-term and long-term incentive awards of variable remuneration.

2. *Changes to the Existing Policy table*

The Committee has proposed a number of key changes to the Existing Policy in anticipation of the proposed Acquisition and to be implemented subject to Completion.

Element	2018	2019 Changes
Pension	Option to participate in defined contribution arrangement or receive cash equivalent.	Pension to be set at all-employee level for new directors and directors in new roles.

Element	2018	2019 Changes
		On or before January 2023, all director pensions shall align with those of the workforce.
Shareholding guideline	Shareholding guideline for CEO is 200 per cent. base salary and for the GFD is 100 per cent.	Shareholding guidelines to be increased to 200 per cent. of salary for all executive Directors.
Post-employment shareholding guideline	None	A post-employment shareholding guideline to be introduced which will be the lower of: 1x the shareholding guideline (200 per cent. of salary) and the actual shareholding at cessation. Shares to be held for two years post-cessation. Shares to be held only includes vested shares from incentive plans and excludes shares purchased by executives.
Annual bonus and LTIP maximum opportunity	Incentive multiples set at 100 per cent. of salary (bonus) and 150 per cent. of salary (LTIP) maximum.	Incentive multiples to be set at 150 per cent. of salary (annual bonus) and 200 per cent. of salary (LTIP) maximum.
Annual bonus deferral	No deferral in place.	Bonus deferral to be introduced for executive Directors for bonuses awarded in excess of 100 per cent. of salary for a two-year period.
LTIP threshold opportunity	30 per cent. of max.	25 per cent. of max.
Base salary	–	Salary levels to be increased for some executive Directors.

3. *Committee discretion in relation to existing commitments*

There are no proposed changes to the quantum or performance period of previous awards. The Committee will review the targets attached to these awards to ensure that they remain appropriate. Any changes to previous awards made post-review will be in line with the applicable rules attached to the relevant plan(s). Where performance targets are amended as a result of the review, these will be no less difficult to satisfy.

4. *Committee discretion in relation to future operation of the New Policy*

In the event of a variation of share capital, demerger, special dividend or similar event, the Committee may adjust or amend awards in accordance with the rules of the relevant plan.

The Committee retains the discretion to amend performance targets in exceptional business or regulatory circumstances. If discretion is exercised in this way, the Committee will seek to consult with major shareholders as appropriate.

All awards are subject to Committee discretion and may be adjusted (or reduced to zero) where it determines that the overall level of the Company or Group performance does not warrant payment of variable remuneration, or it considers that risks (such as financial, regulatory, compliance or brand risk) have not adequately been reflected in awards.

5. *Malus and clawback*

Malus and clawback provisions were introduced for variable pay from 2016 onwards, and the provisions were expanded as stated in the table above and formalised in the Existing Policy. The circumstances in which malus and clawback can be applied were extended to bring them into line with market practice and recent guidance on corporate governance in the UK as part of the New Policy.

6. *Performance measures and target setting*

Performance measures for the annual bonus scheme and the LTIP are selected to focus the executive Directors on strategic financial and operational priorities, both short-term and those related to long-term sustainable performance, providing alignment with shareholder interests. Targets for each performance measure are then set by the Committee in light of strategic objectives over the short term for the annual bonus scheme and over at least a three-year performance period for the LTIP. In setting targets, the Committee takes into account a number of reference points including internal and analysts' forecasts.

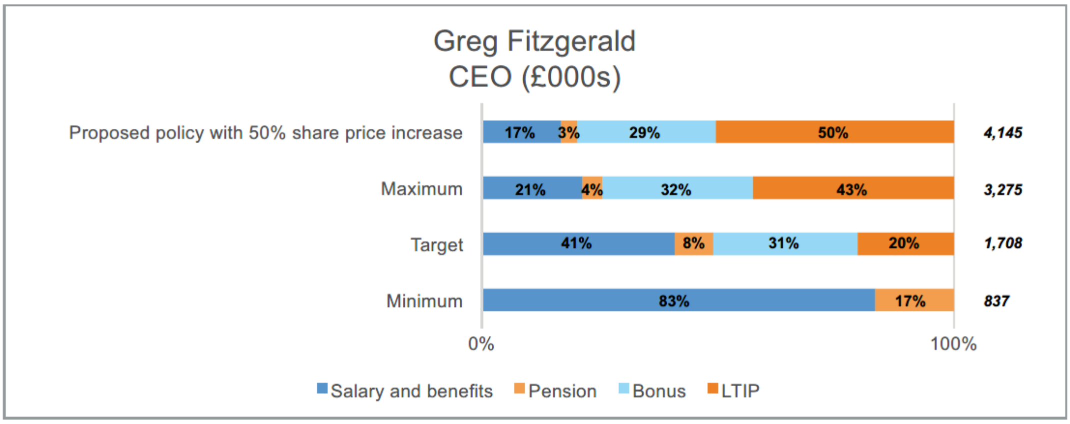
Regarding the Completion, performance measures for the annual bonus scheme and the LTIP will continue to be selected based on strategic financial and operational priorities. Although these will develop due to the Acquisition and increased size of the Company and the subsequent changing position in the market place, they will continue to reflect both short-term and long-term performance goals and be aligned with Shareholders' interests.

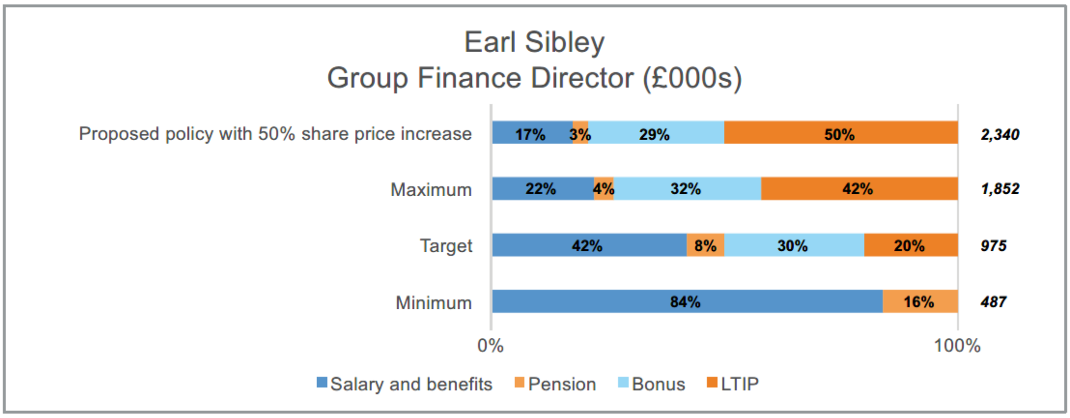
7. *Scenario charts*

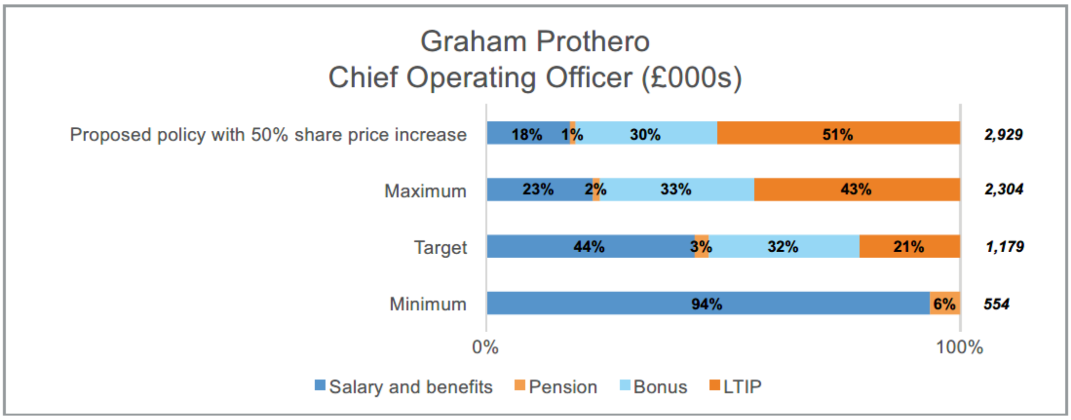
The chart below illustrates how much the current executive Directors could earn under different scenarios.

This is based on the following assumptions:

- Minimum performance reflects the most up-to-date base salary figures plus benefits and pension paid out in 2018 (as set out in the single figure table on page 86 of the 2018 Annual Report). Note that Greg Fitzgerald was not a member of a pension scheme during the year.
- Target performance reflects the most up-to-date base salary figures, benefits and pension paid out in 2018, annual cash bonus at 50 per cent. of maximum and LTIP vesting at the threshold of 25 per cent. of maximum.
- Maximum performance reflects the most up-to-date base salary figures, benefits and pension paid out in 2018, annual cash bonus at 100 per cent. of maximum and LTIP vesting at maximum of 100 per cent.
- The proposed policy maximum with 50 per cent. share price increase assumes the maximum value with a 50 per cent. increase in share price for LTIP awards and annual bonus awards deferred into shares.
- Incoming COO Graham Prothero's benefits are representative of those he received in 2019 as he is entitled to receive the same benefits package on appointment to the Board.







These scenario charts and the discretionary powers described in the New Policy identify and explain the range of possible value of rewards to individual directors.

8. *Remuneration policy for non-executive Directors*

The Board, comprising the Chairman and the executive Directors, sets the remuneration of the non-executive Directors, without their participation. The Committee, with the Chairman absenting himself from discussions, sets the remuneration of the Chairman who receives an all-inclusive fee. The level of fees must be within the limit approved by shareholders, contained in the Articles of Association. Non-executive Directors and the Chairman do not participate in the annual bonus scheme or the LTIP and are not eligible to join the Group's pension schemes. All non-executive Director and Chairman fees are payable in cash and there are no additional fees or other items in the nature of remuneration. All non-executive

Directors and the Chairman may receive reimbursement for reasonable expenses incurred and the Company may satisfy any related tax liabilities.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Non-Executive Director fees	To attract and retain non-executive directors and a chairman of the appropriate calibre.	Typically reviewed on an annual basis. Market benchmarking exercises are undertaken periodically and judgement is used in their application.	Fee increases may be applied in line with the outcome of any review. A basic fee is paid. Additional fees may be paid for additional responsibilities such as chairmanship/ membership of a committee. Fees are set at a level considered appropriate taking account of competitive positioning, the individual's responsibilities, the time commitment required and the size and complexity of the Company.	N/A

9. *Remuneration policy for new appointments*

In agreeing a remuneration package for a new executive director, it would be expected that the structure and quantum of variable pay elements would reflect those set out in the New Policy table above. However, the Committee would retain the discretion to flex the balance between annual and long-term incentives and the measures used to assess performance for these elements, with the intention that a significant proportion would be delivered in shares. Salary would reflect the skills and experience of the individual, and may be set at a level to allow future progression to reflect performance in the role. On recruitment, relocation benefits may be paid as appropriate.

This overall approach would also apply to internal appointments, with the provision that any commitments entered into before promotion, which are inconsistent with this New Policy, can continue to be honoured under the New Policy. Similarly, if an executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

An executive Director may initially be hired on a contract requiring 24 months' notice which then reduces *pro rata* over the first year of the contract to requiring 12 months' notice. The Committee may award compensation for the forfeiture of awards from a previous employer in such form, as the Committee considers appropriate taking account of all relevant factors including the expected value of the award, performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award. There is no specific limit on the value of such awards, but the Committee's intention is that the value awarded would be similar to the value forfeited.

Maximum variable pay will be in line with the maximum set out in the New Policy table above (excluding buy-outs). The Committee retains discretion to make appropriate remuneration decisions outside the standard remuneration policy to meet the individual circumstances when:

(i) An interim appointment is made to a fill an executive Director role on a short-term basis.

(ii) Exceptional circumstances require that the Chairman or a non-executive Director takes on an executive function on a short-term basis.

For non-executive Directors, the Board would consider the appropriate fees for a new appointment taking into account the existing level of fees paid to the non-executive Directors, the experience and ability of the new non-executive Director and the time commitment and responsibility of the role.

10. *Service contracts and exit payments policy*

The executive Directors' service contracts contain the key elements shown below.

Provision	Detailed terms
Length of term	12 months
Notice period	12 months by either employer or director
Termination payment	Up to 12 months' salary (excluding bonus or other enhancement)

The executive Directors' service contracts do not contain specific provision for compensation in the event of removal at an annual general meeting. In the event of early termination, some Directors may be eligible for payments in lieu of notice.

When determining exit payments, the Committee would take account of a variety of factors, including individual and business performance, the obligation for the director to mitigate loss (for example, by gaining new employment), the Director's length of service and any other relevant circumstances, such as ill health. A departing director may also be entitled to a payment in respect of statutory rights.

The Committee would distinguish between types of leaver in respect of incentive plans. 'Good leavers' (death, ill health, agreed retirement, redundancy or any other reason at the discretion of the Committee) may be considered for a bonus payment having completed the full year and part-year bonus payments may be paid and LTIP awards may vest at the usual time taking into account performance conditions and pro rating for time in employment during the performance period, unless the Committee determines otherwise.

The LTIP rules include discretion, in exceptional circumstances, for acceleration of the realisation date and upwards adjustment to the number of shares to be realised for 'good leavers' in such a situation. In all other leaver circumstances, the Committee would decide the approach taken, which would ordinarily mean that leavers would not be entitled to consideration for a bonus and LTIP awards would lapse. Any vested LTIP award that is subject to a holding period at the time of the executive's cessation of employment will not lapse except in the case of the executive's gross misconduct. 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 Directors' office or employment. In addition, the Committee reserves the right, acting in good faith, to pay fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

The appointment of the Chairman and each of the non-executive Directors is for an initial period of three years, which is renewable for further terms, and is terminable by the Chairman or non-executive Director (as applicable) or the Company on 12 or, for more recent appointments, three months' notice. New Chairman or non-executive director appointments are subject to a three-month notice period. No contractual payments would be due on termination. There are no specific provisions for compensation on early termination for the non-executive Directors, with the exception of entitlement to compensation equivalent to 12 or three months' fees (as applicable) or, if less, the balance of appointment, in the event of removal at an annual general meeting.

11. *Change of control*

All the Company's share plans contain provisions relating to change of control. In general, outstanding awards would normally vest and become exercisable on a change of control, to the extent that any applicable performance conditions have been satisfied at that time, reflecting the time period to the date of the event. Any deferred bonus shares will be released on change of control. The LTIP rules include discretion for upwards adjustment to the number of shares to be realised in the event of a takeover, scheme of arrangement or voluntary winding up.

12. *External directorships*

Executive Directors may, if so authorised by the Board, accept appointments as non-executive directors of suitable companies and organisations outside the Group and retain any associated fees.

13. *Decision-making process followed for the remuneration policy's determination, review and implementation*

The Committee has considered the impact of the Acquisition on the Group's Existing Policy given the increased company size and market positioning that would result and put forward the New Policy to a binding shareholder vote which is reflective of the increased responsibility and scope that the executive director roles will entail.

The Committee considers it a key priority for the future success of the Enlarged Group and the ability to unlock shareholder value that executive Directors be aligned to the interests of the Enlarged Group from "day one" of Completion.

The overarching principle applied by the Committee is that the basis of the Existing Policy is well established and understood by both executive directors and the Company's investor base, but that changes are required which take account of the ensuing impact of the Acquisition. These changes include increases to incentive levels to align with the adjusted market position as well as the introduction of other policy measures sought by institutions and investors, some of which are developing in the marketplace.

The Committee avoids conflicts of interest by all of its members being independent non-executive Directors. The Committee's terms of reference, which can be found on the

Group’s website at www.bovishomesgroup.co.uk, contains further details on the independence of the members of the Committee. While the Committee receives information from the Company and advice from its remuneration advisers, it makes decisions using its own independent judgement.

14. ***Pay and conditions throughout the Group***

The pay and conditions of employees throughout the Group are considered by the Committee in setting policy for the executive Directors and senior management. The Committee is kept regularly informed on the pay and benefits provided to employees and base salary increase data from the annual salary review for general staff is considered when reviewing executive Directors’ salaries and those of senior management. The Committee does not consult with employees when setting the remuneration policy for the executive Directors.

15. ***Difference in the Company’s policy on remuneration of Directors compared to employees***

The policy for the executive Directors is designed with pay and conditions throughout the Group in mind. The Committee believes that some differences are necessary to reflect responsibility and provide appropriate focus and motivation for delivery of the Group’s strategy. Executive Directors, therefore, have a higher bonus opportunity than employees generally to motivate them to achieve stretching annual targets and they participate in the LTIP to provide focus on long-term sustainable performance. This approach is designed to provide an appropriate emphasis on performance related pay.

16. ***Consideration of Shareholder views***

The Company is committed to ongoing dialogue with shareholders and welcomes feedback on Directors’ remuneration. Feedback received from meetings during the year and in relation to the annual general meeting is considered, together with guidance from shareholder representative bodies more generally, and taken into account in the annual review of the policy. The Committee believes that it has a responsible approach to Directors’ pay and that its policy is appropriate and fit for purpose.

Support from Shareholders is evidenced by the 99 per cent. approval of the 2018 Directors’ Remuneration Report at the 2019 annual general meeting (see the Remuneration Report for further details).