Directors' Remuneration Report

Letter from Nick Gregg, Chairman of the Remuneration Committee

Dear Shareholder.

On behalf of the Board, I am pleased to present our 2021 Directors' Remuneration Report.

As an AIM listed company, we are not required to fully apply the remuneration-related disclosures that Premium Listed companies incorporated in the UK are subject to. Nevertheless, the Board wishes to ensure that executive remuneration remains both transparent and stable and, therefore, considers it appropriate for the Company to provide Shareholders with detailed information with respect to executive remuneration. Furthermore, and as we have done for many years now, Shareholders will be asked to approve the Directors' Remuneration Report at the forthcoming Annual General Meeting ('AGM'). We consider that our current approach to remuneration is working well and has the support of Shareholders, as reflected by the voting results at the 2021 AGM where we received 99.65% of votes in favour of the Directors' Remuneration Report. No changes are proposed to the remuneration policy for 2022.

Remuneration in 2021 and Our Response to COVID-19

We operated our remuneration policy during 2021 in line with the approach set out in the 2020 Directors' Remuneration Report. As disclosed last year, given the business and economic volatility at the start of 2021 and the resultant difficulty in forecasting financial performance, the Committee had not finalised the 2021 remuneration package for Executive Directors in respect of base salary, bonus and LTIP by the time the 2020 Directors' Remuneration Report was signed off. The Committee opted to delay any decision on base salary and bonus until later in the year, enabling us to have better insight into COVID-19 related developments and the potential for market recovery as vaccines were deployed. For the LTIP, and in line with guidance from the Investment Association, the Committee granted an award in March 2021 but deferred the target setting. This allowed the Committee to set targets in light of the then prevailing circumstances, ensuring they were calibrated appropriately, suitably challenging and in-line with business performance.

The Committee ultimately agreed the following in respect of 2021 remuneration:

- base salary for each executive Director was increased by 2.5 per cent with effect from 1 April 2021, such increase being inline with that of the wider employee population not subject to the National Living Wage. The normal salary review date is January, but for 2021 we deferred decisions in light of the market uncertainty at the start of the year;
- in previous years, annual bonus targets have been based on the Group's adjusted profit before taxation result. Following careful consideration, the Committee agreed that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. Accordingly, the maximum amount payable to each of the Chief Executive Officer and the Chief Financial Officer in respect of 2021 was reduced by half. Achievement against the performance targets was assessed after the end of the financial year and this resulted in a payment of 72.7 per cent of the maximum available to the Executive Directors, which the Committee felt was a strong result in the wider market context. In considering the bonus outcome, the Committee took into account the Company's overall performance as well as the fact that no support was claimed from the Coronavirus Job Retention Scheme during the second half of 2021. The full targets are disclosed on page 99; and
- in determining the performance conditions for the LTIP, the Committee took into account the Group's business plan as well as the outlook for the sector, general macroeconomic conditions and the range of analysts' consensus forecasts for the financial year ending 31 December 2023. Following careful consideration, the Committee agreed to retain two separate performance targets:
  - Total Shareholder Return: 50 per cent of the 2021 LTIP Award will vest by reference to the annualised growth in the Company's net return index ('TSR') over the performance period relative to the annualised growth in the FTSE AIM All-Share Industrial Goods and Services net return index (the 'Index') over the performance period. None of this element of the 2021 LTIP Award will vest if the TSR growth is less than the Index growth, one quarter will vest if the TSR growth is equal to the Index growth and the whole of this element of the 2021 LTIP Award will vest if the TSR growth is at least seven per cent above the Index growth. Vesting will be on a straight-line basis between these points. This performance target is the same as for previous awards.
  - Earnings per Share: The remaining 50 per cent of the 2021 LTIP Award will vest by reference to the Company's adjusted diluted earnings per share from continuing operations ('EPS') as at 31 December 2023. The figure will be further adjusted to exclude any impact on EPS of the capital allowances super-deduction, which offers 130% first-year relief on qualifying main rate plant and machinery investments until 31 March 2023. None of this element of the 2021 LTIP Award will vest if EPS is less than 9.45 pence, one quarter will vest if EPS is equal to 9.45 pence and the whole of this element of the 2021 LTIP Award will vest if EPS is 10.5 pence or greater. Vesting will be on a straight-line basis if EPS is between 9.45 pence and 10.5 pence.

In respect of the EPS targets set out above, the Committee decided to shift to measuring EPS on the basis of the performance achieved in the final year of the performance period due to the difficulties of using a "percentage growth" structure from a base point in 2020 when the Company reported a loss per share and the financial results were significantly impacted by the pandemic. The Committee is satisfied that the targets chosen for this award are appropriately challenging in the context of expectations of the Company's performance over the three-year performance period.

Additionally, the Committee assessed the extent to which the targets had been met for the LTIP award made in 2019, with performance measured over the three-year period to 31 December 2021. Taking into account both the Group's Total Shareholder Return (TSR) performance relative to the FTSE AIM All-Share Industrial Goods and Services net return index and Adjusted Earnings Per Share (EPS) performance relative to RPI, the Committee determined that the performance targets had not been met, that no discretion would be applied to the outcome and that, therefore, the LTIP award would lapse in full.

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Remuneration Policy
During the year, the Committee reviewed the remuneration policy and its implementation, taking account of the 2018 UK Corporate Governance Code (the '2018 Code'), the Remuneration Regulations and general market developments. The Committee takes seriously its role in ensuring the interests of colleagues, Shareholders and other key stakeholders are considered fairly and in the context of wider societal expectations.

The Committee believes that the Group's approach to executive remuneration is consistent with the principles of the 2018 Code. There is a clear linkage between the performance metrics and targets used in the incentive schemes and the long-term growth strategy for the business. As outlined in this report, we have a formal and transparent procedure for developing our executive remuneration policy. Discretion is exercised appropriately when reviewing and authorising remuneration outcomes. No such discretion was exercised in respect of 2021.

The remuneration policy is structured in line with the factors set out in Provision 40 of the 2018 Code. Pay is designed to be relatively simple and is disclosed transparently in this report. We take into account the Group's approach for the broader employee base when considering executive remuneration. The size of potential awards under the annual bonus scheme and the LTIP is not considered excessive in the context of wider market practice and the likelihood of rewards which would be inconsistent with performance is limited – as demonstrated during 2021. We set targets under the incentive schemes which are designed to be challenging but achievable and which do not encourage inappropriate risk-taking. We believe that the strong ethical and governance culture across the Group is echoed by the rigour with which executive remuneration is considered by the Committee and the commitment to openness highlighted in this report. Taking into account practice at other companies, and the competitive market for senior talent, we believe that pay for the Executive Directors, both in terms of quantum and structure, is appropriate.

We are, however, aware of the following two areas where we do not fully comply with the 2018 Code provisions on remuneration:

1. We have not introduced a formal post-employment shareholding requirement for the Executive Directors. We believe that our current approach provides for a sufficient long-term alignment of interest between executives and Shareholders through, for example, the LTIP (which stipulates that, for awards granted in or after 2019, the further two-year holding period over and above the three-year performance period will continue to apply in the event of cessation of employment) and the existing personal shareholding requirement of 200% of basic salary (which applies during employment). At the present time we have decided not to go further than this but we will keep these matters under regular review as market practice in this area continues to develop.
2. We have not fully aligned Executive Director pensions with the wider workforce. Provision for both the CEO and the CFO remains above the workforce average, although we have moved the pension contribution rate for the CEO closer towards the rate payable to the wider workforce. The Directors' pension provision reflects historical entitlements and while we do not currently propose to make additional changes, we are aware of the general investor expectation that contribution rates will be aligned with those of the wider workforce by 31 December 2022 and will therefore keep this under active review over the coming year.

Looking Ahead
The Committee has agreed to increase the base salary for each of the Chief Executive Officer and Chief Financial Officer by 2.5% with effect from 1 January 2022, such increase being lower than that for the wider employee population.

The performance measures for the 2022 annual bonus scheme are set out on page 91. Whilst the majority of the bonus opportunity will be based on stretching financial based targets, the Committee has introduced a number of specific and measurable sustainability targets, in respect of 10% of the overall bonus opportunity, to reflect our enhanced focus on ESG following the launch of The Johnsons Way, our refreshed sustainability strategy, in February 2022. As in previous years, we will disclose the specific 2022 annual bonus targets and our performance against them in our 2022 Directors' Remuneration Report.

The Committee intends to grant the 2022 LTIP award to all eligible participants, including the Executive Directors, in March 2022. The broad performance metrics of TSR and EPS are expected to remain unchanged: the Committee believes that these are the most appropriate measures to align performance with strategy and the interests of stakeholders. The performance targets, performance period and grant levels will be announced to the market at the time of any grant and will also be disclosed in next year's Directors' Remuneration Report.

Conclusion
2022 will inevitably be another busy year for the Committee. We continue to be faced with the significant challenge of ensuring our remuneration packages motivate, retain, and fairly reward our highly valued and respected management team as it maintains its performance in delivering our recovery for our stakeholders. As a Committee, we will continue to be cognisant of market developments with regard to the development of our executive remuneration policies and structures and will continue to emphasise the links to performance and our wider stakeholders in our deliberations.

As we have done for many years, we will put our Directors' Remuneration Report to Shareholders for approval at the 2022 AGM. I hope you agree that the decisions we have made during the year, together with the prudent and mindful approach we have adopted in respect of 2021 and 2022 remuneration decisions, are positive and that you will continue to support the resolution relating to remuneration. In the meantime, should you have any questions, I am contactable via the Company Secretary.

Nick Gregg
Chairman, Remuneration Committee

7 March 2022

Directors' Remuneration Report

COVID-19 Impact on Executive Remuneration

The following table summarises the key components of executive remuneration and the decisions made by the Remuneration Committee in response to COVID-19 during the year ended 31 December 2021:

Element of Remuneration	Committee Decision	Rationale
2019 LTIP vesting	No adjustments to the LTIP were made during the year. The award lapsed in full in line with performance against the targets.	The award lapsed in accordance with the level of achievement against the performance conditions. The Committee took into consideration the wider stakeholder experience, including employees, Shareholders, customers and the communities in which we operate and considered it appropriate not to adjust the formulaic outcome of the LTIP performance conditions.
2021 salary review	Base salary for each Executive Director was increased by 2.5 per cent with effect from 1 April 2021, such increase being in line with that of the wider employee population not subject to the National Living Wage.	The Committee considered the general pay and employment conditions of all employees within the Group prior to assessing the level of any salary increase for the Executive Directors.
2021 bonus plan design	In previous years, annual bonus targets have been based on the Group's adjusted profit before taxation result. Following careful consideration, the Committee agreed that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. Accordingly, the maximum amount payable to each of the Chief Executive Officer and the Chief Financial Officer in respect of 2021 was reduced by half.	The Committee determined at the start of the year that it was unable to set meaningful targets for the 2021 bonus scheme given the significant Covid-related uncertainty at that time and the associated difficulty in reliably forecasting financial performance. As end markets became less volatile and trading performance improved, the Committee subsequently decided it was possible to set targets for the second half of the year. As a result of the shorter measurement period, the maximum bonus opportunity for the year was halved.
2021 LTIP award	The LTIP was granted as normal following release of the 2020 annual results in March 2021 however, given the uncertainties at that time caused by COVID-19, the setting of targets for the award was deferred. The targets, details of which are set out on page 103, were subsequently announced to the market in September 2021.	Given the significant Covid-related uncertainty and business volatility at the time of grant, and the associated difficulty in forecasting and setting long-term earnings per share performance targets, the Committee determined it appropriate to delay the setting of targets until later in the year when it would anticipate having better visibility of long-term financial performance.

Directors' Remuneration Report
Committee Summary

REMUNERATION COMMITTEE

Membership and Attendance

Throughout 2021, membership of the Remuneration Committee (the 'Committee') comprised of the Independent Non-Executive Directors and has been chaired by Nick Gregg. Prior to his retirement on 5 May 2021, Bill Shannon (former Non-Executive Chairman) was also invited to attend the meetings. None of the members of the Committee have, or had, any personal financial interests in the Company (other than as Shareholders), conflicts of interests arising from cross-directorships or day to day involvement in running the business.

	Member Since	Eligible to Attend[1]	Meetings Attended[1]
Nick Gregg (Committee Chairman)	Jan 2016	7	7
Chris Girling	Aug 2018	7	7
Jock Lennox	Jan 2021	7	7

Note 1: Includes scheduled and unscheduled meetings.

Main Responsibilities

In line with the authority delegated by the Board, the Committee sets the Company's Remuneration Policy and is responsible for determining remuneration terms and conditions of employment for the Chairman of the Board, Executive Directors and those members of the Group Management Board whom are not Executive Directors.

The Committee:

- ensures that the Executive Directors are appropriately incentivised to enhance the Group's performance and rewarded for their contribution to the success of the business by designing, monitoring and assessing incentive arrangements, including setting stretching targets and assessing performance and outcomes against them;
- reviews the remuneration arrangements for other senior executives within the Group, namely those members of the Group Management Board who are not Executive Directors;
- in undertaking its responsibilities above, reviews and monitors the remuneration and related policies and culture applying to the wider workforce, taking these into account when considering, developing and setting remuneration policies and packages for Executive Directors and the Group Management Board; and
- maintains an active dialogue with Shareholders, ensuring their views and those of their advisors are sought and considered when setting executive remuneration.

The Committee regularly reports to the Board on how it has discharged its responsibilities. The full terms of reference of the Committee are available on the Company's website, or on request to the Company Secretary.

EXTERNAL ADVISORS

The Committee seeks and considers advice from independent remuneration advisors where appropriate. The current appointed advisors, Korn Ferry, were selected through a thorough process led by the Chairman of the Committee and were appointed by the Committee in June 2019.

The Chairman of the Committee has direct access to the advisors as and when required, and the Committee determines the protocols by which the advisors interact with management, in particular the Company Secretary, in support of the Committee. The advice and recommendations of the external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisors attend Committee meetings as and when required by the Committee.

Korn Ferry is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Korn Ferry has confirmed that it has adhered to that Code of Conduct throughout the year for all remuneration services provided to the Group and therefore the Committee is satisfied that its advice is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at remunerationconsultantsgroup.com.

Fees payable in respect of services provided to the Committee are as follows:

	2021 £000	2020 £000
Korn Ferry (note 1)	**2**	12
	2	12

Note 1: Fees payable during the current and prior year relate to advice on market practice, governance updates, reward consultancy, attendance at Committee meetings and ad-hoc advice.

Directors' Remuneration Report

Remuneration Policy

OVERVIEW

The Committee reviews the Company's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Company's business objectives, in line with best practice, and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to retain, motivate and attract employees of the highest calibre.

The Committee intends that base salary and total remuneration of Executive Directors should be in line with the market. Remuneration is periodically benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the market for each element of remuneration. The Committee also considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market conditions, and to governance trends when assessing the level of salaries and remuneration packages of Executive Directors.

The total remuneration package links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The remuneration policy is designed to incentivise executives to meet the Company's strategic objectives, such that a significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's strategic business drivers (which can be easily measured, understood and accepted by both executives and Shareholders) and appropriate external comparator groups.

The Committee considers that the targets set for the different elements of performance related remuneration are both appropriate and demanding in the context of the business environment and the challenges with which the Group is faced.

Prior to proposing the adoption of new or amended employee share schemes, the Company will consult in advance with, and seek feedback from, major Shareholders. New schemes may need to be proposed in order for the Company to be able to continue to operate its executive and all employee share schemes, for example, due to the incumbent scheme nearing the end of its lifetime. Existing schemes may need to be amended to reflect current or emerging best practice. Following any consultation process, the adoption of new or amended employee share schemes will then be proposed at the next relevant AGM (as evidenced at the 2018 AGM).

Full details of all current schemes are included within this Report.

Directors' Remuneration Report

Remuneration Policy

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REMUNERATION POLICY TABLE

The current remuneration of Executive Directors comprises base salary, taxable benefits, pension, annual bonus and a Long-Term Incentive Plan ('LTIP'). Details of how the various components of remuneration are delivered are set out below.

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
Base Salary Reflects the individual's role, experience and contribution. Set at levels to attract and retain individuals of the calibre required to lead the business and to ensure no over reliance on variable pay.	Base salaries are reviewed annually with any increases normally taking effect on 1 January of each year. Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions as well as increases for the wider workforce. Increases may be above this when an Executive Director progresses in the role, gains substantially in experience, there is a significant increase in the scale of the role, or was appointed on a salary below the market. These will be appropriately explained in the relevant year's annual report.	None.
Taxable Benefits To provide a competitive level of benefits in order to attract and retain individuals of the calibre required to lead the business.	Taxable benefits, which are not performance related, principally include, but are not limited to, the provision of a car or car allowance and private medical insurance for Executive Directors and their dependants.	The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value.	None.
Pension To ensure the Company can provide a fully competitive level of benefits in order to attract and retain individuals of the calibre required to lead the business.	Executive Directors are invited to participate in the Company's defined contribution pension scheme or to take a cash alternative allowance in lieu of pension entitlement. In addition, both the CEO and CFO are members of the Company's defined benefit pension scheme. The CEO left active pensionable service on 31 December 2014 and the CFO left active pensionable service on 31 December 2011.	For the Company's pension cash allowance (or pension contribution as appropriate), the CEO was historically entitled to a maximum employer contribution of 14% of base salary. As previously disclosed, and having regard to recent developments in executive pensions, the Committee determined that the CEO's maximum entitlement would be capped at the cash value of his 2019 entitlement such that, over a period of time, the rate payable to the CEO would reduce and move closer to that payable to the wider workforce. For 2021, this equated to a contribution rate of 9.7% on the CEO's salary. The CFO is entitled to a maximum of 17.8% of base salary. For all new executive appointments to the Board, the employer pension contribution rate will be aligned with that available to the majority of the wider workforce, such rate currently being approximately 6%. Further details are set out on page 98.	None.

REMUNERATION POLICY TABLE (CONTINUED)

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
Annual Bonus To incentivise and reward the achievement of stretching one-year key performance targets set by the Committee at the start of each financial year.	The annual bonus is, ordinarily, earned by the achievement of one-year performance targets set by the Committee at the start of each financial year and is delivered in cash. Performance targets have historically been based upon the Group's financial results however, to reflect our enhanced focus on ESG, the Committee has introduced a sustainability target in respect of 10% of the overall bonus opportunity for 2022. The Committee retains the discretion to adjust the targets to take account of events which were not foreseen or allowed for at the start of the year when targets were set, for example, acquisitions in the year. The Committee also retains the discretion to adjust the bonus outcomes and/or targets to ensure that they reflect the underlying business performance. No adjustments have been made to the performance targets in relation to the impact on the business of COVID-19. The annual bonus is subject to malus and/or clawback. The Chairman and the Non-Executive Directors are not eligible to participate in the annual bonus scheme.	Ordinarily, the maximum amount payable to the CEO is 125% of base salary; the target award is 62.5% of base salary, with a further maximum of 62.5% for enhanced performance. Ordinarily, the maximum amount payable to the CFO is 110% of base salary; the target award is 55% of base salary, with a further maximum of 55% for enhanced performance. In both cases, no bonus is payable for below threshold performance but increases on a straight-line basis to target payout and from target to maximum. In respect of 2021 only, and reflective of the performance targets only being based on the financial result for the second half of the year, the maximum amount payable to each of the CEO and the CFO was reduced by half.	In previous years, annual bonus targets have been based on the Group's adjusted profit before taxation result, with performance measured over the financial year. As disclosed in the 2020 Directors' Remuneration Report, the Committee determined at the start of 2021 that it was unable to set meaningful but stretching targets for the 2021 bonus scheme given the significant Covid-related uncertainty at that time and the associated difficulty in reliably forecasting financial performance. As end markets became less volatile, the Committee subsequently revisited this issue. Following careful consideration, the Committee determined that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. No bonus is payable for below threshold performance; maximum payout requires performance significantly ahead of the minimum performance target threshold.

Directors' Remuneration Report
Remuneration Policy
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REMUNERATION POLICY TABLE (CONTINUED)

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
LTIP To incentivise and reward Executive Directors for the delivery of longer-term financial performance and Shareholder value. Share-based to provide alignment with Shareholder interests.	An annual conditional award of ordinary shares which may be earned after a single three-year performance period, based on the achievement of stretching performance conditions. Awards granted during or after 2019 require participants to hold vested LTIP shares (net of any shares sold to meet tax and social security liabilities) for a period of two years post vesting. Calculations of the achievement of the performance targets are independently performed and are approved by the Committee. To ensure continued alignment between Executive Directors' and Shareholders' interests, the Committee also reviews the underlying financial performance of the Group and retains its discretion to adjust vesting if it considers that performance is unsatisfactory. Malus and clawback rules operate in respect of the LTIP.	Annual LTIP awards may be made at the following levels of base salary: CEO: 125% CFO: 110%	The Committee will select the performance measures and weightings prior to the grant of awards that support the Company's longer-term strategy and shareholder value from time to time. The performance conditions attached to the awards granted up to and including 31 December 2021, and which were outstanding at that date are linked to the Company's Total Shareholder Return (TSR) and Earnings per Share (EPS) performances. Further details are set out on pages 102 to 104.

NOTES TO THE REMUNERATION POLICY TABLE

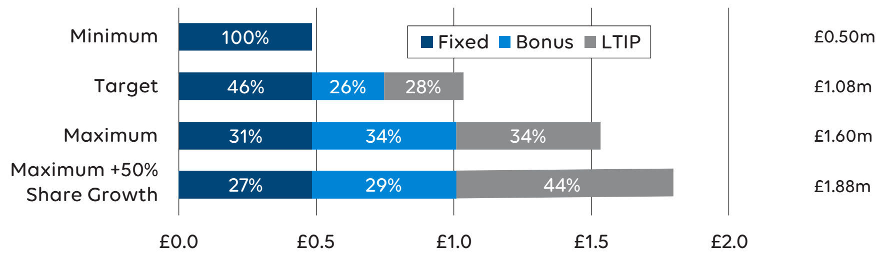
The Remuneration Policy for Executive Directors differs from that of other members of the Group Management Board solely in respect of quantum of the various components and remuneration. Executive Directors have a greater proportion of their total remuneration package at risk than other employees, however, the structure and principles of incentives are broadly consistent. The wider employee population of the Group will receive remuneration that is considered to be appropriate in relation to their geographic location, level of responsibility and performance.

ILLUSTRATIONS OF THE APPLICATION OF THE REMUNERATION POLICY

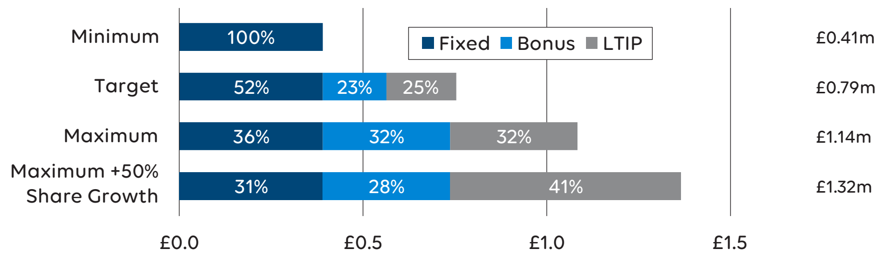
The Company's policy is to provide a total remuneration package that links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The charts below show an example of the remuneration that could be receivable by Executive Directors in office at 1 January 2022 under the policy set out in this Directors' Remuneration Report.

Each bar gives an indication of the minimum amount of remuneration payable, remuneration payable at target and at maximum performance to each Executive Director under the policy. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP.

Peter Egan
Illustration Only



Yvonne Monaghan
Illustration Only



The above illustration is based on a number of assumptions:

- fixed remuneration includes:
  - annual base salary as at 1 January 2022;
  - value of taxable benefits received in 2021 as shown in the single figure table on page 97; and
  - pension cash alternative allowance as at 1 January 2022.
- variable remuneration at minimum, target and maximum payout has been assumed at 0%, 50% and 100% respectively of maximum bonus opportunity;
- variable remuneration at minimum, target and maximum payout has been assumed at 0%, 55% and 100% respectively of maximum LTIP opportunity;
- share price appreciation has been calculated as a 50% increase in the value of the LTIP between the date of grant and vesting; and
- no dividend accrual has been incorporated in the values relating to the LTIP.

Directors' Remuneration Report

Remuneration Policy

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MALUS AND CLAWBACK

To reflect best practice, and to align with Shareholder interests, the Committee introduced malus and clawback provisions in relation to all annual bonus and LTIP schemes (together 'Awards') granted on or after 1 January 2015.

Those provisions enabled the Committee to decide, up until the second anniversary of an Award becoming payable, in circumstances in which the Committee considers it appropriate, to reduce the quantum of an Award, cancel an Award or impose further conditions on an Award. The provisions also enabled the Committee to decide, up until the second anniversary of an Award becoming payable that, in the relevant circumstances, the participant must repay to the Company (or any person nominated by the Company) some or all of the cash or shares received under an Award.

The circumstances in which the Committee may apply the malus and clawback provisions included, but were not limited to:

- a material misstatement of the Company's audited financial results;
- a miscalculation of the extent to which a performance target has been met;
- a material failure of risk management by the Company; and
- serious reputational damage to the Company.

During 2019, the circumstances in which the Committee may apply the malus and clawback provisions were broadened to specifically include:

- misconduct by a participant; and
- a material downturn in the financial position of the Company.

The Committee also resolved that:

- the period for discovery of the circumstances for malus and clawback be increased from two years to three years from payment of bonuses and vesting of LTIP awards; and
- for the annual bonus, broaden the recovery methods to specifically include the ability to reduce future award levels and unvested and vested unexercised share incentive awards; and
- for the avoidance of any doubt, make it clear within the scheme documentation that, where the Committee is of the opinion that the formulaic outcome is either not reflective of the underlying performance of the Company or does not accord with the Shareholder experience, or for any other circumstances that the Committee, acting fairly and reasonably, considers appropriate, then it shall have the discretion to adjust the formulaic outcome.

The additional provisions above apply to Awards granted on or after 1 January 2020.

PERSONAL SHAREHOLDING REQUIREMENT AND HOLDING PERIODS

In order that their interests are linked with those of Shareholders, Executive Directors were previously expected to build up and maintain a personal shareholding in the Company, equal to at least the value of base salary, over a period of five years from appointment.

In light of developments in best practice, and in order to ensure continued alignment between Executive Directors' and Shareholders' interests, the Committee amended the policy in 2019 such that Executive Directors are now expected to build and maintain a personal shareholding in the Company equal to at least 200% of the value of base salary. For the purpose of this requirement, the net of tax number of vested but unexercised share awards, which are not subject to any further performance conditions, will be included. The Committee agreed that, whilst the period in which an Executive Director is expected to build up a personal shareholding in the Company should remain as five years, in recognition of the significantly increased shareholding requirement such five year period should commence from 31 December 2019, or date of appointment if later. The Committee will monitor progress annually.

The Committee has also considered whether Executive Directors should be required to hold any shares for a further period after vesting or exercise of an LTIP award, subject to the need to finance any costs of acquisition and associated tax liabilities. The rules of the 2018 Long-Term Incentive Plan (the '2018 LTIP Scheme'), which were approved by Shareholders at the 2018 AGM, contain provisions which allow the Committee to require that shares acquired from vesting LTIP awards must be retained for a prescribed period post vesting.

Accordingly, awards granted under the 2018 LTIP Scheme in 2019 and thereafter are subject to a two year post-vesting holding period over and above the three year vesting period of an LTIP award (the 'Holding Period'). The Holding Period will continue to apply in the event of cessation of employment, save where cessation is by reason of death in which case the Holding Period shall immediately be deemed to have ended.

APPROACH TO RECRUITMENT REMUNERATION

The Committee would expect to apply the same Remuneration Policy as that which applies to existing Executive Directors when considering the recruitment of a new Executive Director.

Nevertheless, other arrangements may be established specifically to facilitate recruitment of a particular individual, albeit that any such arrangement would be made within the context of minimising the cost to the Company. An example might be the need to provide a level of compensation for forfeiture of bonus entitlements and/or unvested long term incentive awards from an existing employer, if any, or the additional provision of benefits in kind and other allowances, such as relocation, education and tax equalisation, as may be required in order to achieve a successful recruitment. Any arrangement established specifically to facilitate the recruitment of a particular individual would be intended to be of comparable form, timing, commercial value and capped as appropriate. The quantum, form and structure of any buyout arrangement will be determined by the Committee taking into account the terms of the previous arrangement being forfeited. The buyout may be structured as an award of cash or shares, however, the Committee will normally have a preference for replacement awards to be made in the form of shares, deliverable no earlier than the previous awards.

Where an Executive Director is appointed from either within the Company or following corporate activity/reorganisation, the normal policy would be to honour any legacy incentive arrangements to run off in line with the original terms and conditions.

The policy on the recruitment of new Non-Executive Directors would be to apply the same remuneration elements as for the existing Non-Executive Directors. It is not intended that variable pay, cash supplements, day rates or benefits in kind be offered, although in exceptional circumstances such remuneration may be required in currently unforeseen circumstances.

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

It is the Company's policy that Executive Directors have rolling service agreements. Peter Egan is employed under a service agreement dated 30 March 2018, as amended by a Variation Letter dated 21 December 2018 relating to his appointment to Chief Executive Officer from 1 January 2019. Yvonne Monaghan is employed under a service agreement dated 14 January 2004, as amended with the appointment to Chief Financial Officer on 31 August 2007.

The length of Board service as at 31 December 2021 for Peter Egan and Yvonne Monaghan was three years, nine months and 14 years, four months respectively.

The current Executive Directors' service agreements contain the key terms shown in the table below:

Provision	Detailed Terms
Remuneration[1]	• base salary, pension and benefits • car benefit • family private health insurance • life assurance • 30 days' paid annual leave • participation in the annual bonus plan, subject to plan rules • participation in the LTIP, subject to plan rules
Change of Control	• no special contractual provisions apply in the event of a change of control
Notice Period	• 12 months' notice from the Company • 6 months' notice from the director
Termination[2,3]	• payment in lieu of notice for a period of up to 12 months
Restrictive Covenants	• during employment and for a period of up to 12 months after leaving

Note 1: Whilst service agreements outline the components of remuneration payable, they do not prescribe how remuneration levels may be adjusted from year to year.

Note 2: In the event of termination without cause, the Company has a contractual obligation to compensate the Executive Director for the unexpired period of his or her notice. The Company will seek to reduce this payment by means of the Executive Director's duty to mitigate this payment wherever possible.

Note 3: Whilst unvested awards will ordinarily lapse upon termination, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date or to be accelerated (for example on death), subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time apportioned basis, unless the Committee determines otherwise. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to performance prior to the date of leaving. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.

Directors' Remuneration Report

Remuneration Policy

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CHAIRMAN'S SERVICE AGREEMENT

The Chairman has a fixed term appointment. The fee for the Chairman, which is commensurate with his experience and contribution to the Group, is reviewed annually with any increase generally taking effect on 1 January, although in 2021 fee increases, for all members of the Board, were applied with effect from 1 April. The Chairman does not participate in decisions regarding his own remuneration. The Chairman is not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business expenses and travel will be reimbursed. The Chairman's appointment is terminable without compensation on three months' notice from either side.

The Chairman is expected to devote such time as is necessary for the proper fulfilment of the role. Whilst this is not ordinarily expected to exceed 40 days per annum, the nature of the role makes it impossible to be specific about the maximum time commitment.

The Chairman is encouraged, but is not required, to hold a personal shareholding in the Company.

At 31 December 2021, the unexpired terms of the Chairman's letter of appointment was:

	Date of Latest Letter of Appointment	Term Start Date	Term End Date	Unexpired Term at 31 December 2021
Jock Lennox	4 January 2021	5 January 2021	4 January 2024	**2 years**

NON-EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

Non-Executive Directors each have fixed term appointments. Fees payable to the Non-Executive Directors, which are commensurate with their experience and contribution to the Group, are reviewed annually by the Board with any increase ordinarily taking effect on 1 January, although in 2021 the increase was applied with effect from 1 April. Non-Executive Directors do not participate in decisions regarding their own remuneration. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business expenses and travel will be reimbursed. A Non-Executive Director's appointment is terminable without compensation on three months' notice from the Company and one month's notice from the individual.

Non-Executive Directors are expected to devote such time as is necessary for the proper fulfilment of the role. Whilst this is not, ordinarily, expected to exceed 20 days per annum, the nature of the role makes it impossible to be specific about the maximum time commitment.

Non-Executive Directors are encouraged, but are not required, to hold a personal shareholding in the Company.

At 31 December 2021, the unexpired terms of the Non-Executive Directors letters of appointment were:

	Date of Latest Letter of Appointment[1]	Term Start Date	Term End Date	Unexpired Term at 31 December 2021
Chris Girling	24 August 2021	29 August 2021	28 August 2024	**2 years 8 months**
Nick Gregg	24 August 2021	1 January 2022	31 December 2024	**3 years**

Note 1: Chris Girling was first appointed to the Board on 29 August 2018; Nick Gregg was first appointed to the Board on 1 January 2016.

Directors’ Remuneration Report

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SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

	Note	Peter Egan		Yvonne Monaghan[5]	
		2021 £000	2020 £000	**2021 £000**	2020 £000
Fixed Pay					
Base Salary	1	**428**	371	**321**	278
Taxable Benefits	2	**17**	17	**20**	49
Pension	3	**42**	39	**57**	50
		487	427	**398**	377
Performance Related Pay					
Bonus	4	**196**	–	**129**	–
LTIP – Corporate Performance	4	**–**	–	**–**	–
LTIP – Share Price Growth	4	**–**	–	**–**	–
		196	–	**129**	–
Single Total Figure of Remuneration[6]		**683**	427	**527**	377

Note 1: As previously disclosed, the base salary payable to each of Peter Egan and Yvonne Monaghan in 2020 was expected to be £420,000 and £315,187 respectively. However, in response to the COVID-19 pandemic, the Executive Directors agreed to a 20% reduction in their salary for the period 1 April 2020 through to 31 October 2020. The figures in the table above for 2020 therefore reflect the revised base salaries net of the 20% temporary reduction. The (unreduced) 2020 salaries referred to above for Peter and Yvonne were subsequently increased by 2.5% with effect from 1 April 2021, in line with the increase applicable to the wider workforce, to £430,500 and £323,067, respectively.

Note 2: Taxable benefits relate to the provision of a car allowance and private medical insurance. Peter Egan’s car benefit for the year was £14,500 (2020: £14,500) and his private medical insurance benefit was £2,529 (2020: £2,199). Yvonne Monaghan’s car benefit for the year was £17,500 (2020: £17,500) and her private medical insurance benefit was £2,023 (2020: £1,759). In 2020 only, an amount of £30,159 was also payable to Yvonne Monaghan in respect of holidays having to be cancelled at the Company’s request for business reasons.

Note 3: Details of the amounts shown for Pension are set out on page 98.

Note 4: Details of the performance measures and weighting as well as the achieved results for the bonus and LTIP components are shown on pages 98 to 99 and 101 respectively. No bonus was deferred.

Note 5: As set out within the Director biographies on page 56, Yvonne Monaghan is also a Non-Executive Director of The Pebble Group plc and, prior to stepping down in September 2020, was also a Non-Executive Director of NWF Group plc. She received, and retained, total fees of £45,000 and £67,475 in each of 2021 and 2020 respectively for her services to these other organisations.

Note 6: Other than as described in Note 1 above, the Executive Directors did not waive any emoluments in respect of the years ended 31 December 2021 and 31 December 2020.

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PENSIONS
Executive Directors are contractually entitled to receive retirement benefits, which are calculated on base salary, under one or more of the Group's contributory defined benefit or defined contribution schemes. Details of the schemes are given in note 25 of the Consolidated Financial Statements.

Defined Benefit Entitlement
Each Executive Director who served during the year has left active pensionable service in the Johnson Group Defined Benefit Scheme (the 'JGDBS'), which is of the defined benefit type, and is entitled to a preserved benefit. The accrued pension entitlement shown below for Peter Egan is the amount that would be paid annually on retirement (at normal retirement age) and allows for revaluation in deferment from the date of leaving to the date of calculation. The accrued pension entitlement shown below for Yvonne Monaghan at 31 December 2020 allowed for revaluation in deferment since the date of her leaving active pensionable service to age 60 and a late retirement factor applied from age 60 to reflect the benefit entitlement assuming retirement at disclosure date. The figure at 31 December 2021 is the pre-commutation pre-tax pension at her date of retirement from the JGDBS, being 16 September 2021. In both cases, the pension is calculated based on the total period of pensionable service to the Company, both before and after becoming a Director.

	Accrued pension entitlement at 31 December 2021 £000	Accrued pension entitlement at 31 December 2020 £000
Peter Egan	**13**	13
Yvonne Monaghan	**62**	59

Yvonne Monaghan took a partial transfer of benefits from the JGDBS on 31 March 2012.

Defined Contribution Entitlement – Peter Egan
From 1 January 2015, Peter became a deferred member of the JGDBS. From that date, he was contractually entitled to a monthly employer pension contribution, equal to up to 14% of his monthly salary, which was paid to the JSG Pension Plan (the 'Plan'), a defined contribution scheme. The majority of employees within the Group are eligible to participate in the Plan. Employer contribution rates to the Plan are on a matching plus basis determined with reference to the employee's own pension contribution together with their salary banding. The employer contribution rate that is currently available to the majority of the wider workforce is approximately 6%, whilst the maximum employer contribution is 14%, based upon a 7% employee contribution, for all employees currently earning an annual salary greater than £113,798. With effect from April 2019, Peter opted to receive a cash alternative allowance in lieu of an employer pension contribution. From that date, the cash alternative allowance payable to Peter was 12.3% of his base salary – adjusted downwards from the 14% referred to above in order to take account of the impact of employer's national insurance.

Had Peter received a cash alternative allowance for the whole of 2019, it would have equated to £41,613. As previously disclosed, having regard to recent developments in executive pensions and in order that the employer rate in respect of Peter progresses towards the rate applicable to that for the majority of the wider workforce, the Committee determined that Peter's entitlement in 2020 and thereafter would be capped at the cash value of his 2019 cash alternative entitlement. The effect of this is that as Peter's salary increases, his cash alternative allowance, as a percentage of salary, will progress towards that available to the majority of the wider workforce. The cash alternative allowance payable in the year was £41,613 (2020: £38,838). The allowance paid in 2020 was lower due to the impact of the temporary salary reduction in place for a portion of the year.

Defined Contribution Entitlement – Yvonne Monaghan
From 1 January 2012, Yvonne opted to become a deferred member of the JGDBS and is contractually entitled to receive a monthly cash alternative allowance equal to 17.8% of her monthly salary. The cash alternative allowance payable in the year was £57,155 (2020: £49,558).

2021 BONUS ACHIEVEMENT
The annual bonus is normally earned by the achievement of one-year performance targets set by the Committee, ordinarily at the start of each financial year, adjusted accordingly to take account of events which were not foreseen or allowed for at the start of the year when targets were set, for example, acquisitions or changes in accounting policy.

As disclosed in the 2020 Directors' Remuneration Report, the Committee determined at the start of 2021 that it was unable to set meaningful targets for the 2021 bonus scheme given the significant Covid-related uncertainty at that time and the associated difficulty in reliably forecasting financial performance. As a result, it agreed to defer the setting of any annual bonus targets until later in the year.

As end markets became less volatile and trading performance improved, the Committee subsequently revisited this issue later in the financial year. In previous years, targets have been based on the Group's adjusted profit before taxation ('Adjusted PBT') result but excluding notional interest. Following careful consideration, the Committee agreed that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. Accordingly, whilst the maximum annual bonus amount payable to each of the Chief Executive Officer and the Chief Financial Officer is 125% and 110%, respectively, of base salary, the Committee determined that the maximum amount payable to each of the Chief Executive Officer and the Chief Financial Officer in respect of 2021 should be reduced by half. Bonus would not be payable for below minimum/threshold performance but would increase on a straight-line basis to target performance and then again on a straight-line basis from target to maximum.

The performance targets for the second half of 2021 are as set out below:

	Minimum £m	Target £m	Maximum £m	Achieved £m	Bonus Achieved as % of Maximum Opportunity
Adjusted PBT (excluding notional interest)	17.5	18.9	22.7	20.7	72.7

The Committee increased the 2021 target to reflect the impact of the acquisition of Lilliput (Dunmurry) Limited in September 2021, which was not included in the original target.

The Committee believes that these targets, adjusted to reflect the acquisition noted above, were appropriately stretching in the context of expected levels of performance for the business over the second half of 2021. Performance against the targets was assessed after the end of the financial year and this resulted in a bonus outcome as set out in the table above. The Committee felt that this represented a strong result in the wider market context and was a fair reflection of the Company's overall performance over the period. In arriving at this conclusion, the Committee noted that no support was claimed from the Coronavirus Job Retention Scheme during the second half of 2021.

Bonuses will be paid in cash and subject to malus and clawback provisions.

INTERESTS IN SHARE CAPITAL

The interests of the Directors who were in office at 31 December 2021, together with the interests of their close family, in the shares of the Company at the start and close of the financial year, were as follows:

	Beneficial		Conditional (note 4)		
	31 December 2021 Ordinary shares of 10p each	31 December 2020 Ordinary shares of 10p each	**31 December 2021 LTIP/SAYE options**	31 December 2020 LTIP/SAYE options	Share ownership guidelines
Peter Egan	**304,061**	221,804	**631,350**	714,204	Note 1
Yvonne Monaghan (note 3)	**694,955**	624,955	**424,465**	736,998	Note 1
Jock Lennox	**57,000**	–	**-**	–	Note 2
Chris Girling	**17,333**	17,333	**-**	–	Note 2
Nick Gregg	**33,695**	33,695	**-**	–	Note 2

Note 1: At its meeting on 26 February 2020, and following dialogue with major institutional Shareholders in 2019, the Committee agreed that Executive Directors would be expected to build and maintain a personal shareholding in the Company equal to at least 200% of the value of their base salary. Previously, Executive Directors were expected to build up and maintain a personal shareholding in the Company equal to at least the value of their base salary. Details of each Executive Director's personal shareholding is set out in the table below.

Note 2: Non-Executive Directors are encouraged, but are not required, to hold a personal shareholding in the Company.

Note 3: In addition to the beneficial and conditional interests shown above, Yvonne Monaghan is a Trustee of the Johnson Brothers Employee Benefit Trust (the "Trust"). The Trust is governed by a Trust deed dated 18 August 1936 and was set up for the benefit of employees or ex-employees of the Company or their respective widows, widowers, children or other dependants. The Trust owns 588,452 Ordinary shares of 10 pence each in the Company. The Company considers this to be a Non-Beneficial interest.

Note 4: Further details of the split between LTIP (with performance conditions attached) and SAYE (no performance conditions attached) options are shown below.

Note 5: There have been no changes in the Directors' interests in the shares of the Company during the period 31 December 2021 up until the date of signing this report.

The extent to which each Executive Director has achieved their personal shareholding requirement, further details of which are set out on page 94, is set out below; all values (including share price) are as at 31 December 2021:

	Beneficial Shareholding (No.)	Conditional Shareholding[1] (No.)	Deemed Shareholding (No.)	Share Price (p)	Value of Deemed Shareholding (£000)	Base Salary (£000)	Value of Deemed Shareholding as a % of Base Salary
Peter Egan	304,061	–	304,061	147.6	449	431	104%
Yvonne Monaghan	694,955	–	694,955	147.6	1,026	323	318%

Note 1: Vested shares, which have not yet been exercised, together with unvested shares, which are not subject to a further performance condition, can count towards the shareholding requirement on a net of tax basis. As at 31 December 2021, the unvested shares as shown in the table below were all subject to performance conditions and hence do not count towards the shareholding requirement.

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BENEFICIAL INTERESTS IN SHARE OPTIONS (AUDITED)

The interests of the Directors, who have served during the year, in share options of the Company at the commencement (or date of appointment if later) and close (or date of resignation if earlier) of the financial year were as follows:

	Date of Grant	At 31 December 2020	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31 December 2021	Option Price
Peter Egan								
Scheme 1	27 March 2017	95,000	–	–	–	(95,000)	**-**	nil
Scheme 4	4 October 2017	7,157	–	–	–	(7,157)	**-**	125.75p
Scheme 2	5 March 2019	330,322	–	(330,322)	–	–	**-**	nil
Scheme 2	3 March 2020	266,497	–	–	–	–	**266,497**	nil
Scheme 3	3 March 2020	15,228	–	–	–	–	**15,228**	197.00p
Scheme 2	22 March 2021	–	342,689	–	–	–	**342,689**	nil
Scheme 4	1 October 2021	–	6,936	–	–	–	**6,936**	129.75p
		714,204	349,625	(330,322)	–	(102,157)	**631,350**	
Yvonne Monaghan								
Scheme 1	27 March 2017	274,364	–	–	–	(274,364)	**-**	nil
Scheme 4	4 October 2017	7,157	–	–	–	(7,157)	**-**	125.75p
Scheme 2	5 March 2019	264,257	–	(264,257)	–	–	**-**	nil
Scheme 2	3 March 2020	175,992	–	–	–	–	**175,992**	nil
Scheme 3	3 March 2020	15,228	–	–	–	–	**15,228**	197.00p
Scheme 2	22 March 2021	–	226,309	–	–	–	**226,309**	nil
Scheme 4	1 October 2021	–	6,936	–	–	–	**6,936**	129.75p
		736,998	233,245	(264,257)	–	(281,521)	**424,465**	

Scheme 1 - The Johnson Service Group 2009 Long-Term Incentive Plan (the '2009 LTIP Scheme')
Scheme 2 - The Johnson Service Group 2018 Long-Term Incentive Plan (the '2018 LTIP Scheme')
Scheme 3 - The Johnson Service Group 2018 Long-Term Incentive Plan CSOP Section (the '2018 Approved LTIP Scheme')
Scheme 4 - The Johnson Service Group Sharesave Plan ('SAYE Scheme')

None of the terms or conditions of the share options were varied during the year.

Details of the 2009 LTIP, the 2018 LTIP, the 2018 Approved LTIP and the SAYE Scheme are given on pages 102 to 104 of the Directors' Remuneration Report.

AWARDS EXERCISED IN 2021

Details of the awards exercised during 2021 are set out below. No Director exercised any awards during 2020.

2017 LTIP Award

Awards were granted to certain employees on 27 March 2017 with an exercise price of £nil. The performance period was the three financial years starting 1 January 2017 and ending 31 December 2019. The performance conditions were met in full. Details of the performance conditions, together with the number of options vesting to each of Peter Egan and Yvonne Monaghan, were set out in the 2020 Directors' Remuneration Report.

On 26 March 2021, Peter Egan and Yvonne Monaghan exercised their options. The gross gain, at the point of exercise, attributable to each of Peter Egan and Yvonne Monaghan, prior to any taxation liabilities and dealing costs, was £146,471 and £423,015, respectively.

SAYE Scheme

On 29 March 2021, Peter Egan and Yvonne Monaghan each exercised options over 7,157 shares with an option price of 125.75 pence per share under the Company's SAYE Scheme. The market price at the point of the transaction was 155.4 pence per share.

AWARDS LAPSED IN 2021

Under the 2018 LTIP Scheme, awards were granted to certain employees on 5 March 2019 with an exercise price of £nil (the '2019 LTIP Award'). The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 128.0 pence. Peter Egan was granted 330,322 options and Yvonne Monaghan was granted 264,257 options. The performance period was the three financial years starting 1 January 2019 and ending 31 December 2021. The performance conditions are as set out below within 'Overview of Share Option Schemes'.

Whilst the award would not be capable of vesting until at least 5 March 2022, the performance period ended on 31 December 2021. The extent to which the performance conditions were met is set out below:

	Minimum Growth/ Return (per annum)	Maximum Growth/ Return (per annum)	Actual Growth/ Return (per annum)	% of Award Vesting	No. of Options to Vest (Peter Egan)	No. of Options to Vest (Yvonne Monaghan)
EPS (over RPI)	3%	8%	(46.9%)	0%	nil	nil
TSR (over Index)	0%	7%	(11.0%)	0%	nil	nil
					nil	nil

The Remuneration Committee resolved that no discretion would be applied to the above outcome and hence the options would lapse, with effect from the end of the performance period.

OUTSTANDING AWARDS

2020 LTIP Award

Awards were granted, under the 2018 LTIP Scheme, to certain employees on 3 March 2020 with an exercise price of £nil. In addition, linked awards were granted on the same date, under the 2018 Approved LTIP Scheme, with an exercise price of 197 pence each. The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 197 pence.

The number of options granted to each of the Executive Directors was as follows:

	2018 LTIP Scheme	2018 Approved LTIP Scheme
Peter Egan	266,497	15,228
Yvonne Monaghan	175,992	15,228

The number of options granted under the 2018 LTIP Scheme to each of Peter Egan and Yvonne Monaghan were equivalent to 125% and 110%, respectively, of their base salaries at the time. The performance period is the three financial years starting 1 January 2020 and ending 31 December 2022. The performance conditions are as set out below within 'Overview of Share Option Schemes'. If the minimum performance criteria were to be achieved, 25 per cent of the scheme interests would become receivable.

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2021 LTIP Award

Awards were granted, under the 2018 LTIP Scheme, to certain employees on 22 March 2021 with an exercise price of £nil. The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 153.2 pence. Peter Egan was granted 342,689 options, equivalent to 125% of his base salary at the time; Yvonne Monaghan was granted 226,309 options, equivalent to 110% of her base salary at the time. The performance period is the three financial years starting 1 January 2021 and ending 31 December 2023. The performance conditions are as set out below within 'Overview of Share Option Schemes'. If the minimum performance criteria were to be achieved, 25 per cent of the scheme interests would become receivable.

Holding Period

Each of the awards above are subject to an additional holding period for two years from the date on which the award vests (the 'Holding Period'). During the Holding Period, which will continue to apply in the event of cessation of employment, the award holder may not normally dispose of any of the shares which vest except to cover any income tax or social security contributions arising on the exercise of the award.

OVERVIEW OF SHARE OPTION SCHEMES

2009 LTIP Scheme

To incentivise certain employees to maximise Shareholder value and to ensure the employees' services are retained, the Company adopted the 2009 LTIP Scheme, which was approved by a resolution of the Board on 7 May 2009. All employees of the Group were eligible to participate in the 2009 LTIP Scheme, although in practice, participants were limited to Executive Directors and Senior Management. Participants in the 2009 LTIP Scheme were selected by the Remuneration Committee.

Eligible participants were granted awards entitling them to receive, subject to the rules of the 2009 LTIP Scheme, Ordinary shares in the Company after a specified vesting period and subject to the achievement of specified performance conditions. Vesting of awards granted under the 2009 LTIP Scheme normally occurs after a three year performance period.

Performance Conditions

The performance conditions attached to the awards are linked to the Company's Total Shareholder Return and Earnings per Share performance:

- 50 per cent of an award will vest by reference to the annualised growth in the Company's net return index ('TSR') over the performance period relative to the annualised growth in the FTSE AIM All-Share Industrial Goods and Services net return index (the 'Index') over the performance period. None of the award will vest if the TSR growth is less than the Index growth. One quarter of the award will vest if the TSR growth is equal to the Index growth. The whole of the award will vest if the TSR growth is at least seven per cent above the Index growth. Vesting of the award will be on a straight line basis between these points.

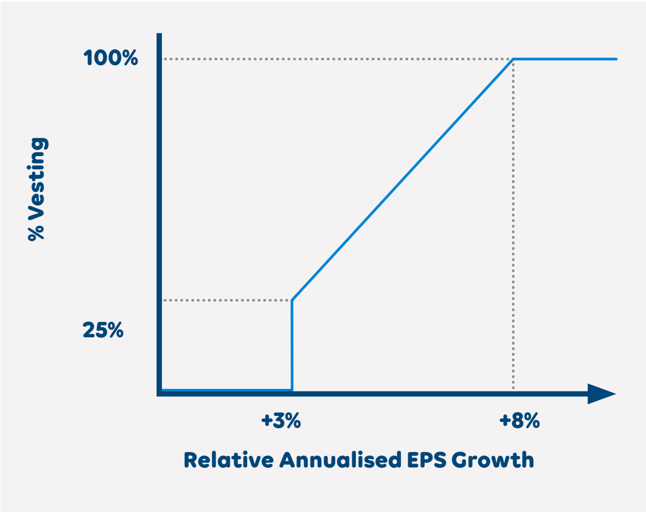
- The remaining 50 per cent of the award will vest by reference to the annualised growth in the Company's adjusted diluted earnings per share from continuing operations ('EPS') over the performance period relative to the annualised growth in the retail price index ('RPI') over the performance period. None of the remaining award will vest if the EPS growth is less than three per cent above the RPI growth. One quarter of the remaining award will vest if the EPS growth is three per cent above the RPI growth. The whole of the remaining award will vest if the EPS growth is at least eight per cent above the RPI growth. Vesting of the remaining award will be on a straight line basis if EPS growth is between three per cent and eight per cent above the RPI growth.

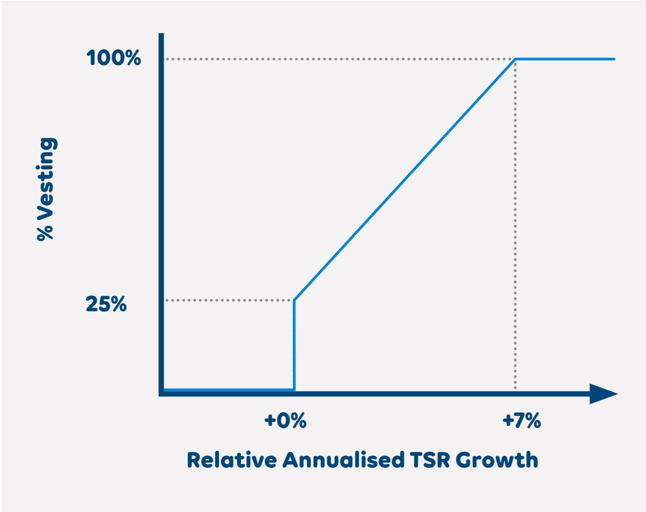
For the purpose of calculating TSR and Index growth, the average of the net return index over the dealing days falling in the period of one month ending on the last day of the performance period will be compared to the average of the net return index over the dealing days falling in the period of one month immediately preceding the first day of the performance period, in each respect of the Company and for the FTSE AIM All-Share Industrial Goods and Services index.

For the purpose of calculating EPS growth, the Company's adjusted diluted earnings per share from continuing operations for the final financial year in the performance period will be compared to the Company's adjusted diluted earnings per share from continuing operations for the financial year immediately before the start of the performance period.

For the purpose of calculating RPI growth, the retail prices index value for the last month of the final financial year in the performance period will be compared to the retail prices index value for the last month of the financial year immediately before the start of the performance period.

The charts below demonstrate the effect on vesting of the above performance conditions:





2018 LTIP Scheme

Awards could only be granted under the 2009 LTIP Scheme until 4 July 2018. The Committee, therefore, adopted a new plan on substantially the same terms as the 2009 LTIP Scheme in order for the Company to be able to continue to operate its executive and senior management incentive arrangements after this date. The 2018 LTIP Scheme was approved by Shareholders at the 2018 Annual General Meeting; a summary of the principal features of the rules of the 2018 LTIP Scheme is included within the 2018 Notice of Annual General Meeting.

As with the 2009 LTIP Scheme, the 2018 LTIP Scheme comprises an 'unapproved' section, under which nil cost awards are made.

The 2018 LTIP Scheme rules specifically include malus and clawback provisions, to reflect the fact that such provisions have been applicable to LTIP awards granted by the Company from 2015. In addition, to take into account developments in best practice, the rules of the 2018 LTIP Scheme contain provisions which allow the Committee to require that shares acquired from vested LTIP awards must be retained for a prescribed period post vesting.

The first award under the 2018 LTIP Scheme was granted in March 2019 and a further award was granted in March 2020. The performance conditions for these awards are the same as those applying to the awards granted under the 2009 LTIP Scheme, as set out above.

A further award was granted under the 2018 LTIP Scheme in March 2021 (the '2021 LTIP Award'). At that time, and as previously announced, the Committee determined that, given the significant Covid-related uncertainty in the wider economic environment, it was unable to set meaningful three-year performance targets and would therefore, in a departure from its normal practice and in line with guidance published by the Investment Association, defer the setting of performance targets for a period of not later than six months from the grant date. On 20 September 2021, the following performance conditions were announced:

- 50 per cent of the 2021 LTIP Award will vest by reference to the annualised growth in the Company's net return index ('TSR') over the performance period relative to the annualised growth in the FTSE AIM All-Share Industrial Goods and Services net return index (the 'Index') over the performance period. None of this element of the 2021 LTIP Award will vest if the TSR growth is less than the Index growth, one quarter will vest if the TSR growth is equal to the Index growth and the whole of this element of the 2021 LTIP Award will vest if the TSR growth is at least seven per cent above the Index growth. Vesting will be on a straight-line basis between these points. This performance target is the same as for previous awards.
- The remaining 50 per cent of the 2021 LTIP Award will vest by reference to the Company's adjusted diluted earnings per share from continuing operations ('EPS') as at 31 December 2023. The figure will be further adjusted to exclude any impact on EPS of the capital allowances super-deduction, which offers 130% first-year relief on qualifying main rate plant and machinery investments until 31 March 2023. None of this element of the 2021 LTIP Award will vest if EPS is less than 9.45 pence, one quarter will vest if EPS is equal to 9.45 pence and the whole of this element of the 2021 LTIP Award will vest if EPS is 10.5 pence or greater. Vesting will be on a straight-line basis if EPS is between 9.45 pence and 10.5 pence.

2018 Approved LTIP Scheme

The rules of the 2018 LTIP Scheme also include a 'CSOP' section (the '2018 Approved LTIP Scheme'), under which UK tax-advantaged market value options are awarded and which are linked to the nil cost awards under the 2018 LTIP Scheme. The linked awards give the holder the same potential gross gain as if they had just received the 2018 LTIP Scheme award, however, as the 2018 Approved LTIP Scheme is tax favoured, in certain circumstances all or part of any gain on the 2018 LTIP Scheme award will be received through the 2018 Approved LTIP Scheme and therefore taxed at a lower rate, or even zero.

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The actual number of shares the award holder will receive when exercising options will depend on the date of exercise, whether the performance conditions of the 2018 LTIP Scheme are achieved, the extent to which they are achieved and also on how much of the gain (if any) can be delivered through the 2018 Approved LTIP Scheme. Part of the total award will be forfeited once the gain is determined, however, this will still leave the holder with the same gross gain that would have been received had only an award been made under the 2018 LTIP Scheme arrangement.

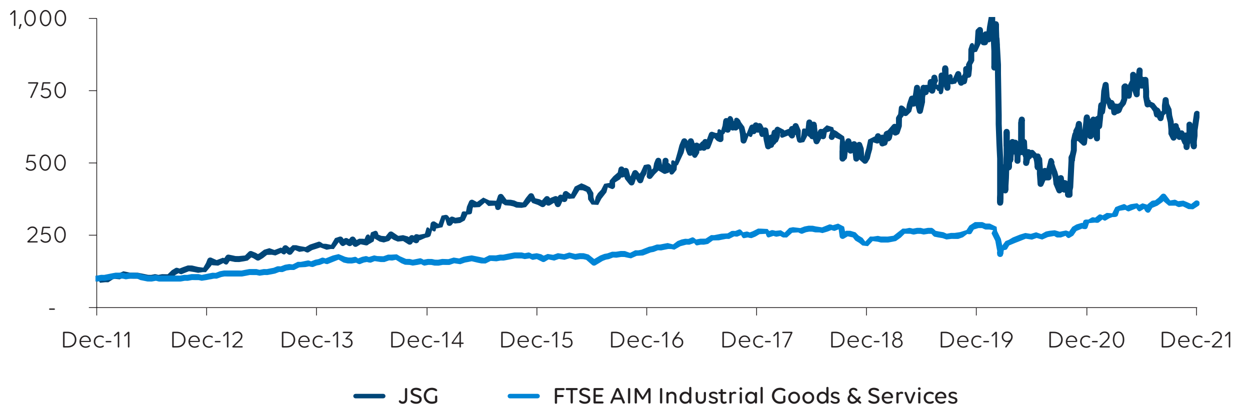
On 3 March 2020, certain employees were granted awards under the 2018 Approved LTIP Scheme, linked to the awards granted on the same date under the 2018 LTIP Scheme, at an exercise price of 197 pence.

SAYE Scheme
The SAYE Scheme is open to all employees, including Executive Directors, who have completed two years' service at the date of invitation and who open an approved savings contract.

When the savings contract is started, options are granted to acquire the number of shares that the total savings will buy when the savings contract matures. Details of the exercise periods and normal expiry dates are given in note 29 of the Consolidated Financial Statements.

TOTAL SHAREHOLDER RETURN

The performance graph below shows the Company's TSR performance against the performance of the FTSE AIM Industrial Goods and Services Index over the ten-year period to 31 December 2021. The FTSE AIM Industrial Goods and Services Index has been selected for this comparison as, in the opinion of the Directors, it best represents the general sector in which the Group operates.



NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

Details of the amounts received by the Chairman and the Non-Executive Directors during the year ended 31 December 2021 are as follows:

	2021 £000	2020 £000
Current Directors		
Jock Lennox	**117**	–
Chris Girling	**60**	52
Nick Gregg	**54**	47
Previous Directors		
Bill Shannon	**48**	122
	279	221

The annualised fee payable to each of Chris, Nick and Bill in 2020 would have been £59,100, £53,100 and £138,375, respectively. However, in response to the COVID-19 pandemic, the entire Board agreed to a 20% reduction in their salary/fee for the period 1 April 2020 through to 31 October 2020. The figures in the table above for 2020 therefore reflect the 20% temporary reduction.

The base fees referred to above were increased by 2.5% with effect from 1 April 2021. No increase was applied to Bill Shannon's fee given that he was due to retire in May 2021. Fees payable to Jock Lennox in 2021 reflect the aggregate of an annualised fee of £70,000, as subsequently increased by 2.5% effective 1 April 2021, for his services as a Non-Executive Director up until 5 May 2021 and an annualised fee of £141,834 for his services as Non-Executive Chairman thereafter.

TOTAL DIRECTOR REMUNERATION (AUDITED)

The aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2021, together with the aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2020, is shown below:

	2021 £000	2020 £000
Executive Directors	**1,210**	804
Chairman & Non-Executive Directors	**279**	221
	1,489	1,025

PAYMENTS TO PAST DIRECTORS

Bill Shannon, former Non-Executive Director, retired from the Board in May 2021. Save for the payment of any accrued fees that were unpaid as at the date of retirement, no payments of money or other assets were paid following his date of retirement.

PAYMENTS FOR LOSS OF OFFICE

There were no loss of office payments made to former directors during the year.

IMPLEMENTATION OF REMUNERATION POLICY IN 2022

The Committee anticipates the remuneration policy to apply as follows in the year ending 31 December 2022:

	Peter Egan	**Yvonne Monaghan**
Base Salary[1]	£441,263	£331,144
Taxable Benefits	Car allowance, medical insurance	Car allowance, medical insurance
Pension	Capped at the cash value of 2019 entitlement	17.8% of base salary
Bonus[2]	Up to 125% of Base salary. Targets: 1. 90% of maximum entitlement to be based on the Group's financial results using the Adjusted Profit Before Taxation result excluding notional interest; and 2. to reflect our commitment to sustainability, 10% of maximum entitlement to be subject to the Committee's assessment of the 2022 objectives and plans, as set out in 'The Johnsons Way', being achieved and embedded across the Group	Up to 110% of Base salary. Targets: 1. 90% of maximum entitlement to be based on the Group's financial results using the Adjusted Profit Before Taxation result excluding notional interest; and 2. to reflect our commitment to sustainability, 10% of maximum entitlement to be subject to the Committee's assessment of the 2022 objectives and plans, as set out in 'The Johnsons Way', being achieved and embedded across the Group.
LTIP[3]	Up to 125% of Base Salary.	Up to 110% of Base Salary.

Note 1: Base salary payable in 2022 reflects a 2.5% increase on the base salary payable in 2021.

Note 2: Annual bonus targets are considered by the Committee and the Board to be commercially sensitive as they could inform the Company's competitors of its budgeting. Consequently, we do not publish details of the targets on a prospective basis, however, we will provide full and transparent disclosure of the targets and the performance against these targets on a retrospective basis in next year's Annual Report at the same time that the bonus outcome is reported.

Note 3: The Committee intends to grant the 2022 LTIP as normal following release of the 2021 annual results in March 2022, although, as at the date of this report, has yet to finalise the associated performance targets. Prior to grant, the Committee will give full consideration to the performance of the Group and ensure that the targets are calibrated appropriately, are suitbaly challenging and are in line with business performance. The performance targets, performance period and grant levels will be announced to the market at the time of any grant and will also be disclosed in next year's Directors' Remuneration Report.

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CEO PAY RATIO

The pay ratio regulations provide companies with a number of options for gathering the data required to calculate the ratio. We have chosen to use "Option B" to calculate the CEO pay ratio which involves the use of data previously gathered for gender pay gap reporting purposes. This option was chosen given the size and complexity of the exercise required to produce these ratios using other means and on the basis that the Company has already completed comprehensive data collation and analysis for the purposes of gender pay gap reporting.

The total pay and benefits of our employees at the 25th, 50th and 75th percentile and the ratios between the CEO and these employees, using the CEO's single total remuneration figure are as follows:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021	33:1	31:1	28:1
2020	23:1	19:1	16:1
2019[1]	46:1	31:1	26:1

Note 1: The ratio for 2019 is based upon figures as disclosed in the 2019 Annual Report. Consequently, the single total figure of remuneration for the CEO used within the ratio calculation, and hence in turn the resultant CEO pay ratios, does not reflect the adjustments required in 2020 to the LTIP figures for 2019, in line with statutory reporting requirements, to show the actual value of the LTIP award upon vesting in March 2020.

The 2021 pay ratios are significantly higher than last year due to an increase in the CEO's single total remuneration figure compared to 2020. This increase is a result of the annual bonus scheme being partially achieved and the 20 per cent voluntary reduction in Directors' salaries for part of 2020. The pay ratios for 2021 are, therefore, more directly comparable to those for 2019 than 2020. As a result of the impact of the COVID-19 pandemic on remuneration, our pay ratios have fluctuated between each reported year to date and no trend in the median pay ratio is observed at this time.

The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021 Salary	£20,532	£21,552	£22,148
2021 Total Pay and Benefits	£20,532	£22,326	£24,030
2020 Salary	£17,837	£21,565	£26,144
2020 Total Pay and Benefits	£18,351	£22,040	£26,915
2019 Salary	£17,644	£25,462	£30,850
2019 Total Pay and Benefits	£17,964	£26,762	£31,525

The majority of our employees work either within one of our processing facilities or in distribution. Irrespective of the specific role, we aim to apply the same reward principles for all employees, in particular, that overall remuneration should be competitive when compared to similar roles in other organisations from which we draw our talent. We are aware that year-to-year movements in the pay ratio will be driven largely by our CEO's variable pay outcomes. These movements will significantly outweigh any other changes in pay within the organisation. Whatever the CEO pay ratio, the Company will continue to invest in competitive pay for all employees.

The Committee also recognises that, due to the specific nature of the Company's business and the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

GENDER PAY GAP REPORTING

Background

Under legislation that came into force in April 2017, all companies with 250 or more employees must publish and report specific figures about their gender pay gap. In respect of the Group, the legislation applies to Johnsons Textile Services Limited (the "Reporting Company") which for the period under review employed the vast majority of employees within the Group.

Employers must publish the gap in pay between men and women on both a mean basis (average hourly salary) and a median basis (pay per hour based on the person 'in the middle' of the distribution of pay). In relation to bonus pay, employers are required to disclose both a mean and median basis for average bonus pay received. Furthermore, the percentage of employees receiving bonuses by gender must be disclosed. In addition, employers are required to disclose the distribution of gender by pay quartile – in other words, splitting the workforce into four groups based on their pay and showing the proportion of males and females in each group.

The information provided below reflects the results of the most recent comprehensive data collation and analysis for the purposes of our external gender pay gap reporting. The 'Gender Pay Gap' calculations relate to the pay period in which the snapshot date, 5 April 2021, falls for each full-pay relevant employee only. The 'Gender Bonus Gap' calculations relate to the period 6 April 2020 to 5 April 2021 for all relevant employees.

Gender Pay Gap

The Company provides the following information in respect of its Gender Pay Gap:

Difference in the hourly rate of pay (mean)	**13.1%**
Difference in the hourly rate of pay (median)	**12.5%**

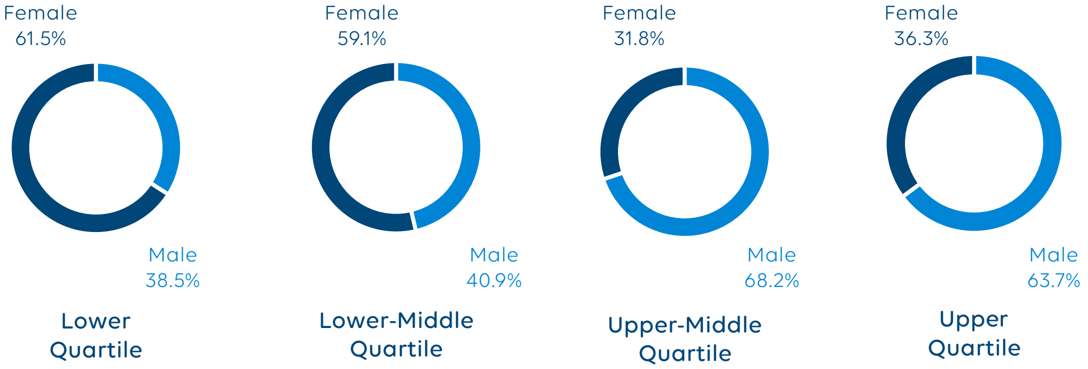
Gender Bonus Gap

The Company provides the following information in respect of its Gender Bonus Gap:

Difference in bonus pay (mean)	**22.8%**
Difference in bonus pay (median)	**47.4%**
Percentage of male employees who receive bonus pay	**39.5%**
Percentage of female employees who receive bonus pay	**42.6%**

Distribution of Male and Female Employees by Quartile

The proportions of male and female full-pay relevant employees in the lower, lower-middle, upper-middle and upper quartile bands were as follows:



Impact of COVID-19

Only full-pay relevant employees, defined as any employee who is employed on the snapshot date and who is paid their usual full basic pay, are included within the hourly rate of pay Gender Pay Gap calculations and the Distribution of Male and Female Employees by Quartile (together, the 'GPG Calculations').

As at the snapshot date, 5 April 2021, a significant proportion of our employees, particularly those employed within our Hotel, Restaurant and Catering (HORECA) division, were on furlough and, as a result, receiving 80% of their normal earnings. As such, a significant number of employees did not receive their usual full basic pay as at the snapshot date and were therefore not considered full-pay relevant employees for the purposes of the GPG Calculations. As at 5 April 2021, 53% of relevant employees were considered full-pay relevant employees. Whilst this represents a decrease on the proportion of full-pay relevant employees included in 2019 (91%), there has been an uplift comparing to the employees included in 2020 (27%). This is as a result of fewer employees being on furlough in 2021 and a significant number of salaried employees being excluded in the 2020 calculations due to temporary salary reductions.

Further Explanatory Commentary

Despite the impact of COVID-19, the results do show that, as in previous years, there is a gender gap. Whilst having fewer females than males in senior and leadership roles has an impact, it is also significantly influenced by two industry related factors:

1) laundries operate large transport fleets and hence employ a significant number of drivers. The role generally commands a higher pay scale and is predominantly populated by males; and

2) laundry operations are very labour intensive with such roles being predominantly in the lower quartiles. A higher proportion of these roles are currently performed by females.

We continue to take action to address the gap and to make sure our employment policies and practices are fair. This includes actively reviewing decisions around annual pay, bonus pay and promotion opportunities and the Group will continue to endeavour to provide a training and development platform for all individuals to grow, both personally and in their work role, irrespective of gender.

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RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the amounts payable in dividends and total employee costs in respect of the years ended 31 December 2021 and 31 December 2020. The Committee does not consider that there are any other significant distributions or payments outside the ordinary course of business that warrant disclosure.

	2021 £m	2020 £m	% Change
Dividends payable (note 1)	**–**	–	n/a
Total employee costs (note 2)	**127.7**	110.7	15.4%

Note 1: Whilst the Board recognises the importance of dividends to Shareholders, this had to be balanced with the impact that COVID-19 has had on our business. As previously announced, and in order to conserve cash resources in response to the pandemic, the Board does not propose to declare a dividend in respect of 2021. The Board will keep future dividends under review and look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal levels.

Note 2: Total employee costs in 2021 are stated net of £9.9 million of grant receivable from the Coronavirus Job Retention Scheme (2020: net of £28.2 million).

OTHER DETAILS

The mid-market price of the Ordinary shares of 10p each on 31 December 2021 and 31 December 2020 was 147.6 pence and 140.0 pence respectively. During the year, the mid-market price of the Ordinary shares of 10 pence each ranged between 122.4 pence and 180.4 pence (2020: 80.0 pence and 223.0 pence).

ANNUAL GENERAL MEETING

The table below shows the voting outcome at the 2021 AGM, held on 5 May 2021, for the 2020 Directors' Remuneration Report.

No. of Votes 'For'[1]	% of Votes Cast	No. of Votes 'Against'	% of Votes Cast	Total No. of Votes Cast	No. of Votes 'Withheld'[2]
310,939,021	99.65%	1,091,432	0.35%	312,030,453	20,889

Note 1: Includes 'Discretionary' votes.

Note 2: A vote 'Withheld' is not a vote under English law and is not counted in the calculation of votes 'For' or 'Against' a resolution.

The Committee welcomed the endorsement of the 2020 Directors' Remuneration Report by Shareholders. At the 2022 AGM, due to be held on 4 May 2022, Shareholders will be invited to vote on the Directors' Remuneration Report for 2021.

Nick Gregg
Chairman, Remuneration Committee

7 March 2022