Triodos Investment Management

WHITBREAD PLC

Meeting Date:	Tue, 17 Jun 2014 14:00pm	Type:	AGM	Issue date:	Thu, 05 Jun 2014
Meeting Location:	Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ				
Current Indices:	FTSE EuroFirst FTSE 100				
Sector:	Restaurants & Bars				

	PROPOSALS	ADVICE
1	**Receive the Annual Report** The Strategic Review meets best practice in our view. Adequate environmental and employment policies are in place and some quantifiable environmental reporting is disclosed. Gender balance at all levels of the Company is disclosed. Acceptable proposal.	**For**
2	**Approve Remuneration Policy** Disclosure: B Disclosure is considered acceptable. Balance: C The Company operates one long term incentive plan. Awards vest based on EPS growth and ROCE targets and the scheme ensures that award payouts will only occur if both earnings investment returns meet minimum thresholds concurrently, which is welcomed. However, awards are not subject to a non-financial KPI which goes against best practice. Although the Committee has introduced a holding period for shares that have vested, the performance period is still three years, which is not considered sufficiently long term. Shareholding guidelines are in place for Directors, however there is no time-frame period in which the minimum requirement must be met. The Executive Directors' total potential rewards under all incentive schemes are considered to be excessive. The ratio of CEO pay to employee average pay is not disclosed. However, it has been estimated and it is considered excessive. Contracts: C The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers. This is considered an inappropriate practice as it undermines the rationale behind the remuneration policy to retain Executive Directors. There is no evidence that upside discretion can not be used while determining severance. Rating: BCC Based on concerns over potentially excessive awards and the excessive ratio of CEO pay to average pay, Triodos abstains on this resolution.	**Abstain**
3	**Approve the Remuneration Report** Rewards made to the Executive Directors for the year, are considered excessive in comparison with their base salaries. However, there is an acceptable balance of CEO realised pay with financial performance. All elements of each director's cash remuneration are disclosed. All share incentive awards are stated with award dates and prices. Pension contributions and entitlements are disclosed. Rating: B Based on the acceptable balance of CEO realised pay with financial performance, Triodos supports this resolution.	**For**
4	**Approve the dividend** A final dividend of 47.0 pence per share is proposed. Together with the interim dividend this brings the total dividend for the year to 68.80 pence per share. Covered by earnings. Acceptable proposal.	**For**

5	**To re–elect Richard Baker** Independent Non-Executive Director.	**For**
6	**To re–elect Wendy Becker** Independent Non-Executive Director.	**For**
7	**To re–elect Nicholas Cadbury** Group Finance Director. 12 months rolling contract.	**For**
8	**To re–elect Sir Ian Cheshire** Senior Independent Director. Considered independent.	**For**
9	**To re–elect Patrick Dempsey** Executive Director. 12 months rolling contract.	**For**
10	**To re–elect Anthony Habgood** Non-Executive Chairman. Independent on appointment.	**For**
11	**To re–elect Andy Harrison** Chief Executive. 12 months rolling contract.	**For**
12	**To re–elect Simon Melliss** Independent Non-Executive Director.	**For**
13	**To re–elect Christopher Rogers** Executive Director. 12 months rolling contract.	**For**
14	**To re–elect Louise Smalley** Executive Director. 12 months rolling contract.	**For**
15	**To re–elect Susan Taylor Martin** Independent Non-Executive Director.	**For**
16	**To re–elect Stephen Williams** Independent Non-Executive Director.	**For**
17	**Appoint the auditors** Ernst & Young LLP proposed. Non-audit fees represent 20% of the audit fees for the year under review and 20% of the audit fees on a three year aggregate basis. This level of non-audit fees does not raise significant concerns over the external auditor's independence.	**For**
18	**Allow the board to determine the auditors remuneration** Standard proposal.	**For**
19	**Issue shares with pre-emption rights** The authority is limited to 33% of the share capital and another 33% in connection with a Rights Issue. This is in line with normal market practice and expires at the next AGM. All directors are standing for annual re-election. Support is recommended.	**For**

20 Approve new long term incentive plan **Abstain**

The Company is requesting shareholders' approval for a new LTIP, named the Whitbread 2014 Long Term Incentive Plan. The Company's current long term incentive plan was introduced in 2004 and expires in June 2014.

Disclosure is considered acceptable with the exception of performance conditions targets that are not provided.

Awards vest subject to the satisfaction of performance conditions selected by the Remuneration Committee. The Committee's intention in relation to the initial awards, to be made in 2015, is that vesting of an award will be dependent on achievement of a minimum return on capital employed (ROCE), with the extent to which the award vests being based on earnings per share growth measured against the Retail Prices Index, potentially increased based on the level of ROCE growth. Awards will have a vesting period of three years. The Committee has a discretion to set a holding period requiring that vested awards are not sold for a specified period. The Committee's current intention is that the holding period will be two years following the performance period.

The maximum individual award is to be the equivalent to 200% of base salary. (It is noted that the limit for the current LTIP is set at 125% of base salary). It is noted that clawback policy is introduced for awards made under the scheme.

The new LTIP maximum awards are considered excessive particularly when aggregated with other variable schemes and can lead to generous payouts. The vesting period is not considered sufficiently long term. Performance targets have not been disclosed and it is therefore not possible to determine the effectiveness of the LTIP. The Scheme is not open to all employees.

The Scheme is not open to all employees.

Rating: CC

Based on concerns over potentially excessive awards, Triodos abstains on this resolution.

21* Issue shares for cash **For**

The authority is limited to 5% of the share capital. This is in line with normal market practice and expires at the next AGM. Support is recommended.

22* Authorise Share Repurchase **For**

The authority is limited to 10% of the share capital. This is in line with normal market practice and expires at the next AGM. Support is recommended.

23* Meeting notification related proposal **Oppose**

The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will increase to 21 days unless shareholders agree on a shorter notice period, in which case it may be 14 days. Shareholder approval is sought to call general meetings on 14 clear days notice.

All companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues. Although the proposed change is permissible by the Companies Act, Triodos votes against this resolution.

**** = Special resolution***

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Version 2