Statement from the Remuneration Committee Chairman

Jack Boyer, Remuneration Committee Chairman

Chairman's introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 March 2018. It is split into three main parts:

- **Executive remuneration at a glance.** This sets out a summary of our approach, including how we intend to operate under the new policy and remuneration outcomes during the year.
- **The remuneration policy.** Our existing policy has been in place since it was approved by 94% of shareholders at the 2015 AGM. We are therefore presenting the new policy for approval at the 2018 AGM. The policy review and the main changes are described below.
- **The annual report on remuneration.** This details how we implemented our current policy in FY18 and how we intend to apply the new policy in FY19.

The Remuneration Committee has addressed a number of issues during the year. I have described below the approach the Committee has taken, together with the context in which key decisions were made.

Remuneration review and new policy

Over the last year, the Committee has reviewed the remuneration arrangements for Executive Directors and the management team, to make sure they best support the Group's business strategy, reflect best practice and are aligned with shareholders' interests. This included consulting with major shareholders and investor bodies. Their input from the 2017 AGM and during recent consultations has been incorporated into the development of the new policy.

The Committee believes in an approach to executive pay which aligns with value creation for shareholders. If the value created for shareholders is below our expectations, we believe that executives should receive reduced or no variable pay. Conversely, if shareholders enjoy strong returns, we believe it is right that the executives responsible for creating that value should share in those returns too.

Given the Committee's actions in recent years in setting stretching targets, holding executives to account for achieving those targets and exercising negative discretion in lapsing awards, we feel we have a strong track record in taking a responsible and appropriate approach to executive pay.

This approach informed how we reviewed the policy and the main outcomes of the review are set out below:

- **No increase in quantum.** Maximum incentive opportunities remain the same for the next policy cycle. No increase in salaries for FY19.
- **Deferral provisions strengthened.** 50% of the annual bonus is to be deferred. Previously, the bonus was delivered in cash up to 100% of salary, with only any excess deferred.
- **Incorporation of best practice features.** We are enhancing the post-vesting holding period to two years for LTIP awards, strengthening malus provisions and introducing clawback provisions across the Company's incentive plans.
- **Simplification.** Reduction in the number of LTIP performance measures from four to two, with FY19 awards based 50% on adjusted EPS and 50% on cash conversion.

Further detail is provided in the Executive remuneration at a glance section after this statement, and the new policy is provided in full in our policy report.

Chief Financial Officer succession

As announced on 13 November 2017, Paul Woolf, former CEO of Virgin Active Health Clubs, joined Mitie as Chief Financial Officer and was appointed to the Board with immediate effect. Sandip Mahajan, who had held the role of Chief Financial Officer since February 2017, stepped down from the Board. Our single figure table includes details for Paul and Sandip in relation to their respective times in the role.

Full details of Paul's remuneration arrangements – which comply with the Company's existing remuneration policy – are provided in this report. In summary, they include: (i) a base salary of £430,000 which will not be increased in FY19; (ii) an annual bonus opportunity of 120% of salary; and (iii) regular annual LTIP awards of 150% of salary. Note that Paul's FY18 LTIP award was 75% of salary.

Sandip Mahajan ceased to be a Director on 13 November 2017 and is expected to remain an employee until November 2018. His July 2017 LTIP award will vest at the usual time, subject to the performance conditions, pro-rated for his period of employment.

Remuneration decisions and outcomes

Salary

With regard to fixed pay, it has been agreed that salaries for the Executive Directors will not be increased for FY19 and so will remain £900,000 for Phil Bentley (since appointment in November 2016) and £430,000 for Paul Woolf (since appointment in November 2017).

Voluntary waiver of FY18 bonus

FY18 bonus outcomes would have ordinarily resulted in pay-outs of 38% of the maximum (arising from operating profit, revenue, customer performance and strategic objectives). Notwithstanding this, both Phil Bentley and Paul Woolf expressed in advance their wish to voluntarily waive any FY18 bonus, prior to award.

Interaction with November 2016 LTIP award

Following his appointment, Phil Bentley received an LTIP award in November 2016. This award vests subject to the extent to which the annual bonus targets that apply for FY18, FY19 and FY20 are met and a bonus paid. In the event Phil earns a bonus in one of these years, 25% of the award vests, with 67% vesting if a bonus is earned in two of the years and full vesting if a bonus is earned in all three years. In any event, no vesting will actually occur until 2020.

In light of the voluntary waiver discussed above, for the purposes of performance assessment under the November 2016 LTIP award, it is deemed that the annual bonus targets that applied for FY18 have been met and therefore a bonus in one of the three years has been achieved to date.

Bonus opportunity for FY19

For FY19, Phil Bentley's maximum bonus opportunity will remain at 160% of salary and Paul Woolf's maximum bonus opportunity will remain at 120% of salary.

The Remuneration Committee

The members of the Remuneration Committee are all Non-Executive Directors. During the year ended 31 March 2018, the Committee met three times.

		Attendance
Chairman	Jack Boyer	3/3
Committee members	Larry Hirst	3/3
	Jennifer Duvalier[1]	1/2
	Roger Matthews[2]	1/1
	Mark Reckitt[3]	1/1

Notes:

1. Jennifer Duvalier was appointed to the Committee on 26 July 2017.
2. Roger Matthews resigned from the Board on 26 July 2017.
3. Mark Reckitt stood down from the Committee on 26 July 2017.

The Committee has responsibility for determining the remuneration of Mitie's Executive Directors and the Chairman, taking into account the need to ensure Executive Directors are properly incentivised to perform in the interests of the Company and its shareholders.

The Committee's terms of reference are available at www.mitie.com/investors/corporate-governance/

The Committee regularly consults with the Chief Executive and the Group HR Director on various matters relating to the appropriateness of rewards for the Executive Directors.

However, the Chief Executive and other Executive Directors are not present when matters relating directly to their own remuneration are discussed. This is also the case for other executives attending Committee meetings.

The Company Secretary attended the meetings as Secretary to the Committee. The Chief Executive and Group HR Director attended the meetings by invitation only.

Corporate governance developments

The Committee is mindful of wider developments in corporate governance best practice. Mitie's gender pay gap disclosures are available on the government portal, as well as on the website. We are also monitoring the renewal of the UK Corporate Governance Code with interest, and our intention is to comply with the revised provisions when they are finalised, particularly with reference to pay ratios.

Conclusion

We will be seeking approval for the Directors' remuneration report (advisory vote) and the policy report (binding vote) at the 2018 AGM. I welcome your views and feedback on either item, which can be emailed to me at jack.boyer@mitie.com.

Jack Boyer
Chairman of the Remuneration Committee

Executive remuneration at a glance

Key principles of the policy

Mitie's remuneration policy is based on a number of principles:

Reward should be aligned with the shareholder experience	The performance-related incentive arrangements are designed to align the interests of executives with those of shareholders and to promote the Group's long-term success
The majority of the package should be performance-related	At Executive Director and senior management levels, the majority of reward opportunity is provided through performance-related incentives linked to the Group's strategic goals and taking account of the Group's attitude to risk; reward under these incentives is linked to both individual and Group performance
The policy should be comprehensive and simple	The overall remuneration policy is designed to be comprehensive without becoming overcomplicated and to encourage executives to concentrate on profitable growth

Executive incentives and link to strategy

The following table sets out how the intended measures across the incentive plans for FY19 support the Group's strategy and KPIs:

Link to strategy	Sustained and renewed profit growth	Strong cash-generative business	Quality client base	Focus on people and culture	Customers at the heart of the business
Annual bonus	✓ 35% operating profit		✓ 35% organic revenue growth	✓ 10% employee engagement ✓ 10% individual objectives	✓ 10% Net Promoter Score
LTIP	✓ 50% adjusted EPS	✓ 50% cash conversion			

The table below highlights the key features of the new policy and our approach which aligns the Executive Directors' remuneration arrangements with the shareholder experience:

Our philosophy – *"The Committee believes in an approach to executive pay which is commensurate with value creation for shareholders."*

Our track record in taking a responsible and appropriate approach to executive pay (e.g. exercise of negative discretion)	Shareholding guidelines of 200% of salary in conjunction with enhanced malus and clawback provisions	Bonus deferral – 50% of the bonus into shares for at least two years	LTIP holding period of two years – five-year time horizon for executives

All employee incentive arrangements

The Company also operates SAYE and SIP arrangements, allowing employees to participate in share ownership and to share in corporate success over the medium term.

Summary of the new policy and how we intend it to operate

This table summarises remuneration arrangements for Executive Directors (Phil Bentley as CEO and Paul Woolf as CFO) for FY18 under the current policy approved by shareholders at the 2015 AGM, alongside how we intend to apply the new policy in FY19, subject to shareholder approval at the 2018 AGM.

At a glance	FY18 operation under current policy	FY19 operation under new policy
Base salary	CEO: £900,000 CFO: £430,000	CEO: £900,000 CFO: £430,000
Maximum bonus opportunity	Policy maximum: 160% of salary for CEO and 135% for other Executive Directors FY18 operation: CEO: 160% of salary CFO: 120% of salary (pro-rata)	Policy maximum: 160% of salary for CEO and 135% for other Executive Directors FY19 operation: CEO: 160% of salary CFO: 120% of salary
Bonus deferral	Bonus delivered wholly in cash up to 100% of salary with the remainder deferred into shares which vest after two years	50% of bonus deferred into shares which vest after at least two years – i.e. enhanced deferral provisions
Bonus performance measures – mix	Current policy is for financial to be the majority (>50%) and strategic the remainder FY18 mix: 70% financial, 30% strategic	New policy is unchanged. FY19 mix: 70% financial, 30% strategic
Bonus performance measures – metrics	Financial: operating profit and revenue Strategic: as disclosed later in our Annual Report on Remuneration FY18 mix: 50% operating profit, 20% revenue, and 15% each on NPS and individual strategic objectives	Financial: organic revenue growth, operating profit Strategic: Net Promoter Score (NPS), employee engagement, individual FY19 mix: 35% organic revenue growth, 35% operating profit, and 10% each on NPS, employee engagement and individual strategic objectives
Maximum LTIP opportunity	Policy maximum: 200% of salary FY18 operation: CEO: 200% of salary CFO: 150% of salary (pro-rata)	Policy maximum: 200% of salary FY19 operation: CEO: 200% of salary CFO: 150% of salary
LTIP performance measures	FY18 mix (granted in July and November 2017): 30% cash conversion, 25% EPS, 25% strategic and 20% relative TSR	Simplification to two measures, adjusted EPS and cash conversion. Policy still to allow for flexibility on measures and weightings. FY19 mix: 50% adjusted EPS and 50% cash conversion
LTIP holding period of two years after vest	Practical operation of post-vesting holding period, but no specific period defined within policy FY18 operation: 50% released after three years, 25% after four years and 25% after five years	Enhancement of post-vesting holding period to two years and formal incorporation into policy FY19 operation: shares released after five years (three year vesting plus two year holding period)
Share ownership requirements	200% of salary	200% of salary
Malus and clawback provisions	Malus provisions in place	Strengthened malus provisions and introduction of clawback provisions

Summary of remuneration outcomes for the year ending 31 March 2018

The following provides a summary of incentive outcomes and the single total figure of remuneration for Executive Directors. Full details can be found later in our Annual Report on Remuneration.

Annual bonus in respect of FY18

Phil Bentley and Paul Woolf both voluntarily waived their annual bonus in respect of FY18. Notwithstanding this, the measures and targets are set out in the table below, together with a commentary on the amounts which would otherwise have been determined on a formulaic basis and an assessment of the strategic objectives, had the bonuses not already been waived.

The table below reflects the notional out-turn of 38.0%. As the financial performance ranges excluded the impact of IFRS 15, the formulaic out-turn has been assessed on FY18 results before the impact of IFRS 15:

Performance measure	Weighting	Performance range	Out-turn
Operating profit	50% of the award	£85.8m threshold £95.3m target £100.0m maximum	The out-turn was £77.1m resulting in a hypothetical outcome of 0% of the maximum for this element, being 0% of the maximum bonus opportunity.
Revenue	20% of the award	£2.00bn threshold £2.23bn target £2.33bn maximum	The out-turn was £2.199bn resulting in a hypothetical outcome of 65% of the maximum for this element, being 13.0% of the maximum bonus opportunity.
Customer Net Promoter Score	15% of the award	+1pts threshold +3pts target +5pts maximum	The out-turn was +17pts resulting in a hypothetical outcome of 100% of the maximum for this element, being 15% of the maximum bonus opportunity.
Strategic objectives	15% of the award	–	The Committee set strategic objectives relating to: customers; costs; financial; people; technology; governance; and processes as set out in the Annual Report on Remuneration. The Committee considered that the objectives had been substantially met and that 10% out of a possible 15% of the award would otherwise have been awarded to the CEO and CFO.

2015 LTIP awards vesting in 2018

Neither Phil Bentley nor Paul Woolf were granted 2015 LTIP awards, as these awards were made prior to their appointments. As such, they have no LTIP awards vesting in 2018.

Single figure for FY18

The table below reports a single figure of total remuneration for each of the Executive Directors and former Executive Director for the financial year ended 31 March 2018 and their comparative figures for the financial year ended 31 March 2017.

	Year	Salary	Benefits	Annual bonus	LTIP	Pension	Total
Phil Bentley	**2018**	**£900,000**	**£22,549**	**–**	**–**	**£180,000**	**£1,102,549**
	2017	£375,000	£29,073	–	–	£75,000	£479,073
Paul Woolf	**2018**	**£166,136**	**£686**	**–**	**–**	**£16,614**	**£183,436**
	2017	–	–	–	–	–	–
Former Director							
Sandip Mahajan	**2018**	**£197,576**	**£10,140**	**–**	**–**	**£39,515**	**£247,231**
	2017	£44,000	£2,063	–	–	£8,800	£54,863
Total remuneration	**2018**						**£1,533,216**
	2017						£533,936

Further information on the above is provided in the Annual Report on Remuneration.

This report

We have presented this Directors' remuneration report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report also describes how the Board has complied with the provisions set out in the September 2014 edition of the UK Corporate Governance Code relating to remuneration matters.

At the 2018 AGM two resolutions relating directly to this report will be proposed: a binding vote on the revised Directors' remuneration policy as set out in our policy report below and an advisory vote on the Annual Report on Remuneration.

The Independent Auditor has reported on certain parts of this report and stated whether, in his opinion, those parts of the report have been properly prepared in accordance with the Companies Act 2006. Those sections of the report that have been subject to audit are clearly indicated.

Directors' remuneration policy report

Changes to the policy

The following tables and accompanying notes in this section of the report set out the remuneration policy for Executive Directors and Non-Executive Directors. The policy is intended to apply, subject to approval by shareholders, for three years from the 2018 AGM.

Following a review in which major shareholders were consulted, changes have been made to the policy approved by shareholders at the 2015 AGM, as detailed in the Statement from the Remuneration Committee Chairman above. These include the strengthening of bonus deferral provisions, introduction of clawback provisions and formal incorporation into the policy of an enhanced post-vesting holding period for LTIP awards. For the avoidance of doubt, there has been no increase in maximum incentive opportunities. Minor drafting changes have also been made to clarify the Committee's intentions for the operation of the policy.

The key principles of the policy

The remuneration policy promotes and embeds the Company's remuneration principles. The key principles of this policy are:

Shareholder aligned	The performance-related incentive arrangements are designed to align the interests of executives with those of shareholders and to promote the Group's long-term success
Performance-related	At Executive Director and senior management levels, the majority of reward opportunity is provided through performance-related incentives linked to the Group's strategic goals and taking account of the Group's attitude to risk Reward under these incentives is linked to both individual and Group performance
Comprehensive and simple	The overall remuneration policy is designed to be comprehensive without becoming overcomplicated and to encourage executives to concentrate on profitable growth

The policy

The key elements of the policy, to be approved at the 2018 AGM, are set out below.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary Set at levels to attract and retain individuals of the calibre required to drive the vision and direction of Mitie.	Salaries are generally reviewed annually, effective from 1 April. The review is influenced by: • the individual's role, experience and performance; • business performance and the wider market and economic conditions; • the range of increases across the Group; and • an external comparator group comprised of sector comparators and size adjusted FTSE 250 comparator organisations.	Base salary increases will be broadly in line with the average increase for the salaried non-contract UK employees whose salaries Mitie determines, although on occasion other specific circumstances such as changes of responsibilities, progression in role, experience, or a significant increase in the scale of the role and/or size, value and/or complexity of the Group may also be taken into consideration.	N/A
Benefits To aid retention and be competitive within the marketplace.	The Group provides a range of benefits which may include a company car/car allowance, private fuel, private health insurance, life assurance and annual leave. Benefits are reviewed periodically against market and new benefits may be added and/or amended as required to support the attraction and retention of key talent. Additional benefits may be awarded in certain recruitment circumstances which may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	Benefits are set at a level which the Committee considers: • is appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market; and • provides a sufficient level of benefit based on the role and individual circumstances (for example, relocation). The Committee retains discretion to approve a higher cost than currently incurred where factors outside the Company's control have changed materially (e.g. medical inflation) or in exceptional circumstances (e.g. relocation).	N/A

Purpose and link to strategy	Operation	Opportunity	Performance metrics
All Employee Share Schemes To provide opportunities for the Directors to voluntarily invest in the Company on the same terms as other employees.	Executive Directors are eligible to participate in any all-employee share plan operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as other eligible employees.	N/A	N/A
Pension To aid retention and provide competitive retirement benefits.	Executive Directors will be eligible to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of a pension contribution.	The pension cash allowance for Executive Directors will be determined based on the Committee's assessment of competitive levels needed to attract and retain such individuals, but will be capped at 20% of salary.	N/A
Annual Bonus Plan To incentivise and recognise execution of the Company's strategy on an annual basis. Rewards the achievement of annual financial and strategic goals. Deferral provides alignment with shareholder interests.	Measures and targets are set annually and pay-out levels are determined by the Committee after the year end based on performance against those targets. The Committee may, in exceptional circumstances, amend the bonus pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution. 50% of the bonus is compulsorily deferred into shares which vest after a minimum of two years (normally subject to continued employment). Dividends are accrued on deferred shares and paid in cash. Malus and clawback provisions (as detailed below this table) will apply to bonus awards made after the 2018 AGM.	Maximum bonus opportunity is 160% of salary for the Chief Executive and up to 135% of salary for any other Executive Director.	Bonuses are based on stretching financial and strategic objectives as set at the beginning of the year and assessed by the Committee at the end of the year, with the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders. The Committee has discretion to determine the appropriate weightings each year depending on business priorities. The financial measures will represent the majority of the bonus, with any strategic objectives representing the balance. These elements are additive. For the strategic element of the award, payment at threshold performance is zero. At the threshold performance level under the financial element, a bonus of no more than 60% of salary is payable.

The Company's remuneration policy continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Long Term Incentive Plan To motivate and incentivise delivery of sustained performance and provide alignment with shareholder interests.	Annual awards (in the form of nil-cost options, conditional share awards or cash settlements) are made with vesting dependent upon the achievement of performance conditions over three years. Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support the Group's strategy. The Committee has the discretion to decide whether, and to what extent, targets have been met, and, if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Awards will be subject to an additional holding period of at least two years. Dividend equivalents are paid in cash on or after the date shares are received. Malus and clawback provisions (as detailed below this table) will apply to LTIP awards made after the 2018 AGM.	Awards may be made up to a maximum level of 200% of salary for any Executive Director.	Performance over at least three financial years is measured against stretching objectives set at the beginning of the performance period which have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders. Vesting under the LTIP depends on the achievement of performance conditions. Awards attributable to each performance condition vest at 25% on achievement of the minimum performance threshold, rising to 100% for achievement of a defined upper performance level.
Share ownership To ensure alignment of interests between Executive Directors and shareholders.	Executive Directors are required, over time, to build and maintain a minimum shareholding in the Company worth 200% of salary. They are required to retain half of the post-tax shares vesting under the LTIP and other share schemes until the guideline is met.	N/A	N/A
Chairman and Non-Executive Director fees To attract and retain high-calibre individuals. Non-Executive Directors do not participate in any incentive schemes.	Fees are normally reviewed every three years. The fee structure is as follows: • the Chairman is paid an all-inclusive single fee for all Board responsibilities; • the Non-Executive Directors are paid a basic fee, plus additional fees for chairmanship of committees; • fees are currently paid in cash but the Company may choose to provide some of the fees in shares; and • benefits, including expenses, can be provided if considered necessary on a case-by-case basis.	Fees are set at a level which: • reflects the commitment and contribution that is expected from the Chairman and the Non-Executive Directors; and • is appropriately positioned against comparator roles in companies of a similar size and complexity in the relevant market. Actual fees are disclosed in the Directors' remuneration report for the relevant financial year. Aggregate fees/value of benefits are capped at the amount set out in the Company's Articles of Association.	N/A

Malus and clawback provisions

The malus and clawback provisions under the Annual Bonus Plan and LTIP may be operated if it comes to light within two years that information used to determine performance was materially inaccurate and resulted in a material overstatement of the award or in the event of any act/omission by an individual that would give grounds for summary dismissal (with no time limit). For the avoidance of doubt, the clawback provisions apply to any cash payments made and/or any vested shares under bonus deferral or the LTIP in respect of awards made after the 2018 AGM.

Clawback provisions are such that:

- cash bonus amounts can be reclaimed for a period of up to two years after payment; and
- vested share awards under the deferred element of the Annual Bonus Plan and LTIP can be reclaimed for a period of up to two years after vesting (effected through the operation of malus provisions during the holding period).

Malus and clawback will apply in four main circumstances:

- misstatement of results or an error in the calculation of performance;
- misconduct;
- reputational damage; or
- failure of risk management or control.

Discretions retained in operating the incentive plans

The Committee will operate the Annual Bonus Plan and LTIP according to their respective rules and the above policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans.

These discretions include, but are not limited to, the following:

- the selection of participants;
- the timing of grant of an award/bonus opportunity;
- the size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- the determination of performance against targets and resultant vesting/bonus pay-outs;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures, weightings and targets.

In relation to both the LTIP and Annual Bonus Plan, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Any use of these discretions would, where relevant, be explained in the Directors' remuneration report and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders.

In addition, for the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors under previous policies. Details of any payments to former Directors will be set out in the relevant report as required by reporting regulations.

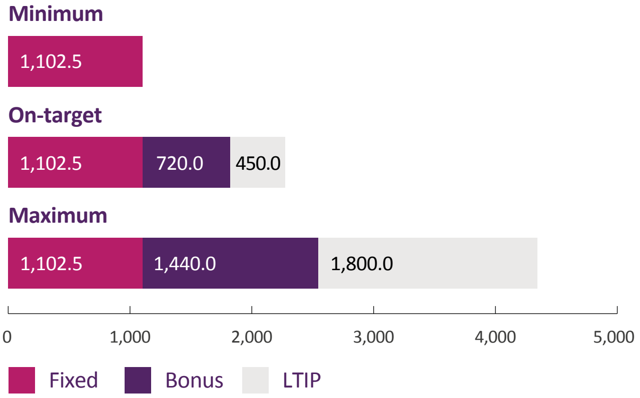
Remuneration scenarios for Executive Directors

Under the Company’s policy, a significant proportion of remuneration is linked to performance. The charts below show how much the Executive Directors could earn under Mitie’s remuneration policy (as detailed above) under different performance scenarios. The following assumptions have been made:

- minimum performance (below threshold) – fixed pay only, comprising salaries effective as at 1 April 2018 and the full year effect of ongoing benefits and cash allowances in lieu of pension contributions;
- on-target performance – fixed pay plus an on-target bonus and 25% of the maximum possible LTIP award vesting. On-target bonus for FY19 represents 50% of the maximum bonus; and
- maximum performance – fixed pay plus maximum bonus for FY19 of 160% of salary for the Chief Executive and 120% for the Chief Financial Officer (structured 70% financial targets and 30% strategic/other) and maximum LTIP awards (of 200% of salary for the Chief Executive and 150% for the Chief Financial Officer).

The scenarios do not include share price growth or dividend assumptions.

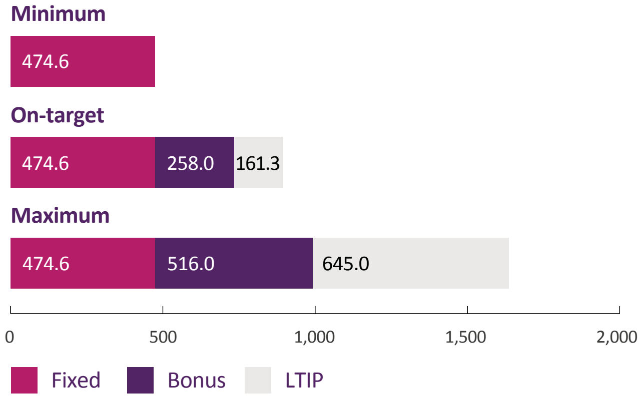
Phil Bentley, Chief Executive (£’000)



Composition of package (%)	Fixed	Bonus	LTIP	Total
Minimum	100%	–	–	**100%**
On-target	48%	32%	20%	**100%**
Maximum	25%	33%	42%	**100%**

Value of package (£'000)	Fixed	Bonus	LTIP	Total
Minimum	1,102.5	–	–	**1,102.5**
On-target	1,102.5	720.0	450.0	**2,272.5**
Maximum	1,102.5	1,440.0	1,800.0	**4,342.5**

Paul Woolf, Chief Financial Officer (£’000)



Composition of package (%)	Fixed	Bonus	LTIP	Total
Minimum	100%	–	–	**100%**
On-target	53%	29%	18%	**100%**
Maximum	29%	32%	39%	**100%**

Value of package (£'000)	Fixed	Bonus	LTIP	Total
Minimum	474.6	–	–	**474.6**
On-target	474.6	258.0	161.3	**893.9**
Maximum	474.6	516.0	645.0	**1,635.6**

Executive Directors’ service contracts

All Executive Directors are appointed on rolling service contracts but are subject to annual re-election at the AGM in accordance with the Code.

Under the service contracts, the Company is required to give 12 months’ notice of termination of employment; Phil Bentley is required to give 12 months’ notice and Paul Woolf is required to give 6 months’ notice.

For Executive Directors, if notice is served by either party, the Executive Director can continue to receive basic salary, benefits and pension cash allowance for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave.

With respect to the current Chief Executive and Chief Financial Officer's contracts, the Company has the right to make a payment in lieu of notice equivalent in value up to 12 months' salary payable either in monthly instalments or as a lump sum. The Company will also pay for any benefit for which the individual would have been eligible until the date of cessation had full notice been given.

The Executive Directors' service contracts are available for inspection at Mitie's registered office, Mitie's head office and at the AGM. There are no other provisions for compensation on termination of employment set out within the contracts of the Executive Directors.

For future Executive Directors, notice periods will not exceed 12 months, save in exceptional circumstances; should a notice period longer than 12 months be necessary the Committee would expect this to reduce to 12 months over time.

The effective dates of the service contracts of the current Executive Directors are set out below:

	Date of agreement
Phil Bentley	9 October 2016
Paul Woolf	13 November 2017

External appointments

The Board recognises that the appointment of Executive Directors to non-executive positions at other companies can be beneficial for both the individual director and the Group through the broadening of their experience and knowledge, and individuals are entitled to retain any fees earned in respect of these appointments. The Executive Directors did not hold any non-executive positions at other companies during FY18.

Non-Executive Directors' remuneration and appointment terms

The Chairman and Non-Executive Directors receive an annual fee which is paid in monthly instalments. The Chairman's fee is set by the Remuneration Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chairman and the Chief Executive. The Non-Executive Directors are paid a basic fee with an additional fee for the Senior Independent Director and for chairing a Committee, together with expenses incurred in carrying out their duties on behalf of the Company. Non-Executive Directors are not eligible to participate in any of the Company's share schemes, Annual Bonus Plan or the pension scheme. They do not receive any ancillary benefits.

The terms of appointment of the Non-Executive Directors are available for inspection at Mitie's registered office, Mitie's head office and at the AGM. The Non-Executive Directors are engaged for an initial term of three years which is terminable on either three or six months' notice and thereafter on a rolling term. They are also subject to annual re-election at the AGM in accordance with the Code.

Non-Executive Directors' engagement terms

The engagement terms of the current Non-Executive Directors are set out below:

	Additional duties	Date of commencement	Initial contract term	Notice period
Derek Mapp	Chairman; Chairman of Nomination Committee	9 May 2017	3 years	3 months
Larry Hirst[1]	Senior Independent Director	1 February 2010	3 years	3 months
Jack Boyer	Chairman of Remuneration Committee	1 June 2013	3 years	3 months
Mark Reckitt[2]	Chairman of Audit Committee	1 July 2015	3 years	3 months
Nivedita Krishnamurthy Bhagat		1 June 2017	3 years	3 months
Jennifer Duvalier		26 July 2017	3 years	3 months
Mary Reilly		1 September 2017	3 years	3 months
Philippa Couttie		15 November 2017	3 years	3 months
Roger Yates[1]	Senior Independent Director-elect	1 March 2018	3 years	3 months

Notes:

1. Larry Hirst is scheduled to retire from the Board at the 2018 AGM on 31 July 2018 and it is intended that Roger Yates will become Senior Independent Director at that date.
2. Mark Reckitt will stand down from the Board at the 2018 AGM after three years' service. Mary Reilly will succeed Mark as chair of the Audit Committee.

How the executive pay policy differs from that for other Mitie employees

The remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees, ensuring that the greater part of their pay is conditional on the successful delivery of the Group's business strategy. This helps create a clear link between the value created for shareholders and the remuneration received by the Directors. The LTIP is limited to the most senior employees. For employees below this level, variable pay may consist of share-based awards and annual bonus (both of which will be based on role), and UK based employees (and Irish based in the case of SAYE) have the opportunity to participate in the SAYE and SIP share schemes.

How employment conditions elsewhere in the Group are taken into account

The Remuneration Committee is responsible for overseeing the remuneration policy for the Group as a whole and is mindful of pay and employment conditions in the wider workforce within the Group and externally when determining executive remuneration. When considering base salary increases, benefits and pension provision, the Committee reviews overall levels and increases offered to employees across the Group. The Committee also reviews information with regard to share awards made to other senior management of the Group, noting that: (i) all UK based employees (and Irish based in the case of SAYE) can participate in the SAYE and SIP share schemes; and (ii) participation in the LTIP is limited to a selection of senior executives. However, consistent with general practice, the Committee does not consult with employees in preparing the policy or its implementation.

How shareholder views are taken into account

The Committee is committed to a continuing discussion with major shareholders and obtains their views when any significant changes to remuneration arrangements are being proposed.

Policy on loss of office

The rules of the Annual Bonus Plan and LTIP set out what happens to awards if a participant ceases to be an employee or Director of Mitie before the end of a vesting period, with the relevant service contracts also determining the general treatment of Executive Directors on cessation.

Regarding the annual bonus, in the event that the participant ceases to be an eligible employee before the date the bonus is paid or is subject to notice of termination of employment on the bonus date, all entitlement to the bonus in respect of that financial year shall be forfeited, unless the Committee in its absolute discretion determines otherwise. Deferred shares will vest in full on the date of cessation for 'good leaver' reasons, otherwise the shares will lapse on cessation of employment.

Generally, any outstanding LTIP awards will lapse on cessation of employment, except in certain circumstances. Specifically, if the Executive ceases to be an employee or Director as a result of death, injury, disability, redundancy, retirement, the sale of the business or company that employs the individual or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the LTIP rules in which case awards will vest either on cessation or, for leavers within the first three years, the first normal vesting dates subject to the performance conditions and, if the Committee determines, a pro-rata reduction. A good leaver has 12 months to exercise their vested awards structured as options following the cessation of employment.

In addition, and consistent with market practice, in the event of termination of an Executive Director's employment, the Company may settle any claims that may arise and pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of termination arrangements. Should it become necessary to make additional payments in respect of such professional fees that were not ascertained at the time of reporting, the Company may do so up to a level of a further £10,000. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

Policy on the recruitment of a new Director

For a new hire, the Committee will typically align the Executive Director's remuneration package to the above remuneration policy. However, where appropriate, the Committee retains discretion to make decisions outside of policy to facilitate hiring key talent as set out below.

Base salary will be set based on the individual's role and experience, with consideration given to internal equity.

Benefits will be provided in line with those offered to other employees at the similar level, with relocation expenses/arrangements provided if necessary. In the case of new Executive Directors, individuals will be given a choice of either participation in a defined contribution pension scheme or a cash allowance in lieu of pension.

The maximum level of variable pay that may be offered on an ongoing basis and the structure of remuneration will be in accordance with the approved policy detailed above (i.e. for the CEO an aggregate maximum of 360% of salary – 160% annual bonus and up to 200% for LTIP, for the Chief Financial Officer an aggregate maximum of 335% of salary – 135% annual bonus and up to 200% for LTIP). This limit does not include the value of buyout arrangements.

The above policy applies to both internal promotions to the Board and external hires. For external hires, if it is necessary to buy out existing incentive pay or benefit arrangements (which would be forfeited on leaving their previous company), this would be provided taking into consideration relevant factors such as the commercial value of the amount forfeited from the previous employer, the performance conditions (e.g. the likelihood of achieving those) and timing (e.g. where the award is in the vesting cycle). Buyout awards, if used, will be granted using Mitie's existing share plans, although, if necessary, additional buyout awards may be made on more bespoke terms regarding matters such as vesting and performance conditions as permitted under the Listing Rules (provision 9.4.2.). The Committee has placed a maximum limit on any such buyout awards which it may be necessary to make; these will not exceed the commercial value of the amount forfeited from the previous employer.

In the case of an internal promotion to the Board, any outstanding variable pay awarded in relation to the individual's previous role will be allowed to pay out according to its terms of grant.

On appointment of a new Chairman or Non-Executive Director, his or her fee will be set taking into account the existing fee structure.

Executive Director remuneration (subject to audit)

The table below reports a single figure of total remuneration for each of the Executive Directors and former Executive Director for the financial year ended 31 March 2018 and their comparative figures for the financial year ended 31 March 2017.

	Year	Salary	Benefits	Annual bonus	LTIP	Pension	Total
Phil Bentley	**2018**	**£900,000**	**£22,549**	**–**	**–**	**£180,000**	**£1,102,549**
	2017	£375,000	£29,073	–	–	£75,000	£479,073
Paul Woolf	**2018**	**£166,136**	**£686**	**–**	**–**	**£16,614**	**£183,436**
	2017	–	–	–	–	–	–
Former Director							
Sandip Mahajan	**2018**	**£197,576**	**£10,140**	**–**	**–**	**£39,515**	**£247,231**
	2017	£44,000	£2,063	–	–	£8,800	£54,863
Total remuneration	**2018**						**£1,533,216**
	2017						£533,936

Notes:

Paul Woolf joined the Company and Board as Chief Financial Officer on 13 November 2017. The information in the table above confirms his earnings as an Executive Director from this date.

Sandip Mahajan stepped down from the Board on 13 November 2017, having been appointed to the Board on 10 February 2017. The information in the table above confirms his earnings between these dates as an Executive Director.

Benefits relate to the cost to the Company of private medical cover, car allowance and financial/tax planning advice.

Bonus payable in respect of the financial year includes any deferred element at face value at the date of award. Further information about how the level of the award for the year ended 31 March 2018 was determined is provided on pages 102 and 103.

The pension benefit disclosed above comprises cash allowances in lieu of pension contributions for Phil Bentley and Sandip Mahajan at 20% of salary and for Paul Woolf at 10% of salary.

Non-Executive Director remuneration (subject to audit)

The fees for the Non-Executive Directors for the financial year ended 31 March 2018 and their comparative figures for the financial year ended 31 March 2017 are set out below:

	2018[1] £'000	2017 £'000
Derek Mapp[2]	**201**	–
Roger Matthews[3]	**62**	185
Larry Hirst	**59**	59
Jack Boyer	**60**	60
Mark Reckitt	**60**	60
Nivedita Krishnamurthy Bhagat[4]	**43**	–
Jennifer Duvalier[5]	**35**	–
Mary Reilly[6]	**30**	–
Philippa Couttie[7]	**20**	–
Roger Yates[8]	**5**	–
Total	**575**	364

Notes:

1. All amounts were paid in cash and no other benefits were received in the year.
2. Derek Mapp joined the Board on 9 May 2017 as Chairman-elect and took over as Chairman and Chairman of the Nomination Committee at the AGM on 26 July 2017.
3. Roger Matthews stepped down as Chairman at the AGM on 26 July 2017.
4. Nivedita Krishnamurthy Bhagat joined the Board on 1 June 2017.
5. Jennifer Duvalier joined the Board at the AGM on 26 July 2017.
6. Mary Reilly joined the Board on 1 September 2017.
7. Philippa Couttie joined the Board on 15 November 2017.
8. Roger Yates joined the Board on 1 March 2018 as Senior Independent Director-elect.

Base salary and benefits

Commencing 1 November 2016, and to be first reviewed in April 2020, the annual base salary for Phil Bentley is £900,000.

Commencing 13 November 2017, and to be first reviewed in April 2018, the annual base salary for Paul Woolf was £430,000. The review of Paul Woolf's base salary in April 2018 resulted in no change in base salary.

Commencing 18 January 2017, the annual base salary for Sandip Mahajan was £320,000.

A review of Non-Executive Director fees was undertaken by the Board in March 2018 which resulted in no change to fees.

	2019[1] £'000	2018 £'000
Chairman fees[2]	**225**	225
Non-Executive Director core fees[3]	**52**	52
Additional fees:		
Senior Independent Director	**7**	7
Chairman of a Committee	**8**	8

Notes:

1. The core fees of £52,000 per annum paid to each Non-Executive Director (including the Chairman) will total £399,000 for the year ending 31 March 2019. Total fees including additional duties are expected to amount to £597,000 for the year ending 31 March 2019 (£575,000 actual for the year ended 31 March 2018).
2. The Chairman's fee is inclusive of the Non-Executive Director core fee and no additional fees are paid to the Chairman where he is a chairman or is a member of other Committees. The fee shown for 2018 was the annual fee for Derek Mapp.
3. For Non-Executive Directors, individual fees comprise the core fee and additional supplemental fees for the Senior Independent Director and for chairing Committees where greater responsibility and time commitment are required.

Benefits are as described in the remuneration policy table. No changes are planned for the year ending 31 March 2019.

Annual Bonus Plan

Awards in respect of the year ended 31 March 2018 were considered under the Annual Bonus Plan. Phil Bentley was eligible for a maximum bonus opportunity of 160% of base salary. On joining the Company in November 2017, Paul Woolf became eligible for a pro-rata bonus for a maximum opportunity of 120% of base salary. Sandip Mahajan was originally eligible for a maximum bonus opportunity of 100% of base salary but following his stepping down as Chief Financial Officer in November 2017 is no longer eligible to receive a bonus under Mitie's Annual Bonus Plan for the year ended 31 March 2018. He may be eligible for an alternative discretionary bonus at a reduced level for his contribution to the Company since stepping down from his role as Chief Financial Officer.

The awards were structured by reference to performance against a blend of financial (70% of the bonus opportunity) and strategic targets (the remaining 30%). At the threshold level of performance, 30% of the maximum bonus opportunity is due, 70% of the maximum bonus opportunity is due at the target level and 100% at the maximum level. Between these points the out-turn is determined on a linear sliding scale basis.

Whilst Phil and Paul were eligible to receive a bonus, mindful of shareholders' experience over the year, they requested that they should not be considered for bonuses and this waiver was accepted by the Committee. However, for the purposes of the performance assessment under the November 2016 LTIP award made to Phil Bentley, it is deemed that a bonus has been achieved in respect of the year ended 31 March 2018 and therefore bonus in one of the three years has been achieved to date.

The table below therefore reflects the out-turn of 38.0% which would otherwise have been determined as the outcome had it not been for the bonus waiver. As the financial performance ranges excluded the impact of IFRS 15, the formulaic out-turn has been assessed on FY18 results before the impact of IFRS 15:

Performance measure	Weighting	Performance range	Out-turn
Operating profit	50% of the award	£85.8m threshold £95.3m target £100.0m maximum	The out-turn was £77.1m resulting in a hypothetical outcome of 0% of the maximum for this element, being 0% of the maximum bonus opportunity.
Revenue	20% of the award	£2.00bn threshold £2.23bn target £2.33bn maximum	The out-turn was £2.199bn resulting in a hypothetical outcome of 65% of the maximum for this element, being 13.0% of the maximum bonus opportunity.
Customer Net Promoter Score	15% of the award	+1pts threshold +3pts target +5pts maximum	The out-turn was +17pts resulting in a hypothetical outcome of 100% of the maximum for this element, being 15% of the maximum bonus opportunity.
Strategic objectives	15% of the award	–	The Committee set strategic objectives relating to: customers; costs; financial; people; technology; governance; and processes as set out below. The Committee considered that the objectives had been substantially met and that 10% out of a possible 15% of the award would otherwise have been awarded to the CEO and CFO.

The strategic objectives set for the CEO and CFO were as follows:

CEO

Strategic objectives	
Customers	Launch 'Beyond FM' strategy and win shareholder support for portfolio rationalisation; and complete lifetime value analysis by customer and agree segmentation/strategic account management approach.
Costs	Identify a £50m run rate on savings by leading the transformation of the Group's cost base.
Financial	Restore balance sheet debt/equity financing strength.
People	Rebuild new Executive Leadership Team; inculcate new team values and culture and replace Mitie earnout Model.
Technology	Launch technology solutions (i) within Mitie office footprint to showcase Mitie's credentials; (ii) to simplify Mitie's internal processes to improve customer service; and (iii) to build a 'Connected Workspace' capability.

CFO

Strategic objectives	
Governance	Create reputation for strong control environment and robust guardianship; and ensure capital structure is robust, sustainable and can underpin the wider strategy.
Processes	Establish 'Single Mitie Way' process models and implement them with high levels of compliance.
Costs	Identify a £12m run rate on savings by leading the transformation of the Group's Finance function.
People	Recruit and promote the best available finance talent; ensure they are highly engaged and demonstrate continuous improvement.
Technology	Establish a coherent finance technology/systems landscape that has a low cost of running and is robust.

The bonus structure and assessment reflecting the waiver was as follows:

	Financial performance				Non-financial performance				Total bonus payable		
	% of salary payable at threshold	% of salary payable at target	% of salary payable at maximum	% of salary payable	% of salary payable at threshold	% of salary payable at target	% of salary payable at maximum	% of salary payable	Total bonus £'000	Cash £'000	Deferred shares £'000
Phil Bentley	33.6	78.4	112.0	0	14.4	33.6	48.0	0	0	0	0
Paul Woolf[1]	25.2	58.8	84.0	0	10.8	25.2	36.0	0	0	0	0
Sandip Mahajan	21.0	49.0	70.0	0	9.0	21.0	30.0	0	0	0	0

Note:

1. Paul Woolf's salary percentages reflect his bonus opportunity before pro-rating.

The Annual Bonus Plan will be operated on similar terms for the year ending 31 March 2019. Phil Bentley's maximum bonus opportunity for FY19 will remain at 160% of base salary and Paul Woolf's at 120% of base salary. Awards will be payable by reference to performance against a blend of financial (70% of the bonus opportunity) and strategic targets (the remaining 30%). However, if none of the financial targets have been achieved, no bonus will be payable by reference only to the strategic targets. 50% of any bonus entitlement will be deferred. The targets are at present commercially sensitive and so are not disclosed in this report. However, as above, details of the targets will be disclosed in next year's report.

LTIP awards granted in 2017

Awards granted in 2017 were subject to the same structure as the LTIP awards made in July 2016. The awards will vest in 2020 depending on performance. The performance conditions applicable to the 2017 awards are as follows:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period three years ending 31 March 2020)
Earnings Per Share (EPS) growth	25% of the award	5% – 10% pa	Zero vesting if EPS growth, as adjusted by the Committee as appropriate, is less than 5% pa. If EPS growth is equal to 5% pa, 25% of the award will vest. If Mitie achieves 10% EPS growth pa, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis.
Relative Total Shareholder Return (TSR)	20% of the award	Outperformance against the Business Support Services subsector of the FTSE 350 Support Services index (the Benchmark)	Zero vesting if Mitie's TSR growth is less than the median of the Benchmark. If Mitie's TSR growth is equal to the median of the Benchmark, 25% of the award will vest and if it exceeds the Benchmark median TSR by 10% pa or more, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis. An underpin condition for underlying financial performance also applies.
Strategic objectives	25% of the award		Zero vesting if the strategic objectives are not met. Straight line vesting between zero and maximum based on Remuneration Committee assessment of performance against objectives.
Cash conversion	30% of the award	75% – 85% pa	Zero vesting if cash conversion is less than 75% pa. At 75%, 25% of the award will vest. 70% of the award will vest if Mitie achieves 80%. Full vesting for this portion will occur if 85% pa is achieved. Between 75% and 80% and 80% and 85%, the proportion of awards vesting will be determined on a linear sliding scale basis.

The strategic objectives are linked to the Company's strategy and include objectives relating to: customers; costs; financial; people; and technology. Financial performance targets for the 2017 LTIP award were set before the Company adopted IFRS 15 with effect from 1 April 2017. To reflect the impact of IFRS 15, the Committee will consider adjusting EPS and cash conversion targets appropriately, ensuring that they are not materially easier or harder to satisfy than the original targets. Any amended targets determined by the Committee will be disclosed to shareholders in the next Directors' remuneration report.

What was granted in 2017 (subject to audit)

	Award	Type	Number of shares	**Face value (£'000)**	% of salary	Performance conditions	Performance period	% vesting at threshold
Phil Bentley	Performance LTIP Jul 17	Nil-cost options	669,393[1]	**1,800.0**	200%	Performance conditions are set out in the table above	Three financial years ending 31 March 2020	25%
Paul Woolf	Performance LTIP Nov 17	Nil-cost options	143,269[2]	**322.5**	75%			
Sandip Mahajan	Performance LTIP Jul 17	Nil-cost options	148,754[1]	**400.0**	125%			

Notes:

1. Number of shares was calculated based on the average closing share price for up to five business days preceding the date of grant giving a share price of 268.9p.
2. Number of shares was calculated based on the average closing share price for up to five business days preceding the date of grant giving a share price of 225.1p.

The performance conditions that are to apply to awards made in 2018 will be simplified to two measures: (i) EPS; and (ii) cash conversion, each accounting for 50% of the award. The grant of these awards to the Executive Directors will be made following the 2018 AGM. Target ranges for 2018 LTIP awards will be set by the Committee and disclosed in our stock exchange announcement detailing the grants. All Executive Director awards will be subject to a post-vesting holding period of two years.

Details of LTIP vesting in July 2018 (2015 award)

As disclosed in 2017's Annual Report on Remuneration, in accordance with the rules of the relevant LTIP, accelerated vesting applied to the 2015 (and 2016) LTIP grants for Ruby McGregor-Smith and Suzanne Baxter. The Committee determined that these awards should lapse in their entirety following exercise of negative discretion by the Committee. No current Executive Director has 2015 LTIP awards.

The Committee assessed the outcome of the 2015 LTIP awards (based on FY18 results before the impact of IFRS 15) granted to senior management under the plan in operation at the time against a basket of performance measures:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period three years ending 31 March 2018)
Earnings Per Share (EPS) growth	20% of the award	3% – 8% pa	Zero vesting if EPS growth, as adjusted by the Committee as appropriate, is less than 3% pa. If EPS growth is equal to 3% pa, 25% of the award will vest. If Mitie achieves 8% EPS growth pa, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis.
Relative Total Shareholder Return (TSR)	20% of the award	Outperformance against FTSE 350 Support Services index	Zero vesting if Mitie's TSR growth is less than the median of the index. If Mitie's TSR growth is equal to the median of the index, 25% of the award will vest and if it exceeds the index median TSR by 10% pa or more, all the awards will vest. Between these two points the proportion of awards vesting will be determined on a linear sliding scale basis. An underpin condition for underlying financial performance also applies.
Organic revenue growth	30% of the award	3% – 6% pa with a financial underpin based on the achievement of target margin of 5.5% pa	Zero vesting if organic revenue growth is less than 3% pa. If organic revenue growth is equal to 3% pa, 25% of the award will vest. If Mitie achieves 6% organic revenue growth pa, all the awards will vest. Between these two points, the proportion of awards vesting will be determined on a linear sliding scale basis. Entire portion of award is subject to Mitie achieving an average 5.5% margin in the performance period.
Cash conversion	30% of the award	75% – 85% pa	Zero vesting if cash conversion is less than 75% pa. At 75%, 25% of the award will vest. 70% of the award will vest if Mitie achieves 80%. Full vesting for this portion will occur if 85% pa is achieved. Between 75% and 80% and 80% and 85%, the proportion of awards vesting will be determined on a linear sliding scale basis.

The Committee determined that the 2015 awards should lapse in their entirety following exercise of negative discretion by the Committee.

Loss of office payments (subject to audit)

On 13 November 2017, Sandip Mahajan ceased to be a Director of Mitie Group plc and took up the role of Chief Financial Transformation Officer. Sandip is expected to remain an employee until 12 November 2018. A summary of Sandip's departure terms was made available on the Company's website in the relevant Section 430(2B) Companies Act 2006 statement.

For the period to 12 November 2018, Sandip will receive his salary and contractual benefits. Sandip will not be eligible to receive a bonus under Mitie's Annual Bonus Plan for the year ended 31 March 2018 (which afforded him a maximum bonus opportunity of 100% of base salary). He may be eligible for an alternative discretionary bonus at a reduced level for his contribution to the Company since he stepped down as Chief Financial Officer. Options over 148,754 shares awarded under the LTIP will be pro-rated by reference to his period of total employment and vest subject to performance conditions and the rules of the LTIP. Sandip will not be eligible to receive further grants under Mitie's LTIP. Legal fees of up to £1,000, excluding VAT, will be paid directly to Sandip's legal advisors. If Sandip or the Company elects to terminate his employment before 12 November 2018, then he will receive salary and contractual benefits in lieu of notice to that date subject to mitigation in the event that Sandip takes up a remunerated executive position elsewhere prior to 12 November 2018. No other payments will be made.

Payments to past Directors (subject to audit)

In last year's report, the Remuneration Committee noted that, as a consequence of prior year adjustments to the accounts for the financial year ended 31 March 2016, it would determine what rights might be available to the Company to recover the bonus and other awards made to each of Ruby McGregor-Smith and Suzanne Baxter in respect of FY16. The matters which gave rise to the prior year adjustments are now the subject to the ongoing investigation by the Financial Conduct Authority (FCA), which the Company disclosed in its announcement on 29 August 2017. In that announcement, the Company reported that the FCA had commenced an investigation in connection with the timeliness of a profit warning announced by the Company on 19 September 2016 and the manner of preparation and content of the Company's financial information, position and results for the period ended 31 March 2016. The Company has been advised by its external lawyers that as any claim against Ruby McGregor-Smith and Suzanne Baxter would cover the same matters, facts and circumstances which are the subject of the FCA investigation, any formal steps to recover bonuses or other awards should be deferred until after the FCA have reached their findings. It is currently anticipated that the FCA will conclude its investigation during the course of FY19.

No payments have been made to past Directors other than as previously disclosed in last year's report. A total contribution of £76,000 and £70,000, excluding VAT, was paid to Ruby McGregor-Smith and Suzanne Baxter respectively in respect of legal and outplacement fees incurred in connection with their departures.

Change in CEO pay for the year compared to UK salaried employees

The table below sets out the change in remuneration of the Chief Executive and Mitie's UK salaried non-contract population, which is considered the most appropriate group for comparison purposes.

%	Salary	Benefits	Bonus
Chief Executive[1]	0.0%	-24.9%	0.0%
Average pay based on Mitie's UK salaried non-contract employees[2]	4.2%	11.3%[3]	2.2%

Notes:

1. Phil Bentley became Chief Executive from 12 December 2016. To facilitate a year-on-year comparison, the change in CEO percentage shown is the change in Phil Bentley's salary, benefits and bonus between FY17 and FY18 on an annualised basis.
2. Reflects the change in average annual pay for salaried non-contract UK employees employed throughout the two financial years ended 31 March 2018. Salaried non-contract employees are those who are employed directly by Mitie Group and whose roles are not dedicated to the provision of client services.
3. Includes car/car allowance, private medical benefit and private fuel.

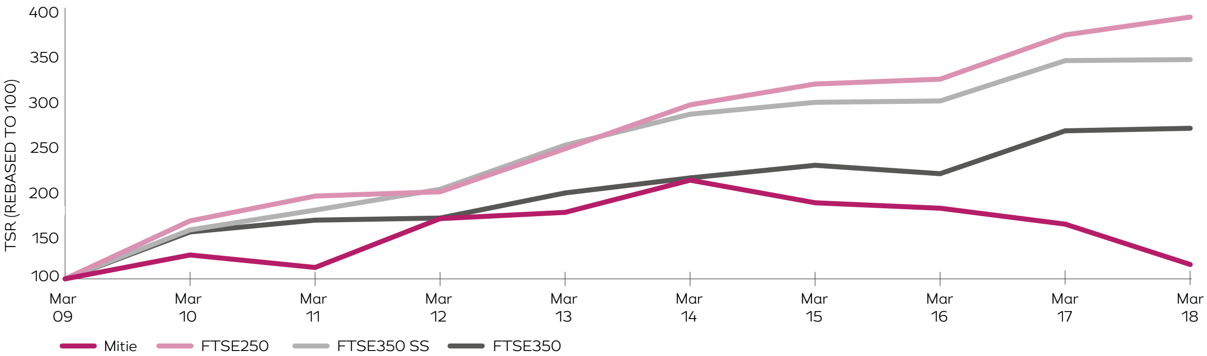
Relative spend on pay

The table below shows the total cost of remuneration in the Group, compared with the dividends distributed and share buybacks.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Change
Aggregate employee remuneration	1,119	1,174	-4.7%
Equity dividends and share buybacks	5	62	-91.9%

Assessing pay and performance

The table below provides a summary of the Chief Executive's single figure remuneration over the past nine years, as well as the pay-out and vesting levels of variable pay plans in relation to the maximum opportunity. The chart below shows the historical TSR performance over the same period. These indices (FTSE 250, FTSE 350 Support Services and FTSE 350) have been chosen as they are widely recognised and Mitie has been a member of these indices during the period:

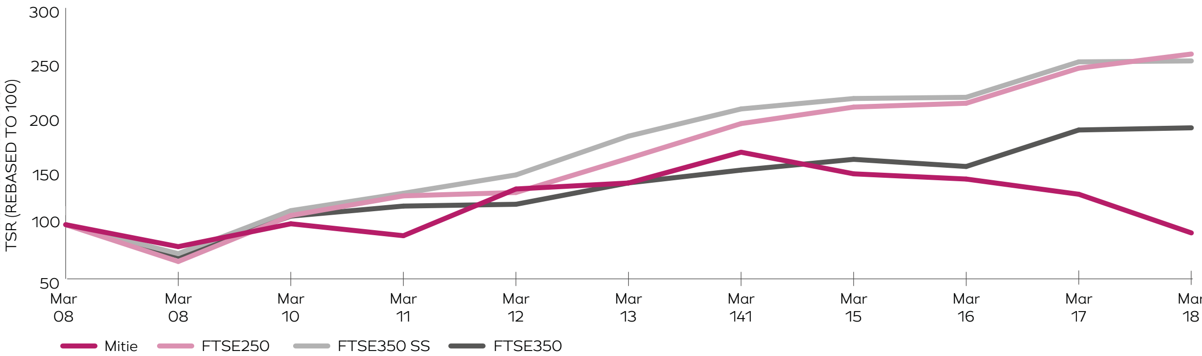


	2010	2011	2012	2013	2014	2015	2016	2017 Ruby McGregor-Smith[1]	2017 Phil Bentley[1]	2018
Single figure remuneration	£1,703,031	£2,324,443	£2,431,773	£2,105,131	£1,447,266	£1,525,824	£2,448,161	£530,628	£479,073	**£1,102,549**
Annual bonus element (actual as a % of max)	100%	100%	100%	85%	90%	50%	73%	0%	waived	**waived**
LTIP element (actual vesting as a % of max)	100%	100%	87.2%	57.2%	0%	25%	69.5%	0%	n/a	**n/a**

Note:

1. Ruby McGregor-Smith stepped down as Chief Executive on 12 December 2016. Phil Bentley joined the Board on 1 November 2016 and assumed the position of Chief Executive on 12 December 2016. The figures above include Phil Bentley's remuneration from 1 November 2016.

The reporting requirements state that the time period for the above TSR chart should be lengthened to ten years over time and we have therefore included a ten-year chart below:



Share ownership (subject to audit)

	Number of shares owned as at 31 March 2018[1]	Value of target holding	Target shareholding	Percentage of salary held as at 31 March 2018	Percentage of target achieved as at 31 March 2018	Compliance with share ownership guidelines
Phil Bentley[2]	1,852,656	£1,800,000	926,328	400%	200%	Achieved
Paul Woolf[3]	48,967	£860,000	400,037	24%	12%	Not achieved but compliant
Sandip Mahajan[4]	0	£640,000	297,702	0%	0%	Not achieved but compliant

Notes:

1. Includes shares owned by connected persons.
2. Value of target holding is 200% of base salary for Phil Bentley. In accordance with Phil Bentley's service contract, he acquired shares worth 400% of salary on 21 November 2016. His target shareholding is the value of his target holding divided by the share price of 194.3p on 21 November 2016.
3. In accordance with the Company's share ownership policy, Paul Woolf is required to build and maintain, through the retention of vested share options, a shareholding of 200% of base salary. His target shareholding is calculated using the average closing share price of 215.0p for the five business days prior to the start of the financial year ended 31 March 2018.
4. Value of target holding is 200% of base salary for Sandip Mahajan. His target shareholding is calculated using the average share price of 215.0p for the five business days prior to the start of the financial year ended 31 March 2018. Sandip resigned from the Board on 13 November 2017; his shareholding above is at that date.

Directors' outstanding share interests (subject to audit)

The following tables provide the outstanding share interests for the Executive Directors:

Directors' interests in nil-cost options granted under the Mitie Group plc 2015 Long Term Incentive Plan

	Year of grant	Options outstanding as at 31 March 2017	Granted in year[2]	Lapsed in year	Exercised in year	Options outstanding as at 31 March 2018[3]	Exercise price	Earliest normal exercise date[4]
Phil Bentley	Nov 2016[1]	879,077	–	–	–	**879,077**	Nil-cost	May 2020
	Jul 2017	–	669,393	–	–	**669,393**	Nil-cost	Jul 2020
Paul Woolf	Nov 2017	–	143,269	–	–	**143,269**	Nil-cost	Nov 2020
Sandip Mahajan[5]	Jul 2017	–	148,754	–	–	**148,754**	Nil-cost	Jul 2020

Notes:

1. The performance criteria applicable to the November 2016 award run to 31 March 2020 and are linked to the achievement of a bonus payment in the three financial years ending 31 March 2020. If Phil earns a bonus in one of these years 25% of the award vests, 67% vests if a bonus is earned in two of the years and 100% vests if a bonus is earned in all three years.
2. The performance criteria applicable to the 2017 awards are provided on page 104.
3. The market price of the Company's shares as at 31 March 2018 was 159.0p. The highest and lowest prices during the year were 297.2p and 148.6p respectively.
4. Awards are subject to an additional holding period.
5. Sandip Mahajan resigned from the Board on 13 November 2017; his outstanding share interests above are at that date.

Directors' share ownership

	Number of ordinary shares beneficially owned as at 31 March 2018 (or date of cessation if earlier)	Number of ordinary shares beneficially owned as at 31 March 2017 (or date of appointment if later)
Executive Directors		
Phil Bentley	**1,852,656**	1,852,656
Paul Woolf[1]	**48,967**	0
Sandip Mahajan[2]	**0**	0
Non-Executive Directors		
Derek Mapp[3]	**140,000**	0
Larry Hirst	**25,000**	25,000
Jack Boyer	**5,000**	5,000
Mark Reckitt	**4,000**	4,000
Nivedita Krishnamurthy Bhagat[4]	**0**	0
Jennifer Duvalier[5]	**18,469**	18,469
Mary Reilly[6]	**0**	0
Philippa Couttie[7]	**0**	0
Roger Yates[8]	**0**	0
Roger Matthews[9]	**100,000**	100,000

Notes:

1. Paul Woolf was appointed to the Board on 13 November 2017.
2. Sandip Mahajan resigned from the Board on 13 November 2017; his shareholding above is shown at that date and at 31 March 2017.
3. Derek Mapp was appointed to the Board on 9 May 2017.
4. Nivedita Krishnamurthy Bhagat was appointed to the Board on 1 June 2017.
5. Jennifer Duvalier was appointed to the Board at the AGM on 26 July 2017.
6. Mary Reilly was appointed to the Board on 1 September 2017.
7. Philippa Couttie was appointed to the Board on 15 November 2017.
8. Roger Yates was appointed to the Board on 1 March 2018.
9. Roger Matthews resigned from the Board on 26 July 2017; his shareholding above is shown at that date and at 31 March 2017.

Share dilution

The Company manages dilution rates within the standard guidelines of 10% of issued ordinary share capital in respect of all employee schemes and 5% in respect of discretionary schemes. In calculating compliance with these guidelines the Company allocates available headroom on a ten-year flat-line basis, making adjustments for projected lapse rates and projected increases in issued share capital.

LTIP and deferred bonus awards are satisfied through the market purchase of shares held by the Mitie Group plc Employee Benefit Trust. The potential dilution of the Company's issued share capital is set out below in respect of all awards granted in the last ten years under the Company's equity-based incentive schemes which are being satisfied through the allotment of new shares or treasury shares.

Share dilution at 31 March 2018

	Dilution
All share plans (maximum 10%)	6.5%
Discretionary share plans (maximum 5%)	3.2%

Shareholder voting

Mitie remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Executive Directors' remuneration, the Group seeks to understand the reasons for any such vote, and will detail here any actions in response to it.

A resolution to approve the Directors' remuneration policy as set out in the Company's Annual Report for the year ended 31 March 2015 was passed at the Company's 2015 AGM. The Company's revised remuneration policy as set out on pages 93 to 100 will be put to the Company's 2018 AGM. At the Company's 2017 AGM, a resolution was passed to approve the 2017 Directors' remuneration report (excluding the summary of the Directors' remuneration policy). The results of the votes on these resolutions were as follows:

Number of votes	Votes in favour	Votes against	Votes withheld[1]
2015 Directors' remuneration policy – 2015 AGM	205.1m	14.0m	21.4m
	93.6%	6.4%	–
2017 Directors' remuneration report – 2017 AGM	246.3m	21.2m	9.7m
	92.1%	7.9%	–

Note:

1. Votes withheld are not counted in the calculation of the proportion of votes for or against a resolution.

Remuneration Committee and its advisors

The Remuneration Committee seeks and considers advice from independent remuneration advisors where appropriate. FIT Remuneration Consultants (FIT) were appointed by the Committee in December 2013 to provide independent advice on executive remuneration. Following a retender process and the resignation of Deloitte LLP as Mitie's auditor, the Committee appointed Deloitte LLP as independent remuneration advisors in September 2017. The advisors attended Committee meetings and provided advice and analysis of executive remuneration. During their tenure, the advisors provide no other services to the Company (save in relation to services connected to executive remuneration and share plans) and also comply with the Code of Conduct for Remuneration Consultants. The advisors' total cost of advice to the Committee for the year was £88,752, being £30,252 for FIT and £58,500 for Deloitte LLP (such fees being charged in accordance with their standard terms of business).

The Committee specifically considered the position of the advisors and was satisfied that the advice the Committee received was objective and independent, given that no other services were provided to the Company.