DIRECTORS' REMUNERATION REPORT

Chairman's statement

Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the 2014/15 financial year.

The Dairy Crest remuneration policy continues to be based upon a core set of principles which support the strategic and financial ambitions of the Company:

- The remuneration package should support a performance based culture, attract and retain talented personnel and align executives' and shareholders' interests.
- The remuneration structure is both uncomplicated and transparent, and we remain committed to open disclosure.
- The measures used for incentive plans reflect the strategic priorities which the Committee considers critical to the future success of the Company.

At the 2014 AGM, shareholders approved our Directors' Remuneration Policy ('Policy') with 96% support. A copy of the Policy is included after this statement for ease of reference. The full Policy as approved by shareholders is available on our website.

The Dairies transaction

2014/15 has been a notable year for Dairy Crest. On 6 November we announced that we have agreed to sell the assets and business of our Dairies operations to Müller. A sale is conditional on approval from the relevant competition authorities and the process to obtain approval is on track. After completion of a sale, Dairy Crest's focus will be on its profitable, predominantly branded, cheese and spreads operations. It will also grow its revenue and profits by continuing to develop whey-based products, specifically demineralised whey powder and galacto-oligosaccharide, for the fast growing global infant formula market. A sale of the Dairies operations will be a transformational and a hugely positive transaction for the Company, our shareholders and the sector.

In light of the challenges that lay ahead for Dairy Crest over this critical period for the business, the Committee determined that the retention of Mark Allen, given his unique knowledge of the Group's business and in-depth knowledge of the sector in which it operates and his relationships with the Company's key stakeholders, is paramount over the coming three years. Mark has been the Company's Chief Executive for eight years and with Dairy Crest for 23 years. Shareholders approved the grant of a one-off Transformational Incentive Award to the Chief Executive outside the approved Directors' Remuneration Policy at the extraordinary general meeting held in December 2014. As a result the award was granted following the EGM and vests three years from grant in December 2017, subject to the achievement of stretching performance conditions. Further details of this award are given in the report under 'Scheme interests awarded during the financial year'. We consulted with a number of our key shareholders prior to the EGM, and I would like to take this opportunity to thank investors for their input and engagement during this process, and for their subsequent support at the EGM.

2014/15

The positive transaction for Dairy Crest highlighted above takes place against a backdrop of challenging trading and economic conditions for the business this year, which is reflected in our incentive payouts in relation to 2014/15.

The Dairy Crest annual bonus incorporates stretching short term financial targets and personal objectives. This year's bonus payments reflect a challenging year where bonus targets for profit and net debt were not met, resulting in lower payments of 18.75% of salary for Mark Allen, 15.63% for Martyn Wilks and 18.75% for Tom Atherton.

Awards under the Long Term Incentive Share Plan ('LTISP') 2012 had a three-year performance period to March 2015. Against the TSR performance measure (60% of the award), the Company achieved 34.7% growth, however, the Company did not achieve the minimum Adjusted EPS target threshold (40% of the award). This resulted in 20.8% of awards vesting under this award.

Under the Long Term Alignment Plan ('LTAP'), our Executives are measured against a set of strategic Key Performance Indicators supported by a 3 year performance measure relating to dividend performance. For the 2014/15 financial year, the LTAP grant will be 69.2% of basic pay for the Executive Directors, which reflects a consistent performance by Dairy Crest against the backdrop of a difficult market. As the 2014/15 grant level was determined based on performance against the scorecard over the previous financial year, we have provided full details of the outcomes against these measures in this report. This is contained towards the end of the report just before 'Statement of Implementation of policy in the following financial year'. Grants under the LTAP will vest in two equal tranches four years and five years after grant, subject to the dividend and dividend cover maintenance performance condition being met.

Board changes

Martyn Wilks left the Board on the 31 March 2015, and I would like to take this opportunity to thank Martyn for his contribution throughout the seven years he was on the Board. Further information on the termination pay arrangements in place for Martyn can be found on page 53 of this report.

2015/16

2015/16 is expected to be a challenging year in light of the transaction and related significant restructuring activity required. As the timing of the transaction is unclear and dependent on the relevant competition approvals, the Committee has reviewed the 2015/16 annual bonus performance measures. This is to ensure that for this year, during this critical period of transition, the targets appropriately assess performance and recognise the contribution of our people. As a result of this review, the Committee has determined that the profit before tax measure will be replaced with an adjusted operating profit measure, to enable the Committee to assess the underlying performance of the business over the year, excluding property disposals and the impact of interest payments over the period which will be abnormally impacted by the anticipated transaction. In addition, the net debt measure is to be replaced with a cashflow measure to provide a more relevant assessment of performance over the period and the target will be calibrated to exclude the anticipated cash receipt as a result of the transaction. Finally, part of the 2015/16 annual bonus will be paid depending on the successful completion of the transaction. This approach is being applied to all bonus scheme participants and the Committee believes that it is important to incentivise and reward employees appropriately for their part in achieving this deal. However, to ensure that the greater proportion of the Executive Directors' bonuses continue to be based on specific financial measures, this element will comprise a much lower proportion of the bonus for them compared with other employees. This change is consistent with the approved Policy. The maximum bonus potential for Executive Directors will remain at 100% of salary.

In reviewing our bonus, we have also made a substantive change to how we will implement the Policy. We have introduced clawback and malus clauses to our bonus, applying to awards made relating to 2015/16 and future financial years. These will allow both cash and share bonus awards to be reduced in the three years after the award is made. This is intended to protect the Company and its stakeholders against the most serious events, which may only come to light after a period of time. This does not constitute a change to Policy.

As referenced in last year's remuneration report, Tom Atherton's promotion to Group Finance Director was at a salary level significantly below the market rate, but with a clear plan for enhanced salary adjustments in line with increasing experience and good performance in the role. I am pleased to confirm that further to an on-going review of Tom's performance his salary has been increased by 15.4% to £300,000 p.a. This reflects our ongoing intention to move him to a market median positioning as his experience in role grows. It is therefore anticipated that subject to his continued strong performance, Tom will receive further appropriate increases such that his salary positioning is in the market median range against FTSE 250 CFOs. No salary increase will be awarded to Mark Allen in 2015 (he last received an increase in his basic salary in 2011). The Committee intends to conduct a review of Mark's salary in January 2016.

This report
Following the high level of support received for our 2013/14 remuneration report, the Committee decided to make minimal changes to the layout of the report to provide consistency for our readers. We have included a copy of our full Policy report, which was approved at the 2014 AGM, but this is not being put to a shareholder vote this year as we have made no changes to the Policy. Other than the one-off Transformational Incentive Award previously mentioned, we have operated fully within the Policy this year.

Approved by the Board and signed on its behalf by

Richard Macdonald Chairman of the Remuneration Committee.

Directors' remuneration policy

(approved by shareholders at the 2014 AGM)

Directors' remuneration Policy
We seek to ensure that the remuneration packages contribute to the delivery of long term shareholder value. This is reflected in the Company's annual bonus scheme and long term alignment plan, which are explained in more details below. The Committee received shareholder approval of the following Policy at the Annual General Meeting on 15 July 2014 to cover the period from 1 April 2015 to the 2017 AGM.

Future policy table
The remuneration structure for Executive and Non-executive Directors (who are paid only fees and receive no additional benefits) at Dairy Crest, and the underlying principles on which each element of the package is based are set out below.

How the element supports our strategic objectives	Operation of the element	Maximum opportunity under the element	Performance metrics used, and time period applicable
Base salary Reflect assessment of market practice based on role and experience.	Benchmarked against executives with similar responsibilities in companies of comparable size and complexity, in particular the constituent companies of the FTSE 250 index (excluding financial services). Paid in 12 equal monthly instalments during the year. Reviewed annually and any changes are in the ordinary course effective from 1st July.	Increases will normally be broadly in line with inflation and the wider employee population. The Committee retains the flexibility to award higher base salary increases and to position salaries in such a way that ensures Dairy Crest remains competitive in the market, and to take into account an individual's personal performance and experience in the role – as such the Committee may apply increases over time as appropriate to achieve alignment with market levels. Changes may also be made in the case of a change in role or responsibility.	Not applicable.

How the element supports our strategic objectives	Operation of the element	Maximum opportunity under the element	Performance metrics used, and time period applicable
Pension Provide a market competitive level of provision with appropriate flexibility whilst minimising risk to the Group.	There is a defined contribution scheme and/or salary supplement in place. No further service accrual under final salary pension scheme from 1 April 2010.	Mark Allen and Tom Atherton receive employer contributions up to Annual Allowance plus cash supplements. Total benefit will not exceed 23% of salary. Martyn Wilks receives a cash supplement of 23% of salary.	Not applicable.
Benefits Provide market-competitive benefits.	Includes company car benefit, life assurance cover, permanent health insurance and medical insurance. Dairy Crest pays the cost of providing the benefits on a monthly basis, or as required for one-off events. The Remuneration Committee reserves the right to add to or remove these benefits as required.	All Executives receive a company car/car allowance and private medical insurance, commensurate with market levels. Mark Allen and Tom Atherton receive life insurance cover of 7 x annual salary. Martyn Wilks receives life insurance cover of 4 x annual salary.	Not applicable.
Bonus Ensure that annual reward is consistent with successfully achieving the short term financial targets and strategic objectives of the Group.	To deliver an appropriate balance between long term and short term reward, any bonus earned over 50% of annual salary is deferred into shares (see below). The remainder is paid as cash. The cash element of the bonus is paid three months after the end of the financial year to which it relates.	Current maximum award: 100% of salary. Target award: 50% of salary. Threshold award: 0% of salary. The Remuneration Committee has discretion to increase the maximum award to 150% of salary in exceptional circumstances. The Committee is not aware of any such circumstances and so does not currently expect to make awards above the maximum of 100% of salary.	Performance is measured by reference to the financial year. Metrics used to determine performance under the bonus will be based on a mix of financial, operational and personal measures. The Committee has the flexibility to vary the performance measures and weighting of metrics under this plan.
Deferred bonus Deliver appropriate balance between long term and short term reward and to build up Directors' shareholdings in line with Policy.	Any bonus over 50% of annual salary is deferred for three years, conditional on continued employment until vesting date. Delivered in shares. Participants will normally be entitled to an amount, payable in shares, on vesting equal in value to the dividends payable on deferred bonus shares over the deferral period.	Policy maximum award: 50% of salary (maximum potential deferral). In the exceptional event the Remuneration Committee exercises discretion to award a bonus above 100% of salary, any bonus earned above 50% of salary would be deferred into shares.	None. Value growth is achieved only through change in share price, and dividend equivalents paid.
Long Term Alignment Plan Encourage and reward continuing improvement in the Group's performance over the longer term. Alignment of interest between participants and shareholders. Measures identified are central to Dairy Crest's strategy and are considered by Directors in overseeing the operation of the business.	Annual grant of share awards. Awards will be subject to a phased vesting requirement, with 50% of the award vesting in year 4 and 50% in year 5 following grant. Participants will normally be entitled to an amount on vesting, paid in shares, equal in value to the dividends payable on shares awarded. The Board may at any time up to and on vesting reduce the number of shares that vest, should material misstatement or misconduct occur.	Maximum award: 90% of salary. If performance falls below a minimum level against the scorecard no award will be made.	Achievements over the prior year against a pre-grant performance scorecard comprising measures aligned to Dairy Crest's strategic priorities. The Committee has flexibility to amend the relevant measures, weightings and KPIs which determine the size of the awards granted. The weighting of financial KPIs in determining annual grant levels will be at least 60% of the scorecard. Vesting is subject to continued employment. The level of vesting may be reduced dependent on a dividend underpin over the first three years of the vesting period. An amount of the award proportional to the percentage decrease in dividend may be clawed back in the event of a decline of up to 50%. If the decline exceeds 50%, the Committee will use its discretion to determine the proportion of the award that shall vest. In such circumstances not more than 50% of the award will vest.

How the element supports our strategic objectives	Operation of the element	Maximum opportunity under the element	Performance metrics used, and time period applicable
Long Term Alignment Plan Continued			Dividend cover must be maintained in a specific range over the three-year measurement period. The Remuneration Committee retains discretion to reduce the vesting of awards as appropriate should dividend cover be outside this range. The dividend cover range will be determined by the Committee annually, and may be adjusted if the Committee determines this to be appropriate.
Shareholding requirement Alignment of interest between participants and shareholders.	Directors are encouraged to build a shareholding in the Company. Such shareholdings exclude unvested options under the Long Term Incentive Share Plan and include unvested deferred shares granted to Executive Directors as part payment of bonuses and unvested LTAP awards. Directors who have not achieved the minimum shareholding requirement will be encouraged to retain 50% of any shares released under the deferred bonus/LTAP until the required level of shareholding is reached.	The shareholding requirement for Executive Directors is 200% of salary.	Not applicable.
Non-executive Directors' fees Remunerates Non-executive Directors and attracts Non-executive Directors of suitable calibre.	Benchmarked against Non-executive Directors with similar responsibilities in companies of comparable size and complexity. The remuneration of the Non-executive Chairman is determined by the Board following recommendations from the Remuneration Committee and Chief Executive. The remuneration of Non-executive Directors is determined by the Board following recommendations from the Chairman of the Remuneration Committee having consulted with an external adviser and the Chief Executive.	The total fees for Non-executive Directors remain within the limit of £600,000 set out in the Articles of Association.	Not applicable.
Provisions of previous Policy that will continue to apply – award made 2012			
Long Term Incentive Share Plan Alignment of interest between participants and shareholders.	Annual grant of share awards. Three-year vesting period.	Annual limit – 150% of salary.	60% subject to three-year relative TSR performance against a comparator group comprising FTSE 250 constituents (as at the grant date) (excluding financial service companies, real estate companies and investment trusts). 40% subject to three-year Adjusted EPS growth targets.

Notes on Policy table and components of remuneration

Performance measures and targets

Measures for incentive plans reflect the strategic priorities which the Committee considers critical to the future success of the Company. Targets are set by reference to budgeted financials, wider Group targets, external market consensus and stretching strategic growth outcomes.

Differences in remuneration for all employees

The majority of employees participate in a bonus plan. The size of award and the weighting of performance conditions vary by level, with specific measures incorporated where relevant.

All members of the senior management team have historically participated in the LTISP arrangement. A smaller group of senior management now participates in the LTAP at a reward level appropriate to their role.

Statement of consideration of employment conditions elsewhere in the Company

As the Committee has oversight of remuneration matters for the broader senior management population, it brings the reward of these individuals into consideration when discussing packages for Executive Directors.

The Committee does not specifically ask employees to comment on matters related to the remuneration of Executive Directors, but any comments received are taken into account.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay a competitive salary as appropriate to attract and motivate the right talent in the role.

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director. Any new Director's remuneration package would include the same elements and be subject to the same constraints as those of the existing Directors performing similar roles, as shown below:

Component	Policy and principles
Base salary and benefits	The salary level will be set taking into account the responsibilities of the individual and the salaries paid for similar roles in comparable companies. Depending on the circumstances of any particular appointment the Committee may choose to set base salary above market median to attract the right talent, or below market median with increases applied over a period of time to achieve alignment with market levels for the role with reference to the experience and performance of the individual, all subject to the Company's ability to pay. Should relocation of a newly recruited Executive Director be required, reasonable costs associated with this relocation will be met by the Company. Such relocation support could include but not be limited to payment of legal fees, removal costs, temporary accommodation/hotel cost, a contribution to stamp duty, and replacement of non-transferrable household items. In addition, the Committee may grant additional support as appropriate. Other benefits provided will be aligned to those set out on pages 46 to 48.
Pension	The Executive Director will be able to participate in the defined contribution scheme up to the annual allowance and a cash supplement payment above this. Total benefit will not exceed 23% of Basic Salary.
Annual bonus	The Executive Director will be eligible to participate in the annual bonus scheme as set out in the remuneration Policy table. The Policy maximum award under the bonus will be 100% of salary. The Remuneration Committee has discretion to increase the maximum award to 150% of salary in exceptional circumstances. Any bonus over 50% of salary is deferred into shares for three years as set out in the remuneration Policy table.
Long term incentives	The Executive Director will be eligible to participate in the Long Term Alignment Plan at the Remuneration Committee's discretion. The maximum potential opportunity under this scheme is 90% of salary. Associated performance measures would apply as set out in the remuneration Policy table.
Replacement awards	The Committee will seek to structure any replacement awards so that overall they are no more generous in terms of quantum or vesting period than the awards forfeited from a new recruit's previous employer. In determining quantum and structure of replacement awards, the Committee will seek to replicate the value taking into account, as far as practicable, the timing, form and performance requirements of remuneration forgone. The Committee has the flexibility to use cash and/or shares as the format for delivery of any replacement awards.

Service contracts and Policy on payment for loss of office

Service contracts and letters of appointment include the following terms.

Executive Director	Date of commencement of contract	Notice period
M Allen	18 July 2002	12 months
M Wilks	7 January 2008	12 months
T Atherton	23 May 2013	12 months

Martyn Wilks left the Board on 31 March 2015.

Executive Directors' service agreements are available on the Company's website www.dairycrest.co.uk.

Non-executive Director	Letters of appointment	Notice period
A Fry	15 July 2009	3 months
A Carr-Locke	15 July 2009	3 months
R Macdonald	4 October 2010	3 months
S Alexander	4 October 2010	3 months
S Farr	6 October 2011	3 months

Anthony Fry left the Board on 17 September 2014.

It is the Company's Policy that Non-executive Directors should not normally serve for more than nine years. A template Non-executive Director's letter of appointment is available on the Company's website.

External Appointments
Executive Directors may be invited to become Non-executive Directors of other companies and it is recognised that exposure to such duties can broaden their experience and skills which will benefit the Company. External appointments are subject to agreement by the Chairman and reported to the Board. Any external appointment must not conflict with a Director's duties and commitments to Dairy Crest. Fees may be retained by Directors for such appointments.

Termination Policy
The Remuneration Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations of both parties as well as share plan and pension scheme rules (including relevant performance conditions).

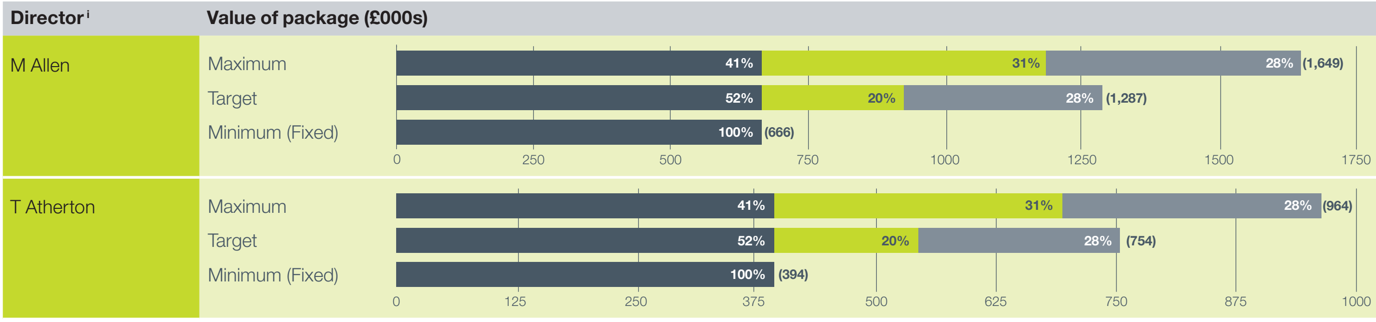
The table below summarises the key elements of the Executive Director service contract and Policy on payment for loss of office.

Component	Policy and principles
Notice period	12 months' notice from Company. 12 months' notice from Director.
Compensation for loss of office in service contracts	Up to 12 months' salary plus an additional 3% to account for presumed salary increases from any salary review that may have taken place in the notice period. Payable monthly and subject to mitigation if Director obtains alternative employment up to 12 months after termination. Other payments to the Director in question include medical benefits, cost of company car and a sum equivalent to 23% of annual salary representing pension contribution for the unexpired part of the contractual notice period. Under the terms of Mark Allen's contract payments on termination are calculated as 90% of the sum of the following items – annual salary, benefits, pension plus 50% of maximum bonus opportunity for the notice period. This will not be the Company's Policy going forward for other Executive Directors. Under the terms of Martyn Wilks' contract, payments on termination are calculated as annual base salary, benefits and pension contribution, half of which would be paid on termination and the remainder paid in six equal monthly instalments. Contractual provisions in respect of compensation for loss of office for Mark Allen and Martyn Wilks are therefore grandfathered. In the event of a compromise or settlement agreement, the Remuneration Committee may make payments it considers reasonable in settlement of potential legal claims. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. The Remuneration Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements. The reimbursement of repatriation costs or fees for professional or outplacement advice may also be included in the termination package, as deemed reasonable by the Committee, as may the continuation of benefits for a limited period.
Treatment of unvested deferred bonus awards under plan rules	If termination is by way of death, injury, illness, disability, redundancy, retirement, or any other circumstances the Committee determines, deferred shares may be released on termination. Otherwise, the proportion of awards released will be determined at the discretion of the Board.
Treatment of unvested long term incentive plan awards under plan rules	Any outstanding award will lapse at cessation of employment with the Company, unless the reason for cessation is by way of injury, ill-health, disability, redundancy, retirement, or any other circumstances the Committee determines, when the award will vest at the normal vesting date with the underpin and other conditions considered at the time of vesting. Alternatively, the Committee may determine that a proportion of the award will vest immediately, with the proportion determined by the Committee taking into account satisfaction of the underpin and any other factors the Committee consider relevant. A proportion of the LTAP award will vest immediately on death, pro-rated for time
Exercise of discretion	Any discretion available in determining treatment of incentives on termination of employment is intended only to be relied upon to provide flexibility in certain circumstances. The Remuneration Committee's determination will take into account the particular circumstances of the Director's departure and the recent performance of the Company.
Change of control	Outstanding awards and options would normally vest and become exercisable on a change of control to the extent that any performance condition has been satisfied. The proportion of awards that vest under the LTAP will be determined by the Remuneration Committee. Deferred bonus awards would normally be released in full. The Committee reserves the right to alter the performance period or the performance measures and targets of the annual bonus plan or of any outstanding awards under the annual bonus plan or the LTAP in the event of a change of control, to ensure that the performance conditions remain relevant but challenging. The Committee has the discretion to test performance at the point of change of control or to allow awards to continue or roll-over in any reasonable manner with agreement of the acquirer, taking into account the circumstances of the change of control.

There are no pre-determined special provisions for Non-executive Directors with regard to compensation in the event of loss of office.

Illustration of application of remuneration Policy (updated for 2015)

A significant proportion of a Director's total remuneration package is variable, being subject to the achievement of specified short term and long term business objectives. The charts below show the composition of total remuneration at minimum, target and maximum performance scenarios for the Executive Directors.



i Martyn Wilks left the Board on 31 March 2015

Key: Fixed Remuneration | Annual Variable Remuneration | Long term Variable Remuneration

Notes to the scenarios:

Fixed: This element comprises salary as of 1 April 2015 (1 May 2015 for T Atherton), pension benefits (including salary supplement) and other fixed benefits (company car, etc) as per the last known number.

Annual variable Remuneration: This element shows annual bonus (including any amount deferred) at 100% of salary in the maximum scenario and 50% of salary in the target scenario.

Long term Variable Remuneration: This element shows remuneration in respect of the LTAP, at 90% of salary in the maximum scenario and 70% of salary in the target scenario. No allowance is made for share price growth, in accordance with the requirements of the disclosure rules.

Statement of consideration of shareholders views

The Board consulted with several larger shareholders on the proposal to grant the one-off Transformational Incentive Award (TIA) to the Chief Executive. Further details are set out on pages 55 to 56.

The Committee discusses matters relating to Directors' remuneration with major investors on an on-going basis and takes into account any comments which are received.

Annual report on remuneration

Single total figure of remuneration – subject to audit

The table below sets out the analysis of total remuneration for each Director. An explanation of how the figures are calculated follows the table. The total remuneration for each Director reflects the performance of the Company and the contribution each individual has made to the on-going success of the Company.

Director	Base salary/fees		Taxable benefits		Bonus		LTISP iii		Pension iv		Total	
(£'000s)	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Non-executive Chairman												
S Alexander	**103**	43	**–**	–	**–**	–	**–**	–	**–**	–	**103**	43
Executive Directors												
M Allen	**518**	518	**29**	28	**97**	423	**178**	159	**119**	119	**941**	1,247
M Wilks i	**346**	346	**19**	22	**54**	261	**119**	106	**80**	80	**618**	815
T Atherton	**250**	183	**25**	13	**47**	149	**24**	21	**58**	42	**404**	408
Non-executive Directors												
A Carr-Locke	**43**	43	**–**	–	**–**	–	**–**	–	**–**	–	**43**	43
A Fry ii	**111**	155	**43**	–	**–**	–	**–**	–	**–**	–	**154**	155
R Macdonald	**48**	48	**–**	–	**–**	–	**–**	–	**–**	–	**48**	48
S Farr	**40**	38	**–**	–	**–**	–	**–**	–	**–**	–	**40**	38

i Martyn Wilks left the Board on 31 March 2015.

ii Anthony Fry left the Board on 17 September 2014. Taxable benefits relate to medical costs supported by Dairy Crest. The base salary figure includes a £39k payment in lieu of notice.

iii For 2014/15, the values included are for the 2012 LTISP and have been calculated using the average middle market price during the final quarter of 2014/15. Awards will vest on 1 July 2015. Should an Executive Director leave employment before 1 July 2015, vesting will be dependent upon the individual being considered as a good leaver under the scheme rules. For 2013/14, the values included are the actual value of the shares which vested under the 2011 LTISP.

iv Pension amounts include employer's pension contribution and salary supplement. Base salary, bonus and LTISP are defined on pages 46 to 48.

Notes

Bonuses detailed above include the full value of bonus entitlement which includes deferred bonus shares for 2013/14. No deferred bonus shares were awarded in 2014/15.

Taxable benefits are valued at the taxable value, and include company car/car allowance and private medical insurance.

During the year, Mark Allen held the position of Non-executive Director including Audit Committee member and Remuneration Committee member at Howdens Joinery Group plc, with fees in association with this work totalling £45k (2014: £43k).

Additional requirements in respect of the single total figure table – subject to audit

Performance against targets for annual bonus

Payment of the bonus is subject to the achievement of demanding short term financial targets and personal objectives. To ensure that an appropriate balance is maintained between long term and short term reward, any bonus earned over 50% of annual salary is paid in the Company's shares and deferred for a three-year period subject to continued employment.

Bonus payouts for the 2014/15 performance year are set out below:

Measure	Details	Maximum potential as a % of salary	Outcome as a % of salary		
			M Allen	M Wilks	T Atherton
Profit before tax	Stretching targets based on budget, with a sliding scale between threshold and maximum	60%	0%	0%	0%
Net debt	Stretching targets based on budget, with a sliding scale between threshold and maximum	15%	0%	0%	0%
Personal objectives	A range of non-financial operational and strategic objectives will be assessed by the Committee, with an appropriate award level set under this element with reference to the overall performance of the business.	25%	18.75%	15.63%	18.75%
Total	–	100% of salary	18.75% of salary = £97k	15.63% of salary = £54k	18.75% of salary = £47k
Deferred into shares	–	–	–	–	–

Group adjusted profit before tax decreased by 7.2% in the year resulting in no award.

Net debt increased by £56m in the year resulting in no award.

Targets for 2014/15 have not been disclosed as they are considered commercially sensitive because of the information that they provide to the Company's competitors.

Long Term Incentive Plan 2012

Awards under the LTISP 2012 had a three-year performance period to 31 March 2015. 40% of the total award was based on the Group's Adjusted EPS and 60% was measured against the TSR performance of the FTSE 250 (excluding financial services companies, real estate companies and investment trusts).

Measure	Threshold	Maximum	Outcome	Vesting (as % award granted in 2012)	Number of shares	Value (as shown in Single total figure of remuneration)
TSR performance against FTSE 250 constituents (60% of total LTISP award)	Median (30% of TSR award vests)	Upper quartile or above (100% of TSR award vests)	73/150	34.7%	67,153	£321,119
EPS target (40% of total LTISP award)	RPI + 1% p.a. over the three year performance period (30% of EPS award vests)	RPI + 5% p.a. over the three year performance period (100% of EPS award vests)	Threshold level not achieved	0%	0	0
Overall outcome				20.8%	67,153	£321,119

Current position on outstanding LTAP awards – not subject to audit
The outstanding LTAP awards are subject to a dividend underpin for three years following the award being made. The award may be reduced by an amount proportional to the percentage decrease in dividend in the event of a decline of up to 50%. If the decline exceeds 50%, the Committee will use its discretion to determine the proportion of the award that shall vest.

Dividend cover must also be maintained in the range 1.5 – 2.5 over the three-year measurement period.

Total pension entitlements – subject to audit
Following the closure of the Dairy Crest Group Pension Fund (a defined benefit scheme) to future accruals, there is no increase in accrued pension during the year other than inflationary increases.

The scheme closed to future accrual at 31 March 2010. Mark Allen decided to draw benefits from 31 March 2010 and receives an annual pension. Mark Allen and Tom Atherton were members of the defined contribution scheme throughout 2014/15. The Company made contributions up to the £40,000 limit for employee and employer contributions. Further cash supplements were paid such that the total of cash supplements and employer contributions amounted to 23% of basic salary. Martyn Wilks was not a member of any Company pension scheme in the year ended 31 March 2015 and received a salary supplement of 23% of basic salary.

Payments for loss of office – subject to audit
Martyn Wilks left the Board on 31 March 2015. The payments for loss of office to be made to Martyn Wilks are as follows:

Termination payment
The termination payment to Martyn Wilks on leaving employment was calculated in accordance with the provisions of his service contract, which entitled him to an amount based on his salary, non-cash benefits and pension benefits over one year. An amount of £218,794 representing half of this termination payment was paid on termination. An amount of £1,430 was paid for legal fees associated with Martyn Wilkes' termination of employment.

Deferred bonus
All outstanding deferred bonus shares were released to Martyn Wilks comprising 18,267 shares (including on vesting additional shares in respect of dividends paid).

Long term incentives
Martyn Wilks has outstanding awards under the LTAP 2013 and LTAP 2014. These will be pro-rated up to termination and released on the normal vesting dates, subject to achievement against the dividend performance measure over the period. As he was with the Company for the full performance period of the 2012 LTISP, the estimated value of shares vesting is included in the single total figure above. He will receive the shares vesting under this award in full with no pro-ration on the normal vesting date.

Payments to past Directors – subject to audit
In the year, Alastair Murray received £92,860 from the vesting of the 2011 LTISP (based on his vested award of 17,794 shares). £92,000 was disclosed in the single figure table in the 2013/14 report representing an estimate of Mr Murray's vested award and based on the average share price for the last quarter of that financial year.

Scheme interests awarded during the financial year – subject to audit

LTAP 2014 award

The award made under the LTAP in 2014 was made on 16 December 2014. The award level is determined based on achievements over the prior year against the pre-grant performance scorecard, comprising of measures aligned to Dairy Crest's strategic priorities. Outcomes against the 2014 scorecard are summarised in the second table below, and detail on these outcomes against the targets set and context in which decisions were made is included thereafter. Note that this award is subject to a dividend underpin for the first three years of the vesting period and will be settled through nil cost share options.

Director	Level of award % of salary	Face value £000s	Percentage vesting at threshold performance	Number of shares	End of vesting period
Mark Allen	80%	414	N/A	84,406	50% at December 2018 50% at December 2019
Martyn Wilks	80%	277	N/A	56,464	50% at December 2018 50% at December 2019
Tom Atherton	80%	176	N/A	42,397	50% at December 2018 50% at December 2019

Determination of 2014 grant and performance assessment:

Measure	KPI	Alignment with strategy	Weighting	Outcome
1. Profit	Adjusted EBITDA target each year.	Delivery of profit is core to the business and supports the progressive dividend Policy.	30%	23%
2. Balance sheet efficiency	ROCE target each year whilst maintaining net debt/EBITDA in the 1.0-2.0 x range.	Ensuring acceptable return on investment within a sustainable level of gearing.	20%	17%
3. Corporate Activity & Efficiencies	Delivery of annual cost savings targets. Delivery of synergies and return on investment following acquisitions or successful divestments (when relevant).	Ensuring cost savings are delivered on an on-going basis. Ensuring that major acquisitions/ divestments deliver against relevant synergy and return targets.	15%	15%
4. Brand Growth	Key brand value growth over one and three years versus markets in which they operate.	Brand growth is key to longer term business growth.	15%	5%
5. Innovation	Achieve each year the targeted proportion of revenue from innovation in previous three years.	Innovation is a key driver of productivity and growth.	10%	6%
6. Corporate Responsibility	A range of metrics including improvements in accident incident rates, reduced CO_2 emissions & improved employee engagement.	Delivering results in a sustainable way which enhances reputation and stakeholder engagement.	10%	8%
Total				74% For Executive Directors this converts to an award of 80% of salary

1. Profit **Weighting: 30%. Outcome: 23%**

The Remuneration Committee assessed profit performance against an adjusted EBITDA KPI target range set by reference to the budget.

EBITDA performance in 2013/14 showed considerable improvement in what continued to be a challenging market. Milk prices remained high, resulting in a c£45m increase in costs that had to be recovered. Developments in the retail sector and the increased prominence of discounters led to further pressures being applied to the Dairies business.

The Remuneration Committee considered that against this context, the adjusted EBITDA outcome showed a good performance and awarded 23% on this basis.

2. Balance sheet efficiency **Weighting: 20%. Outcome: 17%**
The Remuneration Committee determined balance sheet efficiency for FY 2012/13 through the assessment of ROCE performance (calculated based on average operating assets) against an annual target based on budget and the long term objective of 12%. As last year, the Remuneration Committee felt it important to underpin the assessment with the requirement that gearing (being net debt/EBITDA) remain below 2.0 times.

ROCE for the year of 13.8% was ahead of the long term 12% target. This result represented a good performance against our balance sheet efficiency objectives and resulted in an award of 17%

3. Corporate Activity & Efficiencies **Weighting: 15%. Outcome: 15%**
Given no major M&A activity during the year, the outcome for this measure was based upon cost savings. Against a target of £20 million the Group made savings of £25 million. This resulted in a full award being made against this component.

4. Brand Growth **Weighting: 15%. Outcome: 5%**
The key brand performance was mixed. Three of our four key brands recorded sales growth below the market albeit both FRijj and Country Life both performed better in the second half of the year. Cathedral City continues to significantly outperform the market. Although longer-term data shows three of our four key brands outperforming the market, we believe an award of 5% is appropriate given the importance of brand growth in the current environment.

5. Innovation **Weighting: 10%. Outcome: 6%**
Under this measure, the Remuneration Committee took into account the Group target that 10% of annual revenue should be generated from product innovation over the previous three years. In their assessment, the Remuneration Committee noted that this target should be considered for branded sales as well as for overall Group revenue.

Achieving 4% of Group revenue and 7% of branded revenue through innovation was considered by the Remuneration Committee as showing some progress against this component, albeit not in line with the Group's challenging targets. As a result, an award of 6% was considered appropriate.

6. Corporate Responsibility **Weighting: 10%. Outcome: 8%**
We have made good progress on health and safety during the year but certain other targets with respect to landfill avoidance and employee engagement were not met. However, we were the highest scoring company in BITC's CR index with 4.5 out of 5.0. This measures a range of Corporate Responsibility criteria consistent with our LTAP measures and therefore an award of 8% is considered appropriate.

Dividend underpin
The level of vesting of this award may be reduced to the extent that a dividend underpin over the period April 2014 – March 2017 is not met.

The award may be reduced by an amount proportional to the percentage decrease in dividend in the event of a decline of up to 50%. If the decline exceeds 50%, the Remuneration Committee will use its discretion to determine the proportion of the award that shall vest. In such circumstances not more than 50% of the award will vest.

Dividend cover must be maintained in a specific range over the three-year measurement period. The Committee retains discretion to reduce the vesting of awards as appropriate should dividend cover be outside this range.

Chief Executive one-off Transformational Incentive Award
At the EGM held in December 2014, shareholders approved the grant of a one-off Transformational Incentive Award ('TIA') to Mark Allen.

The Remuneration Committee believes that the retention of Mark Allen and his leadership are critical to the business now and will remain so over the subsequent transformational years. The Committee therefore sought the approval of shareholders at the EGM to enable the grant to Mark Allen of a one-off TIA outside the approved Directors' Remuneration Policy.

The Committee considers that this additional award will ensure that Mr Allen is appropriately incentivised and rewarded for the achievement of key objectives that are central to Dairy Crest's transformation; is aligned with the interests of our Company and shareholders; and that by supporting his retention, it reduces risk during a critical period.

The key terms of the TIA, on which the Committee consulted the Company's largest shareholders, are detailed below:

- The grant of a nil cost option to acquire Ordinary Shares was made to Mark Allen following the EGM. The option is exercisable three years after grant (in December 2017) to the extent that the stretching performance conditions set in relation to the award are achieved (as described below).

- The grant was made under rules of the LTISP which were approved by shareholders in 2006 – this is the long term incentive operated by Dairy Crest prior to the introduction of the LTAP. No further awards are intended to be made under the LTISP.

- The award is structured as a base award over Ordinary Shares having a market value at grant equivalent to 75% of Mark Allen's base salary. A multiplier of between 0 and 3 times the number of Ordinary Shares subject to the base award will be applied to it at the end of the three year vesting period depending on the level of performance achieved. The face value of the award is therefore £1,165.5k

- The Committee will determine the level of vesting of the TIA based on performance objectives which are intended to be demanding. In measuring performance in this regard, the Committee has identified three categories of objectives on which the assessment of performance will be based. These relate to the restructuring of the business and its future success, as follows:
  - managing the competition approval process relating to the sale of the Dairies operations, requiring strong leadership and a high level of personal involvement from a chief executive officer as an acknowledged leader in the sector, as well as managing the business as a whole through a period of extended uncertainty;
  - appropriately reshaping the Group, taking account of the outcome of the competition approval process; and
  - establishing a successful future business, by reference to the development of the Group and its principal business streams, including the delivery of value to shareholders.

- The objectives set by the Committee include both financial and non-financial objectives. Where appropriate, the Committee will set a performance range against which threshold, target and stretch performance will be measured.

- In addition to the objectives themselves, the Committee will assess the quality of execution of the objectives, including, in particular, in relation to risk, sustainability and shareholder value.

- At the end of the three year performance period, the Committee will assess the sum of the evaluations of the individual objectives to determine the total level of vesting of the TIA and may exercise discretion to reduce the level of vesting when reviewing Dairy Crest's performance in the round, including the level of value delivered to shareholders over the period.

- The TIA only commenced in December 2014 but in that three month period Mark Allen has made significant progress in:
  - engaging all key stakeholders in the sale of the Dairies business resulting, with respect to competition approval, in a UK Competition and Markets Authority review of the transaction
  - the restructuring of the Dairy Crest business into two separate divisions ensuring appropriate category focus and delivery of performance
  - leading major communication channels with employees, suppliers, customers and other interested parties ensuring clear communication of Dairy Crest's strategy during the pre-transformation period
  - leading the new Whey/GOS development which is on plan to deliver expected outcomes and enhance shareholder value

- Updated objectives and performance against the objectives will be disclosed in each Directors' Remuneration Report for each of the three financial years during the performance period and full disclosure of the performance levels achieved (including the multiplier applied and vesting level) will be set out in the directors' remuneration report for the financial year in which the performance period ends. It is intended that the annual update provided to shareholders on the objectives and performance assessment will become more detailed over the course of the performance period. The Committee has chosen this approach because the timing of the competition approval process for the sale of the Dairies operations is not within the Company's control and, recognising also the commercial sensitivity in relation to the future development of Dairy Crest, the ability to disclose anything more than summary information in advance is limited.

- In line with best practice requirements under the Corporate Governance Code, the TIA is subject to malus and clawback provisions set by the Committee.

- Leaver and change of control provisions are as prescribed under the LTISP rules.

Shareholder dilution

In accordance with the guidelines set by the Investment Association ('IA'), the Remuneration Committee can satisfy awards under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital in a rolling 10-year period to employees under all its share plans. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury) 5% of its issued share capital to satisfy awards under discretionary or executive plans. Currently 7.1% of issued shares have been made under share plans, with 1.7% under discretionary or executive schemes.

Statement of Director's shareholdings and share interests – subject to audit

Executive Directors are encouraged to build a shareholding in the Company equivalent to 200% of salary and to this end would normally retain 50% of net proceeds from share plans and deferred bonus share awards until that shareholding is achieved. Shareholdings exclude unvested options under the LTISP and include unvested deferred shares granted to Executive Directors as part payment of bonuses and unvested LTAP awards. Mark Allen has satisfied the shareholding requirement. Tom Atherton has not met the requirement and will continue to grow his shareholding.

The interests of the Directors at the end of the year in the ordinary share capital of the Company were as follows:

Director	Number of shares owned outright (including connected persons)	LTISP 2012 [iii]	Unvested LTAP 2013 shares [iv]	Unvested LTAP 2014 shares [v]	Unvested TIA shares [vi]	Deferred annual bonus shares [vii]	SAYE [viii]
M Allen	167,663	37,220	83,879	85,484	240,623	36,874	5,595
M Wilks [i]	62,396	24,899	56,112	57,185	–	18,267	5,595
T Atherton	6,097	5,034	32,410	42,939	–	13,793	4,787
A Carr-Locke	2,000	–	–			–	–
R Macdonald	1,000	–	–			–	–
S Alexander	1,000	–	–			–	–
S Farr	4,465	–	–			–	–
A Fry [ii]	3,000	–	–			–	–

i Martyn Wilks left the Board on 31 March 2015.
ii Anthony Fry left the Board on 17 September 2014 (interests in shares as at this date).
iii Long Term Incentive Share Plan 2012 (nil cost share options): The performance period ended on 31 March 2015 and awards will vest on 1 July 2015. Amounts shown are numbers of shares which will vest.
iv Long term Alignment Plan 2013 (nil cost share options): The period for the dividend underpin condition will end on 31 March 2016. 50% of awards will vest on 15 August 2017 and 50% will vest on 15 August 2018. Amounts shown include grant and options related to 'reinvested' dividends to the date of this Report.
v Long term Alignment Plan 2014 (nil cost share options): The period for the dividend underpin condition will end on 31 March 2017. 50% of awards will vest on 15 December 2018 and 50% will vest on 15 December 2019. Amounts shown include grant and options related to 'reinvested' dividends to the date of this Report
vi One-off transformational award to the Chief Executive (nil cost share options): The performance period will end on 23 December 2017 and awards will vest shortly after. Amounts shown include grant and options related to 'reinvested' dividends to the date of this Report.
vii Deferred bonus scheme (nil cost share options).
viii Save As You Earn Scheme 2012 (cost options). The exercise price for these options is 281 pence per share and the exercise period is 3/2016–9/2016. Save As You Earn Scheme 2014 (cost options). The exercise price for these options is 376 pence per share and the exercise period is 9/2017–2/2018. There are no applicable performance conditions.

There have been no changes in Directors' shareholdings between 31 March 2015 and 20 May 2015.

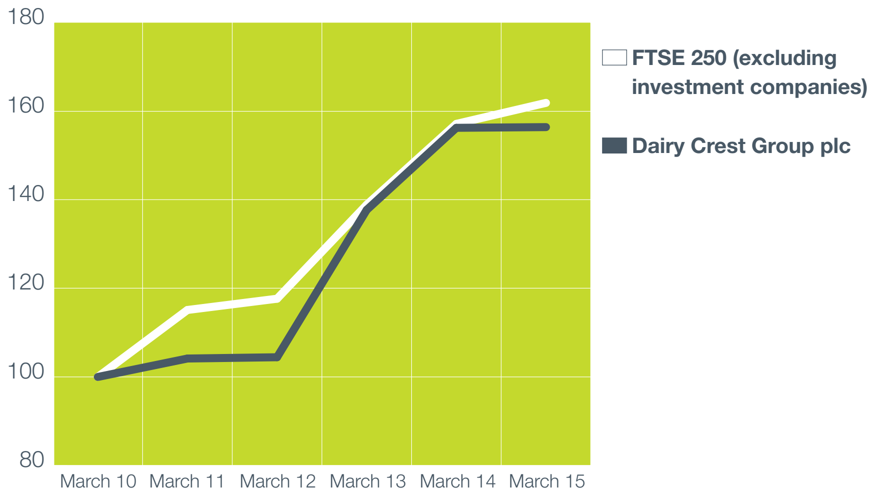
Gain on exercise of share options

Director	Number of options exercised	Market value at exercise date	Gain on exercise of share options
M Allen	21,180	£106,048	£106,048
M Wilks	14,191	£71,054	£71,054
T Atherton	2,451	£12,272	£12,272

Performance graph and table

The graph below sets out for the six years ended 31 March 2015 the total shareholder return of Dairy Crest Group plc and of the FTSE 250 index (excluding investment companies) of which the Company is a constituent member.

Dairy Crest – Total Shareholder Returns for £100 invested



Chief Executive's pay	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Total remuneration (£'000s)	1,018	888	904	937	1,247	941
Annual bonus (% max)	94%	54%	50%	52.5%	81.7%	18.8%
Long term incentive vesting (% max)	0%	0%	0%	0%	23.5%	20.8%

Percentage change in Chief Executive's remuneration

The table below sets out the percentage change in the Chief Executive's salary, benefits and bonus between 2013/14 and 2014/15, compared with the percentage change in the average of each of these components of pay for the relevant members of the salaried clerical, administrative, supervisory and management population allocated to Hay bands, which comprises 24% of the total workforce and has been identified as the most appropriate for this table in view of the comparable nature of employment and incentive arrangements:

	Salary			Taxable benefits			Bonus		
	2014/15	2013/14	% change	2014/15	2013/14	% change	2014/15	2013/14	% change
Chief Executive (£'000s)	518	518	0%	29	28	3%	97	423	-77%
Average pay for wider employee population (£'000s)	41	41	1%	4.9	5.2	-7%	1.1	5.4	-79%

Relative importance of spend on pay

The table below illustrates the relative importance of spend on pay at Dairy Crest, compared with distributions made to shareholders in 2013/14 and 2014/15:

£m	2014/15	2013/14	% change
Employee remuneration costs	144.0	157.0	-8.3%
Dividends	29.2	28.5	2.5%

LTAP 2015 award

The award made under the LTAP 2015 is based on achievements over the prior year against the pre-grant performance scorecard, comprising measures aligned to Dairy Crest's strategic priorities. This award will be granted later in 2015. Outcomes against the 2015 scorecard are summarised in the second table below and detail on outcomes against the targets set and the context in which decisions were made is included thereafter. Note that this award is subject to a dividend underpin for the first three years of the vesting period.

Director	Level of award % of salary	Face value £'000s	End of vesting period
Mark Allen	69.2%	358	50% 4 years after the award date 50% 5 years after the award date
Tom Atherton	69.2%	207	50% 4 years after the award date 50% 5 years after the award date

The number of shares granted will be calculated in accordance with the rules approved by shareholders at the 2013 AGM.

Determination of 2015 grant and performance assessment:

Measure	KPI	Alignment with strategy	Weighting	Outcome
1. Profit	Adjusted EBITDA target each year.	Delivery of profit is core to the business and supports the progressive dividend Policy.	30%	2.5%
2. Balance sheet efficiency	ROCE target each year whilst maintaining net debt/EBITDA in the 1.0-2.0 x range.	Ensuring acceptable return on investment within a sustainable level of gearing.	15%	2.5%
3. Corporate Activity & Efficiencies	Delivery of annual cost savings targets. Delivery of synergies and return on investment following acquisitions or successful divestments (when relevant).	Ensuring cost savings are delivered on an on-going basis. Ensuring that major acquisitions/divestments deliver against relevant synergy and return targets.	15%	15%
4. Brand Growth	Key brand value growth over one and three years versus markets in which they operate.	Brand growth is key to longer term business growth.	20%	12%
5. Innovation	Achieve each year the targeted proportion of revenue from innovation in previous three years.	Innovation is a key driver of productivity and growth.	10%	8%
6. Corporate Responsibility	A range of metrics including improvements in accident incident rates, reduced CO_2 emissions & improved employee engagement.	Delivering results in a sustainable way which enhances reputation and stakeholder engagement.	10%	8%
Total				48% For Executive Directors this converts to an award of 69.2% of salary

1. Profit **Weighting: 30%. Outcome: 2.5%**

The Remuneration Committee assessed profit performance against an adjusted EBITDA KPI target range set by reference to the budget.

EBITDA in 2014/15 was below prior year in what continued to be a very challenging market. Our Dairies business has faced very strong competition in liquid milk markets and sharp falls in commodity realisations. Our branded business performed relatively well in a deflationary market, but overall the Group failed to achieve the challenging EBITDA target it set for itself.

This weaker than expected adjusted EBITDA outcome, resulted in an award of 2.5%.

2. Balance sheet efficiency **Weighting: 15%. Outcome: 2.5%**

The Remuneration Committee determined balance sheet efficiency for FY 2013/14 through the assessment of ROCE performance (calculated based on average operating assets) against an annual target based on budget and the long term objective of 12%. As in previous years, the Remuneration Committee felt it important to underpin the assessment with the requirement that gearing (being net debt/EBITDA) remain below 2.0 times.

A ROCE for the year of 11.5% was behind of the long term 12% target but above the vesting level for this element. 2014/15 was a year of significant capital expenditure at Davidstow to support future demineralized Whey and galacto-oligosaccharide production. However, returns will not start to be generated until 2015/16 and this reduces ROCE in 2014/15. The outturn of 11.5% is at the bottom of the vesting range. With a year-end gearing of 2.0 times, at the top end of the range, the Remuneration Committee awarded only 2.5% for this LTAP element.

3. Corporate Activity & Efficiencies **Weighting: 15%. Outcome: 15%**

Given no major completed M&A activity during the year, the outcome for this measure was based upon cost savings. The Group has, once again, considerably exceeded its £20m cost saving target and the full award of 15% has been made for this measure.

4. Brand Growth **Weighting: 20%. Outcome: 12%**

The key brand performance was mixed. Three of our four key brands recorded sales growth ahead of the market in 2014/15 when all sales channels were considered, with Cathedral City continuing to significantly outperform the market, Clover increasing market share and FRijj sales up 7%. Longer-term data showed two of our four key brands outperforming the market. On this basis the Remuneration Committee decided an award of 12% was appropriate.

5. Innovation **Weighting: 10%. Outcome: 8%**

Under this measure, the Remuneration Committee took into account the Group target that 10% of annual revenue should be generated from product innovation over the previous three years. In their assessment, the Remuneration Committee noted that this target should be considered for branded sales as well as for overall Group revenue.

Against the challenging targets set, delivering 7% of branded revenue through innovation was considered by the Remuneration Committee as showing both good progress against this component and a competitive positioning to the market. The Committee also considered the on-going innovation in the non-branded area of the business with increasing use of environmentally friendly light-weighted polybottles. As a result, an award of 8% was made for this element.

6. Corporate Responsibility **Weighting: 10%. Outcome: 8%**

We have again made good progress on health and safety with reducing accidents and days lost and showed positive improvement against our environmental targets. Dairy Crest achieved the maximum 5 star rating in the BITC Corporate Responsibility Index, further improving on an impressive assessment in 2014. However, an employee survey was not undertaken in the year, and some quality customer complaint targets were not met. On balance across these various CR measures, the Remuneration Committee considered an award of 8% as appropriate.

Dividend underpin

The level of vesting of this award may be reduced to the extent that a dividend underpin over the period April 2015 – March 2018 is not met.

The award may be reduced by an amount proportional to the percentage decrease in dividend in the event of a decline of up to 50%. If the decline exceeds 50%, the Remuneration Committee will use its discretion to determine the proportion of the award that shall vest. In such circumstances not more than 50% of the award will vest.

Dividend cover must be maintained in a specific range over the three-year measurement period. The Committee retains discretion to reduce the vesting of awards as appropriate should dividend cover be outside this range.

Statement of implementation of Policy in the following financial year

The Directors' remuneration Policy will be implemented for the 2015/16 financial year as follows:

Base salary – £'000s

Role	2014/15	Change to base salary as at 1 April 2015:
Mark Allen	518	No change
Tom Atherton *	260	300 (effective from 1 May 2015)

* Tom Atherton was brought onto the Board at a salary level below the market lower quartile for his role. In line with the Remuneration Committee's intent as stated in the 2013 Remuneration Report, he has been awarded an increase for 2015 to bring his salary closer towards a market competitive level. The 15.4% increase reflects our ongoing intention to move Mr Atherton to a market median positioning as his experience in role grows. It is therefore anticipated that subject to his continued strong performance, Mr Atherton will receive further appropriate increases such that his salary positioning is in the market median range against FTSE 250 CFOs.

Non-executive Directors' fees – £'000s

Role	2014/15	Effective 1 April 2015
Non-executive Chairman	155	155
Non-executive Director (base)	38	38
Audit Committee Chair	+5	+5
Corporate Responsibility Chair	+5	+5
Remuneration Committee Chair	+5	+5
Senior Independent Director	+5	+5

Fees for Non-executive Directors have remained unchanged since the 2011/12 financial year.

Bonus measures

Maximum opportunity for Executive Directors under the 2015/16 bonus remains at 100% of salary.

Performance will be assessed against the following measures:

- Operating profit – 45% of award
- Free cash flow – 10% of award
- Personal objectives – 15% of award
- Measure in relation to the success of the sale of the Dairies operations – 30% of award

Given the significance of the sale of the Dairies operations, the Remuneration Committee undertook a review of the performance measures of the bonus scheme to ensure appropriate alignment in this year of change. Accordingly, the profit before tax and net debt targets have been changed to Operating Profit excluding Property Sales and Free Cash Flow, respectively. In addition, a measure relating to the sale of Dairies has been included. These changes reflect the strategic objectives of the Company at this critical phase in its evolution.

The targets for the 2015/16 annual bonus measures are considered commercially sensitive because of the information that this provides to the Company's competitors.

Malus and clawback provisions will be introduced in respect of the 2015/16 and subsequent bonus awards. The malus provision will apply to the deferred share awards up to vesting. The clawback provision will apply to the cash award for three years from the date of payment. Clawback may be operated in the event of gross misconduct on the part of the employee and/or material misstatement in Company or Group financial statements.

LTAP 2016 award

A grant will be made in 2016 under the LTAP, in line with the disclosed Policy. As the grant will be based on a scorecard of metrics assessed over the 2015/16 financial year, below we set out the scorecard which will determine the grants made in 2016. We have included the 2015/16 KPIs on which performance will be assessed and the associated alignment to strategy. We have not included specific targets on the KPIs, as the targets are considered commercially sensitive. The outcomes for this award will be disclosed in the 2015/16 Directors Remuneration Report.

Measure	KPI	Alignment with strategy	Weighting
Profit	Adjusted EBITDA target	Delivery of profit is core to the business and supports the progressive dividend policy	30%
Balance Sheet Efficiency	ROCE target whilst maintaining net debt/ EBITDA in the 1-2 range	Ensuring acceptable return on investment within a sustainable level of gearing	20%
Corporate Activity and Efficiences	Delivery of annual cost savings targets Delivery of synergies and return on investment following acquisitions or successful divestments (when relevant)	Ensuring cost savings are delivered on an on-going basis Ensuring that major acquisitions/ divestments deliver against relevant synergy and return targets	15%
Brand Growth	Key brand growth over one and three years versus the markets in which they operate	Brand growth is key to longer term business growth	20%
Revenue Growth through Innovation	Achieve each year, the targeted proportion of revenue from innovation in previous three years	Innovation is a key driver of productivity and growth	10%
Corporate Responsibility	Range of metrics aligned to the 40 pledges including improvements in accident incident rates, reduced CO_2 emissions and improved/maintained BITC score	Delivering results in a sustainable way which enhances reputation and stakeholder engagement	5%

Measures and KPIs for 2015/16 are consistent with 2014/15 and support the long term strategy of the Group. However certain weightings have been adjusted to reflect changes in relative priorities over the next 12 months. The LTAP maintains a minimum 60% weighting of financial KPIs within the 2015/16 scorecard.

Sharesave Scheme

The Sharesave Scheme is open to all eligible employees and full time Directors. Employees enter into an approved savings contract over a three-year term to make monthly contributions up to an overall maximum of £500 per month (new maximum level with effect from 1 April 2014). At the end of the term, members have the right to buy ordinary shares in the Company at a price fixed at the time of the option grant. Options may not be granted at less than 80% of the market price at the time of grant.

Consideration by the Directors of matters relating to remuneration

Members of the Remuneration Committee

The Board has appointed a Remuneration Committee of Non-executive Directors of the Company. During the year the Committee consisted of:

- Stephen Alexander (Chairman until 3 November 2014);
- Richard Macdonald (Chairman from 3 November 2014);
- Andrew Carr-Locke; and
- Sue Farr.

Anthony Fry, Company Chairman (until leaving the Board on 17 September 2014), Stephen Alexander in his capacity as Company Chairman (effective from 17 September 2014) and Mark Allen, Chief Executive attended the Remuneration Committee by invitation. Members of the Remuneration Committee have no potential conflicts of interest arising from cross-directorships and they are not involved in the day-to-day running of the Company.

The Committee's activities during the financial year

The Remuneration Committee is responsible for the broad Policy with respect to senior executives' salary and other remuneration. It specifically determines, within remuneration principles agreed with the Board, the total remuneration package of each Executive Director and reviews with the Chief Executive the remuneration packages for other senior executives. A copy of the terms of reference of the Committee can be found on the Company's website.

In 2014/15, the Committee met 9 times. Details of attendance are shown on page 37 and the Committee discussed, amongst others, the following matters:

Meeting	Agenda items discussed
April 2014	Confirmation of Termination Provision for Executive Service Agreement
May 2014	Approval of 2013/14 Bonus, LTAP & LTISP outcomes Approval of 2014/15 Bonus, LTAP Targets Executive Directors Remuneration Approval of Remuneration Report
July 2014	Executive Directors Remuneration
November 2014 (2 meetings)	Executive Directors Remuneration
January 2015	Review of Terms of Reference for Remuneration Committee Changes in Corporate Governance Remuneration Report – Updates to Reporting
February 2015	Review of Bonus Scheme Rules 2015/16
March 2015	Review of Bonus Scheme Rules 2015/16 Review of Draft Remuneration Report Review of potential bonus and long term Incentive outcomes

Advisors to the Remuneration Committee

The Remuneration Committee has appointed PricewaterhouseCoopers LLP ('PwC') to provide advice on executive remuneration. PwC have provided such advice historically, and were originally appointed through a competitive tendering process.

Work undertaken by PwC for the Committee included updates to the Remuneration Committee on remuneration and governance trends and market practice, and providing remuneration benchmarking information for Executive Directors. PwC have also supported the Remuneration Committee in the design and operation of the TIA. In this financial year, they were paid £90,700 based on agreed hourly rates.

During the year, PwC also provided other consultancy services to the Group, including corporate tax advice, share plans support, and programme management support.

The Remuneration Committee reviews the independence and objectivity of the advice it receives from PwC at a private meeting held in May each year. It is satisfied that PwC is providing objective and robust professional advice. PwC is a member of the Remuneration Consultants Group and has signed up to that group's Code of Conduct.

The Remuneration Committee also received materials, assistance and advice on remuneration Policy from Robert Willock, the Group HR Director of Dairy Crest. The Chief Executive attends all meetings by invitation, but is not present at any discussions relating specifically to his own remuneration.

Statement of voting at General Meeting

The table below shows the advisory vote on the 2013/14 remuneration report at the 2014 AGM.

Number of votes cast	For	Against	Withheld
56,146,521	52,490,948 93.49%	3,655,573 6.51%	14,384,844

The table below shows the binding vote on the 2013/14 remuneration Policy at the 2014 AGM.

Number of votes cast	For	Against	Withheld
70,936,887	68,099,552 96.00%	2,837,335 4.00%	44,478

The Committee believes the votes in favour of the remuneration report and Policy demonstrate the strength of support of shareholders for the executive remuneration arrangements at Dairy Crest.

The Directors' remuneration report from pages 45 to 62 has been approved by the Board and is signed on its behalf by

Richard Macdonald
Chairman of the Remuneration Committee
20 May 2015