Remuneration Report

"We have always recognised the importance of widespread share ownership and it remains an integral part of our culture."

Dennis Millard
Chairman of the Remuneration Committee

Who is on the Remuneration Committee?

Member	No. of meetings
Dennis Millard (Chairman)	3/3
Paul Moody	3/3
Tessa Green	3/3
Amy Stirling	3/3

Introduction

As Chairman of the Remuneration Committee ("Committee"), and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 26 March 2015. This report is split into two parts.

- Our Annual Report on Remuneration, outlining how our Remuneration Policy was implemented in FY15 and how we intend to apply it for FY16. This will be subject to an advisory vote at our 2015 AGM.
- A recap of our Remuneration Policy, as approved by shareholders at the 2014 AGM. No changes have been made to our Remuneration Policy this year and as such there will be no resolution on our Remuneration Policy at the 2015 AGM.

FY15 business performance and remuneration outcomes

This has been another successful year for Pets at Home, as we have continued to drive like-for-like growth through multiple levers. A summary of some of our financial and operational highlights during the year is presented below:

- Like-for-like revenue growth of 4.2% driven by strength in Advanced Nutrition, Health & Hygiene, VIP club, Services and omni-channel;
- Total revenue growth of 9.6% to £729.1m;
- Our VIP club loyalty scheme continued to perform strongly and gained over 270,000 new members during the quarter to reach a total of 3.2 million. VIP card swipe rate at store tills represented 62% of revenues in the year, compared with 52% in FY14;
- £40.1m revenues from our flagship Advanced Nutrition brand, Wainwright's; and
- 25 stores opened during the year along with 61 vet practices and 50 grooming salons.

For FY15, our annual bonus framework was primarily based on achievement of financial EBITDA targets (75%), with the remainder based on performance against key strategic objectives (25%). These measures reflect the continued transition of the business into the listed environment, placing a strong emphasis on financial performance, whilst also ensuring focus on delivery of the key strategic growth levers that were articulated to shareholders during our IPO process.

Our strong financial performance during FY15 resulted in delivery of underlying EBITDA of £121.3m. As a result, this portion of the annual bonus paid out at 75% of maximum (i.e. 56% of salary).

The Executive Directors' delivery against the key strategic objectives is reflected in the personal objectives element of the annual bonus, which paid out between 76–88% of maximum (i.e. 19–22% of salary).

As a result, overall bonus out-turns for our Executive Directors were 75–78% of maximum/salary. The Committee considers that this fairly reflects the results for the year.

As we highlighted in last year's report, for this year we have strived to be transparent regarding bonus outcomes. Further information can be found on pages 88 and 89, where full disclosure of the EBITDA performance range is provided. We have also provided additional context on the measures under the key strategic objectives element, within the bounds of appropriate commercial sensitivity.

Remuneration proposals for FY16

Nick Wood received a 3% salary increase, with effect from April 2015. This is in line with the colleague increase for FY15.

As we announced on 4 June 2015, to capitalise on the significant growth opportunities which are available across the business, we have moved to a new divisional management structure. Accordingly, Ian Kellett assumed the role of Chief Executive Officer of Retail, a critical position heading up our Pets at Home Retail business. Ian also retains his CFO duties until a suitable replacement can be found. Taking into account the key role which Ian will play in driving and growing our operations under this new structure, Ian's salary in the CEO of Retail role has been set at £400,000, effective from 4 June 2015.

There will be no change in the pension provision for Executive Directors.

During the year, the Committee reviewed the annual bonus framework for FY16, with a view to ensuring that it remains appropriate for the business at this time. Last year, in the period following our IPO, the Committee considered that it was important to link the bonus to our key strategic growth levers and we have made excellent progress against these objectives. Looking to the year ahead, the Committee considers that now is an appropriate time to fully focus the bonus framework on delivery of financial performance, this being our fundamental driver of shareholder value. As a result, for FY16 the annual bonus will be based on reported EBITDA (75%) and free cash flow (25%).

As highlighted last year, our intention is that Executive Directors will not participate in the PSP until the start of FY17, given that they received awards under the Co-Investment Plan on IPO.

Malus and clawback

We always seek to adhere to UK corporate governance best practice. The Committee reviewed the recent update to the UK Corporate Governance Code, particularly the clause relating to malus and clawback provisions being present on all forms of variable remuneration. In response, we have introduced clawback provisions into both the Executive Directors' annual bonus plan for the FY16 performance year and PSP awards from this year onwards.

Along with the malus provisions already contained on the PSP, these provisions now provide the Committee with the ability to reduce unvested share awards or take back bonus amounts or share awards which had already been paid or vested under certain circumstances, including misconduct and misstatement of results.

Our colleagues

We have always recognised the importance of widespread share ownership and it remains an integral part of our culture. This reflects the principle that our colleagues are central to the achievement of our strategy and share ownership enhances loyalty and engagement.

As such, as well as the grants that were made in connection with the Company's IPO in March 2014 under the Company's discretionary share plans, we also successfully launched our first Sharesave plan this year, with 30% of eligible colleagues choosing to participate. In addition, as part of the celebration of the IPO and in recognition of the contribution made by all colleagues to the ongoing success of the Group, each colleague with 12 months' service and who had not been eligible to participate in the Group's pre-IPO equity scheme received a one-off bonus in the year.

We consider that our commitment to our colleagues and the impact that this has on our customers is reflected across a number of areas:

- Colleague engagement was 94%;
- Pets at Home won 15th place in the UK "Great Place to Work" survey; and
- We achieved a Net Promoter Score of 86%.

Shareholder engagement

We value all feedback from Shareholders and as a public company we intend to engage with our investors on a regular basis. We hope you find this report helpful and informative and we hope to receive your support for our Annual Report on Remuneration at our AGM on 9 September 2015.

I would also like to highlight that I was appointed as chair of the Committee during the IPO process with the intention that the responsibility would be handed to Paul Moody at the Company's second AGM following its IPO. As such, I will be resigning from the position with effect from that date and Paul will take on the role going forwards. From a personal perspective, I would like to wish him all the best for the future.

Yours sincerely

Dennis Millard
Chairman, Remuneration Committee
3 June 2015

Remuneration Report continued

Annual Report on Remuneration

a) Directors' remuneration – report on implementation for the year ended 26 March 2015

This section of the report sets out how the Directors' Remuneration Policy ("Policy"), approved by shareholders at the Company's Annual General Meeting ("AGM") on 9 September 2014 and set out in the Appendix, has been applied in the financial year being reported on, and how it will be applied in the coming year. The information presented from this section up until the relevant note on page 90 represents the audited section of this report.

b) Single total figure of remuneration for Executive Directors for the year ended 26 March 2015

The following table sets out the total remuneration for Executive Directors for the year ended 26 March 2015. All payments are in line with the Policy set out in the Appendix.

	Base salary (£)		Benefits (£)		Pension (£)		Annual Bonus (£)		Long Term Incentives (£)		Total (£)	
Director	FY15	FY14[1]	FY15	FY14[1]	FY15	FY14[1]	FY15	FY14[1]	FY15	FY14[1]	FY15	FY14[1]
Nick Wood	425,000	11,918	11,500	348	38,250	1,073	315,711	6,122	n/a	n/a	790,461	19,460
Ian Kellett	320,000	8,556	11,500	348	28,800	770	250,512	7,207	n/a	n/a	610,812	16,880

1 In FY14, the payments relate to the period from the IPO on 17 March 2014 to the year end on 27 March 2014.

Base salary – corresponds to the amount received during the relevant financial year. In FY14 Nick Wood's base salary reflected his annual salary of £425,000 per annum and Ian Kellett's base salary reflected his annual salary of £320,000 per annum.

Benefits – corresponds to the taxable value of benefits received during the relevant financial year and principally includes company car (or cash equivalent), life assurance and permanent health insurance.

Pension – corresponds to either the amount contributed to personal pension plans or the cash value of the salary supplement received during the relevant financial year. Executive Directors receive a Company pension contribution worth 9% of their salary or a cash allowance where the Annual Allowance has been reached.

Annual bonus – corresponds to the amount earned in respect of the relevant financial year. Details of how this was calculated are set out below.

Performance outcomes

The maximum annual bonus opportunity for Executive Directors in respect of FY15 was 100% of base salary.

The financial targets for the Annual Bonus for the financial year ended 26 March 2015, and the extent to which they were achieved, are as set out below. For FY15, financial targets comprised 75% of the bonus framework and the achievement of targets is calculated on a straight line basis between Minimum and Maximum EBITDA. The Committee considered that the targets were very stretching and required Executive Directors to deliver performance which significantly exceeded business expectations to achieve full pay-out.

Financial Measures	Minimum/ % base salary	Maximum/ % base salary	Achieved/ % of Base Salary
EBITDA[1]	£120m/50%	£125m/75%	£121.3m/56%

1 Underlying EBITDA after Plc costs but before IFRS2 share incentive costs (set at 2015 budget rates).

FY15 key personal objectives comprised 25% of the bonus framework. An EBITDA gateway of £114m applied to the non-financial element of the bonus. EBITDA performance below this level would result in no bonus being paid.

For the CEO, these included the achievement of a number of key KPIs such as new store opening pipeline and vet practices, the management of effective succession planning and the engagement of the investor base.

For the CFO/CEO of Retail, these included the refinancing of the Vet Group to support the long term growth plans, the future strategy of payroll services and targets around working capital.

The resultant percentages against each of the bonus measures achieved by each Executive Director are shown below:

Measure	Nick Wood % of performance target achieved	Ian Kellett % of performance target achieved
EBITDA	56%/75%	56%/75%
Personal objectives	19%/25%	22%/25%
Total	75%/100%	78%/100%

1 Performance against individually set targets: For the CEO, these included the achievement of a number of key KPIs such as new store opening pipeline and vet practices, the management of effective succession planning and the engagement of the investor base. For the CFO, these included the refinancing of the Vet Group to support the long term growth plans, the future strategy of payroll services and targets around working capital.

Long-term incentives – no relevant long-term incentives vested in respect of the year under consideration.

c) Single total figure of remuneration for Non-Executive Directors for the year ended 26 March 2015

The following table sets out the total remuneration for Non-Executive Directors and the Chairman of the Board for the year ended 26 March 2015.

Director	Basic fees (£)	Additional fees (£)	Remuneration Committee Chairman (£)	Audit & Risk Committee Chair (£)	Nomination & Corporate Governance Committee Chairman (£)	Pets Before Profit/CSR Committee Chair (£)	Total Single Figure 2015 (£)	Total Single Figure 2014[1] (£)
Tony DeNunzio	200,000	n/a	n/a	n/a	n/a	n/a	200,000	6,044
Dennis Millard	50,000	20,000	10,000	n/a	n/a	n/a	80,000	8,352
Brian Carroll	50,000	n/a	n/a	n/a	n/a	n/a	50,000	5,220
Paul Coby	50,000	n/a	n/a	n/a	n/a	n/a	50,000	5,220
Tessa Green	50,000	n/a	n/a	n/a	n/a	10,000	60,000	6,264
Amy Stirling	50,000	n/a	n/a	10,000	n/a	n/a	60,000	6,264
Paul Moody	50,000	n/a	n/a	n/a	n/a	n/a	50,000	412

Notes: The additional fee paid to Dennis Millard is in respect to his position as Deputy Chairman of the Board.
1 In FY14, the payments relate to the period from IPO on 17 March 2014 to the year ended 27 March 2014.

d) Scheme interests awarded during the financial year

No long-term incentive awards were made to the Executive Directors during the financial year.

During the year, the Company launched its Sharesave plan, providing eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly saving was £250 per month. The Executive Directors elected to participate in the Sharesave, along with 30% of eligible colleagues.

The Options are, in normal circumstances, not exercisable until completion of a three year savings period, beginning on 1 December 2014 and will then be exercisable for a period of six months. The exercise period will, therefore, in normal circumstances, be from 1 December 2017 to 31 May 2018.

The Options were granted in the following amounts:

Executive Director	Number of Shares over which Sharesave Option was Granted	Face Value of Shares over which Sharesave Option was Granted (£)
Ian Kellett	6,428	9,000
Nick Wood	6,428	9,000

e) Payments for loss of office

No payments for loss of office were made during the financial year.

f) Payments to past Directors

No payments were made to past Directors during the year.

g) Statement of Directors' shareholding and share interests

The Committee believes that colleague share ownership is an important means to support long-term commitment to the Company and the alignment of colleague interests with those of shareholders.

Remuneration Report continued

Annual Report on Remuneration continued

The interests of the Executive Directors are closely aligned with those of other shareholders in this regard, through the operation of the Co-Investment Plan, which required participants to commit a significant amount of their IPO proceeds. This was a one off award.

Executive Directors are subject to a shareholding requirement of 200% of base salary, which should be built up over a period of five years. This policy also applies to the Executive Management Team who are also subject to a shareholding guideline. The Committee reviews share ownership levels annually.

Current shareholding levels for Directors are set out in the table below.

		Number of shares			
Director	Shareholding requirement as a % of salary (Target – % achieved[1])	Shares owned outright at 26 March 2015	Interests in share incentive schemes, awarded without performance conditions at 26 March 2015	Interests in share incentive schemes, awarded subject to performance conditions at 26 March 2015	Shares owned outright at 17 March 2014
Nick Wood	200% (3,219%)	5,505,571	6,428	433,673	7,340,760
Ian Kellett	200% (3,143%)	4,047,056	6,428	326,530	4,640,415
Tony DeNunzio	–	3,158,026	–	–	3,977,342
Dennis Millard	–	16,327	–	–	16,327
Brian Carroll	–	40,816	–	–	40,816
Paul Coby	–	4,082	–	–	4,082
Tessa Green	–	40,816	–	–	40,816
Amy Stirling	–	16,327	–	–	16,327
Paul Moody	–	27,470	–	–	–

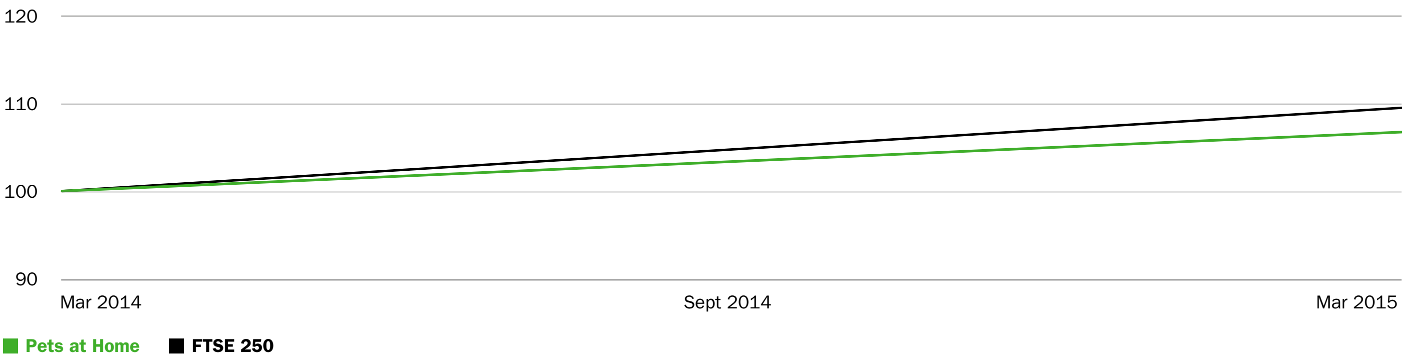
1 For the purposes of determining the target shareholding achieved, we have used the individual's salary, the closing share price as at 26 March 2015 (248.5 pence) and the shares owned outright at the same date.

This represents the end of the audited section of the report.

h) TSR performance chart

The Company's shares were admitted to the premium listing segment of the Official List maintained by the UK Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities on 17 March 2014 and the chart below shows performance from that date until our FY15 year end. This disclosure will be expanded in subsequent years in line with the regulations.

TSR performance of Pets at Home and the FTSE 250 Index over the period shown



The FTSE 250 index has been selected as it is a recognised equity market index of which Pets at Home Group Plc is a member.

CEO	2009/10	2010/11	2011/12	2012/13	2013/14[1]	2014/2015
CEO single figure of remuneration	n/a	n/a	n/a	n/a	19,460	790,461
Annual bonus payout (as % of maximum opportunity)	n/a	n/a	n/a	n/a	73%	75%
Long-term incentive vesting (as % of maximum opportunity)	n/a	n/a	n/a	n/a	n/a	n/a

1 In FY14, the single figure of remuneration relates to the period 17 March 2014 to 27 March 2014.

i) Percentage change in remuneration of the Group CEO
The table below sets out the increase in total remuneration of the CEO and that of all colleagues:

	% change in base salary FY14 to FY15	% change in bonus earned FY14 to FY15	% change in benefits FY14 to FY15
Chief Executive[1]	0	55	0
All colleagues[2]	3	2	3

1 The Chief Executive's figures for FY14 reflect his salary, bonus and benefits earned/accrued as a Director post and pre-IPO remuneration levels annualised for comparison with FY15.
2 All colleague information is presented by comparing the mean average colleague information in FY14 to the mean average colleague information in FY15.

j) Relative importance of the spend on pay
The following table shows the relationship between the Group's EBITDA, distributions to shareholders and the total remuneration paid to all colleagues.

	FY15
EBITDA	121.3m
Returned to Shareholders	
Dividend	8.9m
Payments to colleagues	
Wages & salaries	122.5m

In connection with the Company's IPO on 17 March 2014, Pets at Home Group Plc was inserted as the new parent company of the Pets at Home Group. No dividends were paid by the Company between 17 March 2014 and the year end, 27 March 2014. No financial information has been presented above for the period from IPO to 27 March 2014 as EBITDA does not accrue evenly over an accounting period and cannot be accurately pro-rated. This disclosure will be expanded in subsequent years in line with the regulations.

k) Dilution limits
In accordance with the ABI Guidelines, the Company can satisfy awards under its colleague share plans with new issue shares up to a maximum of 10% of its issued share capital in a rolling ten year period and within this 10% limit, the Company can only issue 5% of its issued share capital to satisfy awards under discretionary plans.

l) External appointments
Executive Directors are entitled to accept one external appointment outside the Company with the consent of the Board. Any fees received may be retained by the Director.

As at the date of this report, neither of the Executive Directors held an external appointment for which they receive a fee.

m) Non-Executive Directors – letters of appointment
A summary of the Non-Executive Directors' letters of appointment is contained on page 101 of the Policy contained in the Appendix.

Each of the Non-Executive's letters of appointment expires on 17 February 2017 apart from Paul Moody whose letter of appointment expires on 24 March 2017.

Statement of implementation for 2015/16
This section provides an overview of how the Committee is proposing to implement our Policy in FY16.

Base salary
The table below shows base salaries for 2015/16.

Executive Director	Base salary (£)
Nick Wood	£437,750
Ian Kellett	£400,000

Nick Wood received a 3% salary increase, with effect from April 2015. This is in line with the colleague increase for FY15.

As we announced on 4 June 2015, to capitalise on the significant growth opportunities available across the business, we have moved to a new divisional management structure. Accordingly, Ian Kellett assumed the role of Chief Executive Officer of Retail, a critical position heading up our Pets at Home Retail business. Ian also retains his CFO duties until a suitable replacement can be found. Taking into account the key role which Ian will play in driving and growing our operations under this new structure, Ian's salary in the CEO of Retail role has been set at £400,000 effective from 4 June 2015.

Remuneration Report continued

Annual Report on Remuneration continued

Benefits
The Committee sets benefits in line with the policy set out on page 94 of the Appendix. There are no changes proposed to the benefit framework in 2015/16.

Pensions
There is no increase proposed to salary supplement levels for the Executive Directors in 2015/16. The table below shows salary supplements for 2015/16.

Executive Director	Percentage of salary
Nick Wood	9%
Ian Kellett	9%

Annual bonus
The maximum annual bonus opportunity for Executive Directors in respect of 2015/16 will remain at 100% of base salary.

The annual bonus framework will be in line with that presented in the policy table on page 95. As highlighted in the Chairman's letter, during the year the Committee reviewed the annual bonus framework for FY16, with a view to ensuring that it remains appropriate for the business.

The Committee considers that it is appropriate at this time to refocus the bonus framework on delivery of financial performance, this being a fundamental driver of shareholder value. As such, we have determined that the annual bonus for FY16 will be based on reported EBITDA (75%) and free cash flow (25%).

Although the targets remain commercially sensitive at this time, we will provide shareholders with full disclosure of the EBITDA and free cash flow targets in next year's report.

For the FY16 performance year onwards, the annual bonus will be subject to clawback provisions. This provides the Committee with the ability to take back amounts previously paid out for a period of up to two years under certain circumstances, including misstatement and misconduct.

Performance Share Plan
Given that they received awards under the CIP on IPO, there is currently no intention for Executive Directors to participate in the PSP until FY17.

Notwithstanding that Executive Directors will not participate in the PSP in FY16, the Committee has implemented clawback provisions on PSP awards made to other senior employees this year.

Sharesave
The Company intends to operate the Sharesave scheme again for FY16. The maximum monthly savings will be raised to £500 per month from £250 per month, in line with the statutory increase. Executive Directors are eligible to participate.

Non-Executive Director remuneration
The table below shows the Non-Executive Director fee structure for 2015/16:

	2015/16
Chairman of the Board (all inclusive fee)	£200,000
Basic Non-Executive Director fee	£50,000
Board Committee Chairman fee	£10,000
Deputy Chairman	£20,000

There are no fees paid for membership of Board Committees.

The Remuneration Committee
Shareholder context for the Committee's activities
Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the advice provided by Deloitte during the year and is comfortable that it has been objective and independent. Total fees received by Deloitte in relation to the remuneration advice provided to the Committee during FY15 amounted to £37,450 (excluding VAT) based on the required time commitment.

In addition, other practices at Deloitte, separate from the executive remuneration practice, have provided general tax advice to the Group during the year together with advice on the Group.

During FY15, the Committee also received support from Travers Smith LLP on the terms of the discretionary and all colleague share plans.

Committee membership and meetings

The Directors listed below in the table served on the Committee during the year. The Committee met three times during FY15 and the Committee members' attendance is also shown in the table below:

Member	Period from	To	Meetings attended
Dennis Millard (Chairman)	28 March 2014	To date	3
Paul Moody	28 March 2014	To date	3
Tessa Green	28 February 2014	To date	3
Amy Stirling	28 February 2014	To date	3

The individuals listed in the table below, none of whom were Committee members, attended at least part of the meeting by invitation during the year.

Attendee	Position
Tony DeNunzio	Chairman of the Board
Brian Carroll	Non-Executive Director
Sally Hopson	CEO of Services
Nick Wood	CEO
Ian Kellett	CFO/CEO of Retail
Nicolas Gheysens	Board Observer
Ryan Cheyne	People Director

None of the individuals attended part of any meeting in which their own compensation was discussed.

Governance

The Board and the Committee consider that, throughout FY15 and up to the date of this report, the Company has complied with the provisions of the UK Corporate Governance Code relating to Directors' remuneration.

Shareholder voting

At the Annual General Meeting on 9 September 2014, the total number of shares in issue with voting rights was 500,000,000. The resolution to approve the Remuneration Policy and the Remuneration Report received the following votes from shareholders:

Resolution	Votes for[1]	%[2]	Votes against	%	Votes total	% of ISC[3]	Votes withheld[4]
To approve the Directors' Remuneration Report for the year ended 27 March 2014	333,803,588	99.99	18,640	0.01	333,822,228	66.76%	29,824,388
To approve the Directors' Remuneration Policy	353,975,782	99.15	3,036,929	0.85	357,012,711	71.40%	6,633,905

Notes
1 Votes "for" include discretionary votes.
2 Percentages above are rounded to two decimal places.
3 Issued share capital at meeting date: 500,000,000.
4 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes "for" and "against" a resolution.

Annual General Meeting

As set out in my statement on page 86, our Annual Report on Remuneration will be subject to an advisory vote at our AGM to be held on 9 September 2015.

On behalf of the Board

Dennis Millard
Chairman of the Remuneration Committee
3 June 2015

Remuneration Report continued

Remuneration Policy

a) Policy Report

The following section pages 94 to 103 sets out our Directors' Remuneration Policy, in accordance with section 439A of the Companies Act 2006. This Policy was approved by shareholders at our AGM on 9 September 2014 and applies from that date. It is currently intended that the Policy will apply for three years.

Overall remuneration is structured and set at levels to enable the recruitment and retention of high calibre executives and encourage them to enhance the Company's performance, in a responsible manner, in line with the business' strategy and shareholders' interests.

A significant portion of the package is performance related. Remuneration has been set taking into account practice within the FTSE 250 and practice at other retail companies.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Fixed elements – base salary		
Core element of remuneration, recognising the role and responsibilities of the role.	• Paid in cash and are pensionable. • The Committee takes into consideration a number of factors when setting salaries, including (but not limited to): – Size and scope of the individual's responsibilities; – The individual's skills, experience and performance; – Typical salary levels for comparable roles within appropriate pay comparators including practice for retail companies and the broader FTSE 250; and – Pay and conditions elsewhere in the Group. • In FY15, basic salaries will be reviewed at the June Remuneration Committee meeting. Subsequent reviews will take place at the March Remuneration Committee annually thereafter. Any change will usually be effective from the first period of the following financial year.	• Whilst there is no maximum salary level, any increases will normally be broadly in line with the wider colleague population within the relevant geographic area. • Higher increases may be made under certain circumstances, at the Committee's discretion. For example, this may include: – Increase in the scope and/or responsibility of the individual's role; and – Development of the individual within the role. • Annual base salaries for the Executive Directors are set out in Part 3(a) of this report.
Fixed elements – benefits		
To provide colleagues with market competitive benefits.	• The Company provides a range of benefits, which may include : – a company car (or cash equivalent) – life assurance – permanent health insurance – private medical insurance. • These benefits are not pensionable. • Other benefits may be considered by the Committee, if considered appropriate. • The Company may also meet certain mobility costs, such as relocation support, expatriate allowances, temporary living and transportation expenses, in line with the prevailing mobility policy and practice for other senior executives. • Executive Directors are eligible to participate in any tax-approved all colleague share plans operated by the Company on the same basis as other eligible colleagues. Whilst it does not currently operate such a plan, the Company intends to introduce a Sharesave scheme during the term of this Policy.	• The cost to the Company of providing other benefits may vary depending on, for example, market practice and the cost of insuring certain benefits. • The Committee keeps the level of benefit provision under regular review. • Details of current benefit provision for the Executive Directors are set out in Part 3(a) of this report.
Fixed elements – pensions		
To provide colleagues with an allowance for retirement planning.	• Pension contributions are made to either the Group Pension Plan, to personal pension schemes or cash allowances in lieu of contributions are paid.	• The contribution level for an individual Executive Director is capped at 9% of base salary per annum for employer contributions. • Details of current pension provision for the Executive Directors are set out in Part 3(a) of this report.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Short-term elements – annual bonus		
To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy.	• Delivery will normally be in cash and is not pensionable. • Performance measures are set annually and pay-out levels are determined by the Committee after the year end, based on performance against those targets during the relevant financial year. • Each year, the Committee determines the measures and weightings within the following parameters: – At least 75% of the annual bonus will be based on financial performance measures; and – No more than 25% of the annual bonus will be based on performance against non-financial measures, including, for example, individual and strategic objectives. • The Committee ensures that targets are appropriately stretching in the context of the business plan and that there is an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific non-financial goals. This balance allows the Committee to effectively reward performance against the key elements of our strategy. • The Company may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. • There is no provision for recovery.	• The maximum bonus opportunity is 100% of base salary. • 20% is payable for threshold performance.

Long-term incentives – overview

At the time of IPO, the Committee wished to put in place long-term incentive arrangements which would provide for the continued alignment of Executive Directors with our shareholders. As such, the Committee approved three long-term incentive plans: the Co-Investment Plan (CIP), the Performance Share Plan (PSP) and the Company Share Option Plan (CSOP).

- **CIP** – a one-off arrangement, tailored to our post-IPO position. It requires Executive Directors to make a significant personal investment in order to be eligible to receive a Company match providing that stretching performance conditions are reached. Awards were made on IPO and there is no intention to make any further awards to current Executive Directors under the Plan.
- **PSP** – intended to be our regular, ongoing long-term incentive plan in future years. Given that Executive Directors were made awards under the CIP in 2014, there is no intention for current Executive Directors to receive awards under the PSP until 2016.
- **CSOP** – for Executive Directors, this plan is used to allow the Company and participant to benefit from HMRC-approved option tax treatment in respect of the initial part of a PSP award (currently up to £30,000). As such, in line with the PSP above, it is not intended for current Executive Directors to receive awards under the CSOP until 2016.

Remuneration Report continued

Remuneration Policy continued

In addition, the Committee intend to introduce a Sharesave plan during the term of this Policy, in which all colleagues will be eligible to participate (including Executive Directors).

Although we do not intend to make any further awards under the CIP to current Executive Directors following IPO, we have provided details of the Plan in the Policy Table below for clarity. No individual will be eligible to receive two awards under the CIP. The Committee may consider granting a new Executive Director a CIP award if it considers it to be appropriate to promote alignment across the Executive Team.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Long-term elements – Co-Investment Plan (CIP)[1]		
To promote continued alignment between Executive Directors and shareholders in the years following IPO. Current Executive Directors will not receive any further awards under the CIP.	• Matching Awards vest after three, four and five years, subject to achievement of performance conditions. • Additional shares (or cash) may be awarded in lieu of dividends on any Matching Awards which vest, which would have been paid during the vesting period. • The performance measures under the CIP are: – 75% EPS growth – to reflect the financial performance of our business and a direct and focused measure of Company success. 10% of the total Marching Award will vest for EPS growth of 10% per annum, rising to 75% of the total Matching Award vesting for EPS growth of 17.5% per annum. – 25% Relative TSR against the UK General Retail Index – a measure of the ultimate delivery of shareholder returns, promoting alignment between Executive Director remuneration and the shareholder experience. 6.25% of the total Marching Award will vest for median TSR performance against the Index, and 25% of the total Matching Award will vest for upper quartile TSR performance against the Index. • The Committee considers that the performance measures are fully aligned with our corporate strategy. The Committee has set the targets to be appropriately stretching, with regard to a number of internal and external reference points, and considers that delivery of these targets should create sustainable value creation for shareholders. • The plan rules also stipulate that the Committee may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. If this discretion was used, we would consult with our major shareholders and the rationale would be clearly explained in the Remuneration Report. • Unvested and unexercised awards are subject to malus in case of misconduct or misstatement. • Invested shares may also be forfeited in case of fraud, misconduct or negligence. • Under the terms of CIP, the treatment of leavers depends on the length of the period between grant and cessation with Invested Shares being forfeited in the event of Early Leavers. See pages 100 to 101 for further details.	• Executive Directors invested 250% of base salary in the CIP at IPO (Invested Shares). • Subject to performance, Invested Shares may be eligible for up to a 1:1 Company match on this amount (Matching Award).

1 The Committee may in the event of any variation of the Company's share capital, demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of awards in accordance with the rules of the relevant share plan. In the case of the SAYE, any changes may be subject to HMRC approval if required.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Long-term elements – Performance Share Plan (PSP)[1]		
To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy. The intention is that current Executive Directors will not receive awards under the PSP until 2016.	• Awards vest after three years, subject to achievement of performance conditions. • Additional shares (or cash) may be awarded in lieu of dividends on any shares which vest, which would have been paid during the vesting period. • Share awards are normally made in the form of conditional share awards, but may be awarded in other forms if appropriate (such as nil cost options). The plan rules specify that awards may also be satisfied in cash although this is unlikely to apply to Directors. • The ultimate goal of the Company's strategy is to provide long-term sustainable returns to shareholders. The Committee strives to do this by aligning the performance measures under the PSP with the long-term strategy of the Company and considers that strong performance under the chosen measures should result in sustainable value creation: – Financial measure – to reflect the financial performance of our business and a direct and focused measure of Company success. The Committee sets targets to be appropriately stretching, with regard to a number of internal and external reference points. – Share price performance measure – a measure of the ultimate delivery of shareholder returns. This promotes alignment between Executive Director reward and the shareholder experience. Targets are set with reference to wider market practice and positioned at a level which the Committee considers represent stretching performance. • The Committee sets targets each year, achievement of which it considers would represent stretching performance in the context of the business plan. • Normally the weighting would be split equally across these two measures, although the Committee may vary this as appropriate to reflect strategic priorities. • For 'threshold' levels of performance, 25% of the maximum award vests, increasing to 100% of the award for maximum performance. • The plan rules also stipulate that the Committee may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. If this discretion was used, we would consult with our major shareholders and the rationale would be clearly explained in the remuneration report. • Unvested and unexercised awards are subject to malus in case of misconduct or misstatement. • The Committee may at its discretion structure awards as Approved Company Share Option Plan (CSOP) awards. CSOP awards enable the participant and Company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. CSOP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a "linked award" to fund the exercise price of the approved option, or as an approved option and a PSP award, with the vesting of the PSP award scaled back to take account of any gain made on exercise of the approved option.	• The maximum award opportunity under the PSP is normally 150% of base salary (or 200% of salary in circumstances which the Committee considers to be exceptional).

1 The Committee may in the event of any variation of the Company's share capital demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of awards in accordance with the rules of the relevant share plan. In the case of the SAYE, any changes may be subject to HMRC approval if required.

Remuneration Report continued

Remuneration Policy continued

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
SAYE[1]		
An all-colleague plan, which encourages long-term shareholding and to align the interests of UK colleagues with shareholders. Executive Directors are eligible to participate.	• SAYE is a HMRC-approved scheme where eligible colleagues are granted savings-related share options to subscribe for ordinary shares in the Company. It is intended that the plan will be implemented during 2014. • Options are granted to be exercisable in conjunction with either a three-year or five-year savings contract with a monthly savings limit of £500. • Options are normally granted at a discount of 20% to market price at the time of invitation. • There are no performance measures attached to awards under the SAYE.	• The market value of the shares under option at the date of maturity of the Sharesave savings contract, less the grant price of the option at the contract start date.

1 The Committee may in the event of any variation of the Company's share capital demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of awards in accordance with the rules of the relevant share plan. In the case of the SAYE, any changes may be subject to HMRC approval if required.

b) Chairman and Non-Executive Director remuneration policy

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Overall remuneration		
To attract and retain high calibre individuals by offering market competitive fee arrangements.	• Non-Executive Directors receive a basic fee in respect of their Board duties. • Further fees are paid to Non-Executive Directors in respect of Deputy Chairman of the Board and/or chairmanship of Board committees. • The Non-Executive Chairman receives an all-inclusive fee for the role. • The remuneration of the Non-Executive Chairman is set by the Remuneration Committee, whilst the Board as a whole is responsible for determining Non-Executive Director fees. These fees are the sole element of Non-Executive remuneration and they are not eligible for incentive awards, pensions or other benefits. • Fees are typically reviewed annually. • Expenses incurred in the performance of Non-Executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits.	• Current fee levels can be found on page 92. • Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company. • The Company's articles of association provide that the total aggregate remuneration paid to the Non-Executive Chairman and the NEDs will be within the limits set by shareholders.

Legacy matters

The Committee will honour remuneration related commitments to current and former Executive Directors (including the exercise of any discretions available to the Committee in relation to such commitments) where the terms were agreed prior to the approval and implementation of the Remuneration Policy detailed in this report (provided that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company).

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Remuneration arrangements throughout the Company

The remuneration policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Company.

All our reward arrangements are built around the common objectives and principles outlined below:

- **Performance driven** – The Company intentionally places significant focus on variable remuneration, ensuring that a meaningful proportion of remuneration is based on performance. Performance targets are typically aligned with those of the Executive Directors. As a result, individuals are incentivised towards consistent financial and non-financial business goals and objectives, in addition to appropriate individual goals.
- **Colleagues as shareholders** – The Committee intends to put in place a Sharesave plan during the term of this Policy, to allow our wider colleague population to build up a shareholding in the Company. In addition, under the terms of our IPO, colleagues were permitted to buy shares in our IPO and over 2,700 colleagues took up this opportunity.

c) Recruitment policy

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 and the approach to be adopted by the Committee in respect of each component.

Element	Policy and operation
Overall	• The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and to not pay more than necessary to facilitate the recruitment of the individual. • Where an Executive Director is appointed from within the business, in addition to considering the matters detailed above for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions.
Fixed elements (Base salary, benefits and other benefits)	• We recognise that salary levels drive other elements of the package and would therefore seek to pay a salary which is competitive, but no more than necessary to secure the individual. • The Executive Director would be eligible to participate in our benefit and pension plans, including coverage under all Executive Director and colleague pension and benefit programmes in accordance with the terms and conditions of such plans, as may be amended by the Company from time to time. • The Company may meet certain mobility costs, including relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing mobility policy and practice for senior executives.
Short-term incentives	• The individual will be eligible to participate in the annual bonus plan, in accordance with the rules and terms of the plan in operation at the time. • The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 100% of base salary).
Long-term incentives	• The individual will be eligible to participate in the Performance Share Plan (and the associated Company Share Option Plan), in accordance with the rules and terms of the plan in operation at the time. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 200% of base salary). • Alternatively, whilst not currently envisaged at this time, the Committee may consider the individual eligible to participate in the Co-Investment Plan, which would operate under the same terms as for current participants. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. a maximum Matching Award of 250% of base salary), and would be pro-rated to reflect the length of the performance period which the individual was due to serve.
Buy-out awards	• The Committee will consider what buy-out awards (if any) are reasonably necessary to facilitate the recruitment of a new Executive Director in all circumstances. This includes an assessment of the awards which would be forfeited on leaving their current employer. • The Committee will seek to structure any buy-out awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. • In determining the quantum and structure of these commitments, the Committee will seek to provide broadly equivalent value and replicate, as far as practicable, the timing and performance requirements of the awards forfeited. • Buy-out awards, if used, will be granted using the Company's existing long term incentive plans to the extent possible, although awards may also be granted outside this plan if necessary and as permitted under the Listing Rules. • In the case of an internal hire, any outstanding awards made in relation to the previous role will be allowed to pay out according to their original terms. • If promotion is part way through the year, an additional top-up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.

Remuneration Report continued

Remuneration Policy continued

d) Service contracts and loss of office arrangements

The Committee's policy on service contracts and termination arrangements for Executive Directors is set out below. On principle, it is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of a loss of office is to take account of the individual circumstances including the reason for the loss of office, Company and individual performance, contractual obligations of both parties as well as share plan and pension scheme rules.

The key employment terms and conditions of the current Executive Directors, as stipulated in their service contracts are set out below:

Area	Policy
Notice period	• The service contracts for Nick Wood and Ian Kellett provide for a notice period from both the Company and the individual of 12 months for Nick Wood, and 6 months for Ian Kellett. • New Executive Directors will be appointed on service contracts that have a notice period of not more than 12 months for both the Company and the individual. • The Committee considers this policy provides an appropriate balance between the need to retain the services of key individuals for the benefit of the business and the need to limit the potential liabilities of the Company in the event of termination.
Contractual payments	• Executive Directors' service contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice (PILON), at the Company's discretion. Payment in lieu of notice would be made where circumstances dictate that the Executive Directors' services are not required for their full notice period. • Neither notice nor PILON will be given in the event of gross misconduct. • Payment in lieu of notice will be limited to base salary and contractual benefits for the relevant notice period. • There is no contractual entitlement to a payment under the annual bonus in respect of the notice period. • Service contracts allow for mitigation if the individual finds alternative employment.
Short-term incentives	• The Committee's policy is not to award an annual incentive for any portion of the notice period not served. • Where an Executive Director leaves office after the end of a performance year but before the payment is made, the executive will remain eligible for an annual bonus for that performance year, subject to the normal assessment of performance achieved over the period. • Where an Executive Director leaves office during a performance year, any bonus would be at the Committee's absolute discretion and would take into account performance and the time served during the period. • No bonus will be paid in the event of gross misconduct.
Long-term incentives	The treatment of unvested long term incentive awards is governed by the rules of the relevant incentive plan. **CIP** Treatment under the CIP is dependent on the period elapsed since the IPO. a) Within the first 24 months following admission • Where an individual with a six month notice period voluntarily resigns less than 18 months following the date of admission, they will forfeit their Invested Shares and their Matching Awards. b) Between 24 months and 36 months following admission • Where an individual with a six month notice period voluntarily resigns between 18 months and 30 months following the date of admission (and completes at least two years' service by working his notice period or being put on garden leave, or would have done so but is given PILON), they will retain their Invested Shares and may retain a portion of their Matching Award subject to achievement of performance targets measured over the first two years of the performance period. c) On or after 36 months following admission • Where an individual with a six month notice period voluntarily resigns on or after 30 months following the date of admission (and completes at least three years' service by working his notice period or being put on garden leave, or would have done so but is given PILON), they will retain their Invested Shares and, if a good leaver (defined as under the PSP) also their Matching Award, unless the Committee determines otherwise. Any participant who is dismissed for reasons of fraud or negligence will forfeit their Invested Shares and Matching Awards in full. **PSP** • Under the PSP, the default position is for unvested awards to lapse upon a loss of office event. • Where an individual is determined to be a "good" leaver (which include for reasons of death, illness, injury, disability, retirement or any other reason at the discretion of the Committee) the Committee may allow unvested awards to subsist until the relevant vesting date, subject to satisfaction of the performance conditions and pro-rated for time served. • Alternatively, the Committee may, at its discretion, allow awards to vest at an earlier date, having regard to the achievement of performance conditions to that date and the period of time that has passed since the date of grant. The Committee may choose to apply no reduction in the amount vesting if it is considered appropriate given the particular circumstances.

Area	Policy
Change in control	• The Committee's policy is that service contracts should not provide for additional compensation on severance as a result of a change in control. • Under the PSP, the Committee will determine whether and to what extent awards shall vest, taking into account all relevant factors including Company performance, the period of time elapsed since the date of grant and the interests of our shareholders. • Under the CIP, participants will be eligible to retain their full Invested Shares and all restrictions on them will be lifted. The Committee will determine whether and to what extent Matching Awards shall vest, taking into account Company performance, and the period of time elapsed since the date of grant.

External appointments

Executive Directors are permitted to hold an external appointment with the prior consent of the Board. Any fees may be retained by the individual.

Chairman and Non-Executive Directors

The Non-Executive Directors, including the Chairman of the Board, have letters of appointment which set out their duties and responsibilities. They do not have service contracts.

The key terms of the appointments are set out in the table below:

Provision	Policy
Period	• Initially appointed for a period of three years, subject to annual review and notice. • In line with the UK Code, all Directors will seek annual re-appointment by shareholders at the AGM.
Loss of office	• Three months' notice by either the Company or the Non-Executive Director. • Non-Executive Directors and the Chairman of the Board are not entitled to compensation on leaving the Board.
Fees	• As set out on page 92.
Expiry of current term	• See page 91 for details of the expiry of the current term of Non-Executive Directors' letters of appointment.

Availability of documentation

Service contracts and letters of appointment for all Directors are available for inspection by any person at our registered office in Handforth, Cheshire. They will also be available for inspection during the 30 minutes prior to the start of our AGM to be held in Manchester on 9 September 2015.

Remuneration Report continued

Remuneration Policy continued

d) Illustration of the Remuneration Policy

Our remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets, aligned with the creation of sustainable shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

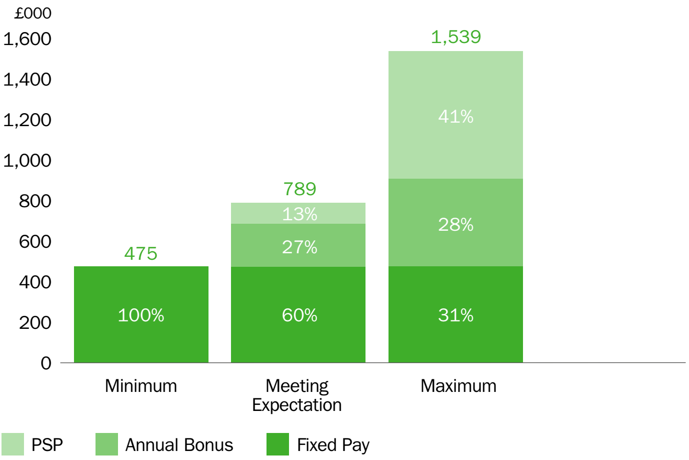
The charts below provide illustrative values of the remuneration package for Executive Directors under three assumed performance scenarios.

Scenario	Assumptions
Fixed pay	
All performance scenarios	• Consists of total fixed pay, including base salary, benefits and pension • Base salary – salary effective as at 17 March 2014 • Benefits – amount estimated to be received by each Executive Director in 2014/15 • Pension – salary supplement effective as at 17 March 2014.
Variable pay	
Minimum performance	• No payout under the annual bonus • No vesting under the Performance Share Plan
On-target performance	• 50% of the maximum pay-out under the annual bonus (i.e. 50% of salary) • 16% vesting under the Performance Share Plan (i.e. 24% of salary)
Maximum performance	• 100% of the maximum pay-out under the annual bonus (i.e. 100% of salary) • 100% vesting under the Performance Share Plan (i.e. 150% of salary)

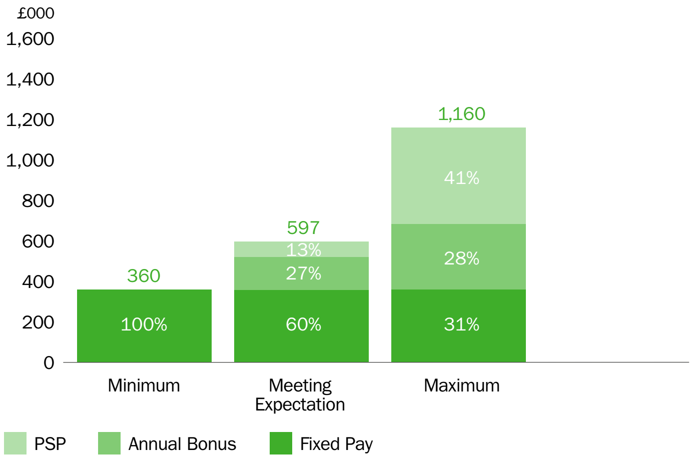
Notes
- The Co-Investment Plan has not been included in the scenarios shown, as this plan is not intended to be an ongoing remuneration element under our policy.
- Under the PSP, the normal maximum limit of 150% of salary has been shown, rather than the exceptional limit of 200% of salary.
- All-colleague share plans have been excluded.
- Any legacy awards which Executive Directors hold have been excluded.

These charts are for illustrative purposes only and actual outcomes may differ from those shown.

Chief Executive – Nick Wood



Chief Financial Officer – Ian Kellett



	Chief Executive	Chief Financial Officer
Base salary	£425,000	£320,000
Benefits	£11,500	£11,500
Pension	£38,250	£28,800
Total fixed pay	£474,750	£360,300

e) Consideration of conditions elsewhere in the Company

As per the Committee's terms of reference, we also review the pay and conditions of colleagues at levels below the Executive Directors. This includes approving the design of, and determining targets for any performance related pay schemes such as the bonus scheme operated by the Company and approving the total annual payments made under such schemes. The Committee is also consulted concerning any major changes in colleague benefit structures throughout the Group.

The remuneration package for all colleagues (including the Executive Directors) is reviewed on an annual basis and a consistent approach is applied at all levels. As part of the annual salary and benefits review, the Company takes into account industry standards, future legislative framework (including the national minimum wage) and the financial and economic environment of the Group both internally and externally. The annual salary and benefits review is presented to the Committee with recommendations on remuneration throughout the colleague base, including a proposed salary increase to be applied to all colleagues' wages, including the Executive Directors. As such, the Committee has regard to this Group-wide annual review process when setting its remuneration policy for Executive Directors.

Whilst our colleagues are not directly consulted as part of the process of determining pay, the output from colleague surveys, including our internal "We're All Ears" survey, is considered when carrying out the annual salary and benefits review.

A significant number of our colleagues are also shareholders and so are able to express their views in the same way as other shareholders.

f) Consideration of shareholder views

Although we have only recently become a public listed company, the Committee recognises the importance of building a good relationship with our new shareholders. This reflects our commitment to follow the highest standards of practice in relation to remuneration and governance at Pets at Home.

In reviewing the remuneration arrangements which were put in place at the time of our IPO, the Committee evaluated current best practice in the listed environment. In particular, the Committee was keen to promote alignment, motivate our Executive Team and retain key talent to drive our business strategy. Our aim was to adopt a remuneration framework which would drive achievement of our corporate goals, whilst providing shareholders with comfort that it was appropriate, justified and did not encourage unacceptable risk management behaviour.

We will continue to monitor shareholder views when evaluating and setting ongoing remuneration strategy, and we commit to consulting with shareholders prior to any significant changes to our remuneration policy.

g) Minor amendments

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.