Report on directors' remuneration and related matters

The Board presents its report on directors' remuneration including pay and benefits. Both the level and structure of executive directors' pay are decided by the Remuneration Committee. The remuneration of the Chairman and non-executive directors are matters reserved for the Board as a whole.

This report includes the following information:

1. Reward strategy
2. Corporate governance
3. Directors' emoluments
4. Directors' pensions
5. Share options
6. Long term incentive plans
7. Directors' interests

1. Reward strategy

GUS has refocused around three core businesses that are now well positioned to achieve sustained growth. An integral part of the change involved with this refocusing has been a move towards a strongly performance-oriented culture with a clear link between remuneration and performance.

For GUS and similar businesses, the market for executive talent has become a global one and this has affected pay levels in these major companies. In the long-term interest of its shareholders, GUS must compete effectively in this market.

GUS' solution is not atypical in that we choose to provide base pay and fixed benefits – for example cars and pensions – on a basis which is competitive, but not more than competitive, by reference to the appropriate market. On the other hand, the incentive structure has been designed to provide a highly leveraged reward package, which will produce very high levels of reward for very high performance. In circumstances of poor performance the GUS reward structure will deliver commensurately low levels of total pay.

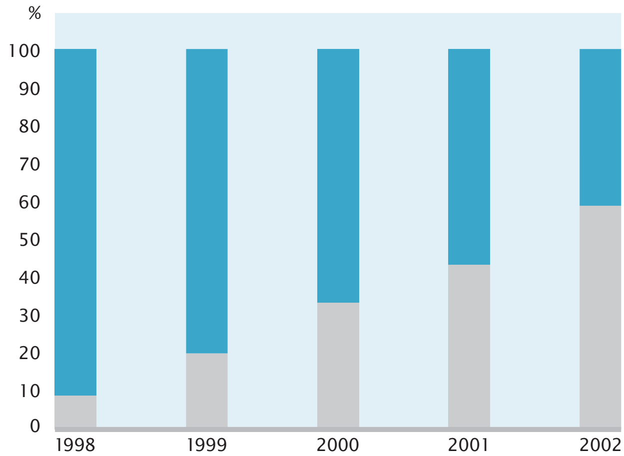
The four tenets on which our remuneration structure is founded are as follows:

1. Base pay levels are established on a market competitive basis but no higher than this.
2. Benefits (for example, pensions and cars) are provided on a basis that is appropriate to the local market in which the director is employed.
3. Performance related incentives provide the opportunity to deliver substantial rewards for high performance.
4. Wherever reasonable, pay is aligned to shareholders' interests. This is reflected in the choice of performance standards applied to incentive awards and the fact that, for a large part of the overall incentive package, rewards are denominated in GUS shares.

GUS is heavily exposed to the American market which leads the global pay market and provides higher pay levels than does the UK. Nonetheless, GUS has chosen not to adopt US pay practices but, rather, to compare itself with a group of similarly exposed UK-based and listed companies.

Consistent with our philosophy, salaries are set on the basis of mid-market practice amongst that UK comparator group. Incentive opportunities, though, are targeted at upper quartile levels to produce a highly leveraged package if our sustainable growth objectives are attained.

The reward strategy sets the balance between base and incentive pay and over recent years the Group has moved towards a more incentive-oriented structure. This is illustrated by the following chart, which demonstrates the balance between salary and incentive pay:



Incentive-based remuneration as a percentage of total remuneration*

Incentive-based remuneration   Base salary

12 months to 31 March

*Average remuneration for executive directors, valued for 'on-target' performance. Incentive-based remuneration includes annual incentive plan (including co-investment element), share options and performance share plan.

Performance linkages

Each element in the reward package is designed to support the achievement of different corporate objectives. These are illustrated below.

Element	Purpose	Performance standard
(a) Base salary	Reflects the competitive salary level for the particular job and takes account of personal contribution and performance through individual pay awards.	Individual or business performance
(b) Annual bonus	Rewards the delivery of current operational targets. Provides leveraged opportunity to reward the achievement of current performance targets through re-investment with matching opportunities. Aligns with shareholder through delivery of shares.	Profit before tax and efficient capital usage
(c) Share options	Direct link to growth objectives through share price increase. Aligns with shareholder interests. Rewards future sustained value creation.	EPS growth
(d) Performance share plan	Aligns with shareholder interests through delivery of shares. Supports the achievement of superior business performance in relation to competitor companies.	Relative total shareholder return

The application of these elements is further explained below and the detailed disclosures are provided throughout the report.

(a) Base salary

To ascertain the job's market value, external remuneration consultants annually review and provide data about market salary levels, and advise the Remuneration Committee accordingly. These market rates are based on peer group data and derived from the pay position described above. Before making a final decision on individual salary awards, the Committee assesses each director's contribution to the business, thus allowing for individual performance.

(b) Annual bonus

To reward current performance, executive directors are eligible for an annual incentive with a target of 50% of base salary and a maximum of 100% of salary for substantially exceeding targets. The Remuneration Committee sets bonus targets by reference to agreed budgets and external expectations for delivery of operational results.

Directors are given the opportunity to defer receipt of their bonus and have it invested in GUS shares. The number of shares acquired on behalf of the executive is matched on a sliding scale depending on the achievement against target for the relevant financial year. The number of matching shares may vary from a threshold ratio of one half for one, to a maximum of two for one. The release of these shares is deferred for three years including the deferred bonus. Thus their ultimate value to executives will depend on share price performance underpinned by sustained business performance over that period. Therefore, this reward element is directly aligned with the outcome for shareholders. Furthermore, if an executive resigns during the three-year period he will forfeit the right to the deferred shares.

Bonuses are currently awarded for achieving profit before tax growth and meeting efficient capital usage targets.

(c) Share options

Share options closely support GUS' strategy of sustained profitable growth, as options will only reward directors to the extent that the share price reflects the successful execution of our strategy.

The link between share price and option gains provides a built-in performance driver for recipients and directly aligns them with shareholders' interests. In addition, the scheme applies a further performance test, which requires EPS to grow by 4% above inflation over any three-year period between the date of grant and the fifth anniversary of the date of grant.

Options granted to GUS directors are typical in the UK market in that they vest three years after grant, are subject to the performance test and remain exercisable for seven years after vesting. There are two further opportunities for testing; i.e. four and five years after grant. As currently structured, no director may normally receive annually an option grant with a total exercise price of more than one times salary. The Remuneration Committee has discretion to grant twice salary in exceptional circumstances.

(d) Performance share plan

The primary objective of the performance share plan is to underpin the longer-term incentive structure by providing a share-based reward, which is only available to directors when the company out-performs its peers.

GUS' performance under this plan is assessed in terms of three-year total shareholder return in relation to the following group of peer companies: Acxiom, Boots, Dixons, Equifax, Harte Hanks, Kingfisher, Marks & Spencer, N. Brown, Next, Pinault Redoute Printemps, Reed Elsevier, Reuters, Signet and Tesco.

None of the awards will vest if GUS' total shareholder return (defined as share price movement plus reinvested dividends) is below the median return for the comparator group.

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Once GUS achieves median performance, 40% of the award will vest, while 100% of the award will be earned for an upper quartile return or better. Between median and upper quartile performance, awards will vest by straight-line interpolation.

For the year to 31 March 2002 the maximum award available to directors was 50% of salary, converted to shares at the price prevailing at the time the awards were made. The awards were made in June 2001 and will vest, to the extent that the performance test is met, in June 2004.

No awards will be released unless the Remuneration Committee is satisfied with the Company's underlying financial progress over the relevant performance period.

(e) Pensions and other benefits

Pensions are offered in line with local competitive practice. Last year's review of pensions has resulted in a reduction of retirement age for directors from 65 to 60 years in line with normal market practice. Otherwise, no changes were made to directors' pension provision, which broadly provides a pension of two thirds of final salary (subject to Inland Revenue limits), life assurance at four times salary and ill health, and dependants' pensions. Incentive payments (such as annual bonus) are not pensionable.

Certain executive directors are affected by the pensions cap and have a Funded Unapproved Retirement Benefit Scheme (FURBS) available to them, which is designed to provide pension benefits in excess of the Inland Revenue cap. This places them in broadly the same position as directors whose pension is unaffected by this cap. Alternatively, there is the choice of an unfunded commitment, on the part of the Company, to provide benefits in excess of the cap or a cash sum to enable a director to make his own arrangements.

Cars are provided on a basis that is consistent with competitive practice.

Directors, in the UK, in common with all GUS' UK employees, are eligible to participate in the Company's Savings Related Share Option Scheme in the UK.

(f) Service contracts

The Board's policy over many years has been to limit service contracts of executive directors to one-year rolling terms. In the event of the termination of a director's contract any compensation payment is calculated in accordance with normal legal principles, including the application of the principle of mitigation to the extent which is appropriate to the circumstances of the case.

There is one exception to this policy, which the Board believes to be in shareholders' interests. Alan Smart, Chief Executive – South African Retailing Division, has a contract which provides for 24 months' notice on the part of both the Company and the executive. This is a reflection of local employment conditions in South Africa.

2. Corporate governance

Remuneration Committee

The Remuneration Committee is a Board committee consisting of independent non-executive directors, Sir Alan Rudge and Oliver Stocken, under the chairmanship of Lady Patten.

The Committee meets at least three times a year and holds additional meetings where necessary. During the year under review, the Committee met six times. Pay decisions are made on the basis of advice or proposals prepared by the Chairman, the Group Chief Executive and the Group Director of Human Resources.

In making its decisions, the Remuneration Committee has unfettered direct access to any relevant external adviser appointed on behalf of the Company. For the year ended 31 March 2002, the Company's principal remuneration advisers were Towers Perrin.

Where necessary or appropriate, the Committee also instigates consultation with major institutional shareholders on remuneration matters.

Shareholding guideline

It is one of the tenets of GUS' reward strategy that shareholders' and directors' interests be aligned. To reinforce this, the Remuneration Committee expects that, over the next five years or so, executive directors will build a personal holding in GUS shares. This holding should be 200,000 shares in the case of the Group Chief Executive and 120,000 shares in the case of other executive directors.

To underpin this commitment, the Committee expects that, while the guideline holding remains unfulfilled, executive directors will not dispose of any shares vesting to them under any of the GUS incentive plans (save for any disposals necessary to meet tax liabilities arising from them).

Compliance statement

The constitution and operation of the Remuneration Committee are in compliance with the principles of good governance and Code of Best Practice set out in the Listing Rules of the Financial Services Authority.

The disclosure of directors' pension entitlements in the table at 4 on page 29, covering benefits provided through tax exempt pension schemes and unfunded arrangements, complies with the rules of the Financial Services Authority about such disclosures.

The auditors, PricewaterhouseCoopers, have confirmed that the scope of their report on the accounts covers the disclosures contained in this report, which are specified for audit by the Financial Services Authority.

3. Directors' emoluments

	2002 £'000	2001 £'000
Total emoluments: salary	**2,053**	2,631
performance related bonuses	**1,670**	1,449
taxable benefits in kind	**93**	133
non-executive directors	**426**	382
	4,242	4,595
Long Term Incentive Plans ('LTIPs')	**683**	683
Payments to former directors (Notes 1, 2 and 6)	**312**	158
Compensation for loss of office	**–**	346
Pension contributions	**293**	279
Pensions in respect of former directors	**292**	191
	5,822	6,252

The following table shows an analysis of the remuneration of the individual executive directors.

		Salary £'000	Annual bonus £'000	LTIPs £'000	Taxable benefits £'000	**Total 2002 £'000**	Total 2001 £'000
Eric Barnes	(Note 1)	52	–	–	8	**60**	242
Victor Barnett		420	210	–	–	**630**	534
David Bury	(Note 2)	80	–	–	4	**84**	331
Michael de Kare-Silver	(Note 3)	–	–	–	–	**–**	158
Terry Duddy	(Note 4)	460	460	355	19	**1,294**	737
John Peace	(Note 5)	600	600	328	23	**1,551**	1,608
Alan Smart		91	50	–	6	**147**	412
David Tyler		350	350	–	12	**712**	540
Peter Weigh	(Note 6)	–	–	–	–	**–**	139
Lord Wolfson of Sunningdale	(Note 7)	–	–	–	–	**–**	176

Benefits for executive directors comprise a fully expensed company car or cash equivalent and private medical insurance.

The following table provides details of the emoluments of the individual non-executive directors. There were no taxable benefits other than those disclosed in note 8 on page 28.

		2002 £'000	2001 £'000
Sir Victor Blank	(Note 8)	**240**	210
Jonathan Charkham	(Note 9)	**10**	29
Lord Harris of Peckham		**30**	25
Frank Newman	(Note 10)	**10**	–
Lady Patten of Wincanton		**37**	32
Sir Alan Rudge	(Note 11)	**62**	55
Oliver Stocken		**37**	31

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Notes:

1. Eric Barnes retired from the Board on 25 July 2001 having previously taken up the pension rights to which he was entitled from a Group pension scheme. In addition to his remuneration as a director, reported in the table, he was paid £42,000 under a consultancy agreement which commenced on 1 August 2001.
2. David Bury retired from the Board on 25 July 2001. He remained in the Group's employment and the salary paid for the period 26 July 2001 to 31 March 2002 was £160,000.
3. Michael de Kare-Silver resigned from the Board on 28 September 2000.
4. The remuneration reported for Terry Duddy includes a payment from the Argos Divisional Long-Term Incentive Plan of £355,000. This was due to him from his services as Chief Executive of Argos prior to his assuming the wider role as Chief Executive of ARG.
5. The remuneration reported for John Peace includes a payment from the Experian Divisional Long-Term Incentive Plan of £328,000. This was due to him from his services as Chief Executive of Experian prior to his appointment as Group Chief Executive.
6. Peter Weigh resigned from the Board on 8 September 2000 but remained in the Group's employment until 31 July 2001 when he retired. The salary for the period 1 April 2001 to 31 July 2001 was £60,000. In addition, on his retirement, the Company paid to the Trustees of the GUS Pension Scheme the sum of £20,000 to augment Mr Weigh's pension rights and, following his retirement, he was awarded a bonus of £30,000.
7. Lord Wolfson resigned from the Board on 26 July 2000 on the occasion of his retirement at the conclusion of that year's Annual General Meeting.
8. Sir Victor Blank receives a base fee of £30,000 as a non-executive director and £210,000 as Chairman. In addition he had the use of a company car, the taxable benefit for which in the year under review was £21,000.
9. Jonathan Charkham retired from the Board on 25 July 2001.
10. Frank Newman was appointed to the Board on 10 December 2001.
11. Sir Alan Rudge's remuneration consists of £37,500 as a non-executive director and £25,000 as Chairman of the Company's e-Commerce Developments Committee. This Commitee was disbanded in May 2002.

4. Directors' pensions

Victor Barnett has an unfunded pension arrangement for which provision has been made in the financial statements. During the year an amount of £145,000 was charged against profit, in order to provide for this unfunded arrangement.

David Bury has an unfunded commitment from the Company that it will provide pension benefits in excess of the pensions cap. During the year an amount of £46,000 was charged against profit, in respect of the period 1 April 2001 to his retirement from the Board on 25 July 2001, in order to provide for this unfunded arrangement.

Terry Duddy is a member of the Argos Pension Scheme which will provide him on retirement at age 60 with a pension of up to two thirds of the pensions cap subject to Inland Revenue limits. In addition, his contract provides for the choice of a funded or unfunded scheme to provide benefits in excess of the pensions cap. Mr Duddy has elected to have paid to him a cash sum for investment at his own discretion. The amount so paid in the year under review was £168,000.

Alan Smart is a member of the pension scheme operated by the Company's South African subsidiary.

David Tyler has been provided with a FURBS, the cost of which in the year to 31 March 2002 was £125,000.

The following table on page 29 provides the disclosures described in the Compliance Statement on page 26.

		Accrued Pension Details Increase during the year to 31 March 2002 £'000	Accumulated total as at 31 March 2002 (see note 1) £'000	Transfer value of the increase in accrued pension in the year to 31 March 2002 (see note 2) £'000
David Bury	(Note 3)	7	34	113
Terry Duddy		2	6	15
John Peace		22	334	279
David Tyler		2	8	13
		US$'000	US$'000	US$'000
Victor Barnett	(Note 4)	11	228	154
		Rand '000	Rand '000	Rand '000
Alan Smart		88	806	691

Notes:

1. The accrued pension at 31 March 2002 represents the amount of pension to which the director would have been entitled, had he left the Group at that date, or is entitled to having left the Group during the year.
2. The actuarial value of the increase in accrued pension is calculated as the amount of cash required to secure that increase in accrued pension.
3. The figures reported for David Bury relate to the period up to his retirement from the Board on 25 July 2001.
4. Accrued pension at age 65, the normal retirement age.

5. Share options

Details of options granted to executive directors, under the Company's executive share option schemes, are set out in the table below.

	Number of options at 1 April 2001	Options granted during the year	Exercise price	Date from which exercisable	Expiry date	Total number of options at 31 March 2002
Terry Duddy						
07.04.00	93,159	–	375.7p	07.04.03	06.04.10	
07.08.00	81,737	–	428.2p	07.08.03	06.08.10	
11.06.01	–	150,155	612.7p	11.06.04	10.06.11	
						325,051
John Peace						
07.04.00	146,393	–	375.7p	07.04.03	06.04.10	
11.06.01	–	195,854	612.7p	11.06.04	10.06.11	
						342,247
Alan Smart						
11.06.01	–	37,038	612.7p	11.06.04	10.06.11	37,038
David Tyler						
09.12.98	43,088	–	580.2p	09.12.01	08.12.08	
23.06.99	37,308	–	690.2p	23.06.02	22.06.09	
07.04.00	86,505	–	375.7p	07.04.03	06.04.10	
11.06.01	–	114,248	612.7p	11.06.04	10.06.11	
						281,149

The exercise prices represent the average of the middle market quotations of a GUS share as derived from the Daily Official List of The London Stock Exchange for the three immediately preceding dealing days to the date on which options were granted.

The options were granted at a value equivalent to basic annual salary in accordance with the current rule that annual option grants to any individual should not be in respect of shares with a value in excess of basic annual salary (or twice salary in exceptional circumstances).

The options may not be exercised unless, during a period of three consecutive financial years, Group earnings per share have increased by an average of at least 4 per cent per annum more than the Retail Prices Index.

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The market price of the shares at the end of the financial year was 700p; the highest and lowest prices during the financial year were 704p and 441p respectively.

Phantom share option

As reported last year, a 'phantom' share option was granted to Victor Barnett with effect from 1 August 2000. The option is exercisable in the period from 1 August 2003 to 31 July 2006. On exercise, Mr Barnett will be paid a cash sum equal to any increase in the value of 164,007 shares in the Company from 1 August 2000 – when the share price was 430p – to the date of exercise.

As permitted by paragraph 13.13 A(b) of the Listing Rules of the Financial Services Authority, shareholder approval of this option was not sought because the option was granted specifically to facilitate the retention of Mr Barnett in unusual circumstances. These circumstances were that Mr Barnett was not eligible to participate in the Company's long-term senior executive incentive schemes.

SAYE share option scheme

As reported last year, a SAYE share option scheme has been introduced for employees in the UK and Ireland and, on 9 February 2001, options were granted over 11.54 million shares to 14,041 employees at an exercise price of 384p. This represented a take-up rate of 36 per cent among eligible employees.

Options granted to directors under the SAYE share option scheme were as follows:

	Number of options at 31 March 2001 and 2002	Exercise price	Date from which exercisable	Expiry date
Sir Victor Blank	4,394	384p	01.05.06	31.10.06
Terry Duddy	4,394	384p	01.05.06	31.10.06
Lord Harris of Peckham	2,522	384p	01.05.04	31.10.04
Lady Patten of Wincanton	2,522	384p	01.05.04	31.10.04
John Peace	4,394	384p	01.05.06	31.10.06
Oliver Stocken	4,394	384p	01.05.06	31.10.06
David Tyler	4,394	384p	01.05.06	31.10.06

6. Long term incentive plans

As a result of the introduction of the Performance Share Plan, referred to on pages 25 and 26, the LTIP arrangements of John Peace and Terry Duddy were not renewed. The final payments were made to Mr Peace and Mr Duddy under their respective plans and are shown in the Directors' Emoluments table. These payments have not been taken into account in determining the pension entitlements of the two executives.

Performance share plan

An award under the Company's Performance Share Plan takes the form of a deferred right to acquire shares at no cost to the participant. The vesting of these awards is subject to the performance conditions described on pages 25 and 26.

Awards to present directors under the Plan have been as follows:

	Shares awarded at 31 March 2001	Shares awarded during the year to 31 March 2002	Price	Vesting date	Total shares awarded at 31 March 2002
Terry Duddy					
07.04.00	74,527	–	375.7p	June 2003	
11.06.01	–	37,538	612.7p	June 2004	
					112,065
John Peace					
07.04.00	146,393	–	375.7p	June 2003	
11.06.01	–	48,963	612.7p	June 2004	
					195,356
David Tyler					
07.04.00	69,204	–	375.7p	June 2003	
11.06.01	–	28,562	612.7p	June 2004	
					97,766

The price by reference to which awards are determined represents the average of the middle market quotations of a GUS share as derived from The Daily Official List of The London Stock Exchange for the three immediately preceding dealing days to the date on which awards were made.

7. Directors' interests

The beneficial interests of the directors together with non-beneficial interests in the Ordinary shares of the Company are shown below in sections (i) and (ii). Share options granted to directors and awards under the Performance Share Plan are shown on pages 29 and 31. The directors have no interests in the debentures of the Company or in any shares or debentures of the Company's subsidiaries.

	31 March 2002	1 April 2001 or date of appointment
(i) Beneficial holdings		
Victor Barnett	**1,721,668**	1,721,668
Sir Victor Blank	**100,000**	100,000
Terry Duddy	**2,500**	2,500
Lord Harris of Peckham	**7,200**	7,200
Frank Newman	**–**	–
Lady Patten of Wincanton	**4,370**	4,370
John Peace	**30,000**	30,000
Sir Alan Rudge	**3,950**	3,950
Alan Smart	**–**	–
Oliver Stocken	**12,621**	12,500
David Tyler	**20,000**	20,000
(ii) Non-beneficial holdings		
Sir Victor Blank	**3,000**	3,000
Lord Harris of Peckham	**25,000**	25,000

On behalf of the Board

Lady Patten of Wincanton
Chairman – Remuneration Committee

28 May 2002