# Directors' Remuneration Report

## Remuneration Committee Chairman's Letter

**Members:**
**Martyn Coffey (Chairman)**
**Bob Lawson**
**Frank Nelson**

**Role and Responsibilities:**
The Committee's principal responsibilities are to:
- Recommend to the Board the remuneration strategy and framework for the Chairman, Executive Directors and senior managers.
- Determine, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers.
- Oversee any major changes in employee benefit structures throughout the Group.

### Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for 2017. The report is split into two parts:
- Part A: The Directors' Remuneration Policy – which provides a summary of the remuneration policy for which Shareholder approval was obtained at the 2016 AGM and which will continue to apply without amendment for the forthcoming year; and
- Part B: The Annual Report on Remuneration – which sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2017 and how the policy will be operated for 2018.

As no changes are proposed to the existing policy, only one remuneration resolution will be tabled at the 2018 AGM i.e. the advisory Shareholder vote on the Annual Report on Remuneration.

### Work of the committee during the year

The Committee met two times during 2017. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:
- Agreeing the performance against the targets and payout for the 2016 annual bonus awards.
- Agreeing Executive Director base salary increases from 1 April 2017.
- Setting the performance targets for the 2017 annual bonus.
- Agreeing the award levels and earnings per share and operating cash flow targets for the 2017 PSP awards.
- Approving awards under the Eurocell Save As You Earn Scheme (including awards to the two Executive Directors).
- Approving the vesting of Mark Kelly's buyout share award at the 12-month anniversary of grant.

### Pay for Performance

As described in earlier sections of this Annual Report, our senior management team delivered very good progress against our strategic priorities in 2017. Further, against a more challenging economic backdrop, the business reported robust financial results and another consistent operational performance.

Sales growth was good at 8% (excluding acquisitions), with market share gains across the Group. Profitability was solid, having been impacted by a subdued Repair, Maintenance and Improvements ('RMI') market and especially by higher raw material cost inflation. Where possible, the team mitigated pricing pressure with selling price increases, but the market does lag supplier rises so there is a delay in capturing the benefit. However, management also delivered on initiatives which increased significantly the use of recycled material in our manufacturing operations, in order to further alleviate cost inflation.

In addition, the business made significant investments in 2017, including opening 31 new branches and progressing capital expenditure to expand our recycling capability. Management believes these investments leave the Group well placed to deliver further gains in market share and more control of material costs in the future.

This performance has been reflected in the payments made to the Executive Directors under the Annual Bonus Plan, amounting to 40% of salary. Performance against the adjusted profit before tax element of the bonus resulted in a bonus of 42% of that element (i.e. approx. 30% of salary) while performance against the cash flow element of the bonus resulted in a bonus of 33% of that element (i.e. approx. 10% of salary). In addition, the health and safety underpin was considered satisfied.

Further details of these bonus pay-outs (including information regarding performance against the relevant targets and the operation of the deferred share element of the plan) can be found on page 60 and 61 of this report.

No Performance Share Plan ('PSP') awards vested during the year (the first vestings for the current Executive Directors are due to take place in 2019 based on EPS and operating cash flow performance over the three years to 31 December 2018).

## Summary of our Directors' Remuneration Policy

At the AGM on 19 May 2016, we put our Remuneration Policy to Shareholders for a binding vote. We were very pleased to receive unanimous approval for the policy. We do not propose making any changes to the policy this year. Therefore, the main elements of the Executive Directors' packages will remain as follows:

- *Base salaries*
  Salary levels (as well as overall remuneration opportunity) will be positioned to reflect experience and responsibility. Mark Kelly's and Michael Scott's current salaries are £367,200 and £234,600 respectively. In line with other Eurocell employees, with effect from 1 April 2018, these salaries will be increased by 2%.
- *Pensions/benefits*
  A defined contribution/salary supplement of 15% of salary will continue to be offered, together with a standard suite of other benefits.
- *Annual bonus*
  The maximum annual bonus remains at 100% of salary. For 2018, reflecting Eurocell's underlying strategy, 70% of the bonus will be based on adjusted profit before tax and 30% will be based on cash flow targets. The targets will be subject to a health and safety underpin. Up to 50% of any bonus earned is normally deferred into shares for three years.
- *Long-term incentives*
  PSP awards are expected to be made in April 2018. Award levels will be set at 100% of salary for Mark Kelly and Michael Scott. Performance targets will be based on three year earnings per share growth (two-thirds of the award) and cash flow (one-third) targets.

The Committee believes that the above approach takes due account of market and best practice and, importantly, also reflects and supports Eurocell's strategy and promotes the Company's long-term success.

## Format of this Report and matters to be approved at our AGM

Notwithstanding the fact that: (i) we will not be seeking Shareholder approval for any changes to our Remuneration Policy at the 2018 AGM; and (ii) the relevant Regulations do not require us to reproduce our Remuneration Policy in this report; for ease of reference we have decided to include a summary of our policy in addition to the Annual Report on Remuneration section of the report (in respect of which we will be holding an advisory vote at the forthcoming AGM). The full Directors' Remuneration Policy was disclosed in the 2015 Annual Report.

I hope that you will continue to show support for our approach to remuneration at Eurocell. Should you have any queries or comments, please feel free to contact me at martyn.coffey@eurocell.co.uk.

**Martyn Coffey**
**Chair of the Remuneration Committee**
8 March 2018

# Directors' Remuneration Report continued

## Explanatory foreword

This report contains the material required to be set out as the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Our Directors' Remuneration Policy was approved at the 2016 AGM. We are not proposing to make any changes to this policy, which will continue to apply for the forthcoming year. For ease of reference, we have set out in Part A below the key features of our policy. The full, formal policy is as disclosed in the 2015 Annual Report, which is available on the Company's website.

Part B constitutes the Annual Report on Remuneration. The auditors have reported on certain parts of the Annual Report on Remuneration and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those parts which have been subject to audit are clearly indicated.

## PART A: DIRECTORS' REMUNERATION POLICY

The following table summarises the key aspects of the Directors' Remuneration Policy:

### Executive Directors

| Element and Purpose | Policy and Operation | Maximum | Performance Measures |
|---|---|---|---|
| **Base salary**<br>This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution. | Base salaries will be reviewed each year by the Committee.<br><br>The Committee does not strictly follow data, but uses the median position (as against appropriate size and/or sector peers) as a reference point in considering, in its judgement, the appropriate level of salary having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities.<br><br>Base salary is paid monthly in cash. | It is anticipated that salary increases will generally be in line with those awarded to salaried employees. However, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Company performance), the Committee may make larger salary increases to ensure they are market competitive. The rationale for any such increase will be disclosed in the relevant Annual Report on Remuneration. | n/a |
| **Benefits**<br>To provide benefits valued by recipients. | The Executive Directors can receive a car allowance or company car, private family medical cover, permanent health insurance and life assurance.<br><br>The Committee reserves discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.<br><br>Where appropriate, the Company will meet certain costs relating to Executive Director relocations. | It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of £100,000 (plus a further 100% of base salary in the case of relocations).<br><br>The Committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than the Committee considers appropriate in all the circumstances. | n/a |

| Element and Purpose | Policy and Operation | Maximum | Performance Measures |
|---|---|---|---|
| **Pension**<br>To provide retirement benefits. | Executive Directors can receive pension contributions to personal pension arrangements or, if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance can be paid as a cash supplement. | The maximum employer's contribution is limited to up to 15% of base salary. | n/a |
| **Annual Bonus Plan**<br>To motivate executives and incentivise delivery of performance over a one-year operating cycle, focusing on the short-to-medium-term elements of our strategic aims. | Annual Bonus Plan levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy.<br><br>Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other significant events where the Committee considers it to be necessary in its opinion to make appropriate adjustments.<br><br>Annual Bonus Plan outcomes can be paid in a mix of cash and deferred shares granted under the Company's Deferred Share Plan ('DSP'), following the determination of achievement against performance measures and targets.<br><br>Awards under the DSP are deferred for such periods as the Committee selects at grant, which will not normally be less than (but may be longer than) three years and are subject to continued employment.<br><br>Where an element of bonus is payable as deferred shares under the DSP, individuals may be able to receive a dividend equivalent in cash or shares equal to the value of dividends which would have been paid during the vesting period.<br><br>Clawback and malus provisions apply to the Annual Bonus Plan and DSP, as explained in more detail in the notes to the policy table, as disclosed in the 2015 Annual Report. | The maximum level of Annual Bonus Plan outcomes is 100% of base salary per annum for the duration of this policy. | The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate.<br><br>Attaining the threshold level of performance for any measure will not produce a pay-out of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full pay-out for maximum performance.<br><br>However, the Annual Bonus Plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement to adjust the outcome of the Annual Bonus Plan for any performance measure (from zero to any cap) should it consider that to be appropriate. |

## Executive Directors continued

| Element and Purpose | Policy and Operation | Maximum | Performance Measures |
|---|---|---|---|
| **Long-term incentives**<br>To motivate and incentivise delivery of sustained performance over the long term, and to promote alignment with Shareholders' interests, the Company operates the Performance Share Plan ('PSP'). | Awards under the PSP take the form of nil-cost options which vest to the extent performance conditions are satisfied over a period of at least three years.<br><br>Under the PSP plan rules, vested awards may also be settled in cash.<br><br>The PSP rules allow that the number of shares subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any ex-dividend dates falling between the grant of awards and the expiry of any vesting period.<br><br>Malus and clawback provisions apply to PSP awards and are explained in more detail in the notes to the policy table, as disclosed in the 2015 Annual Report. | The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year.<br><br>The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits. | The Committee may set such performance conditions on PSP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual).<br><br>Performance periods may be over such periods as the Committee selects at grant, which will not normally be less than (but may be longer than) three years.<br><br>No more than 25% of awards vest for attaining the threshold level of performance conditions. |
| **Share ownership guidelines**<br>To further align the interests of Executive Directors with those of Shareholders. | Executive Directors are expected to build up a prescribed level of shareholding within five years of commencement of employment (or such longer period as the Committee may determine). | 100% of base salary for all Executive Directors.<br>The Committee reserves the power to amend (but not reduce) these levels in future years. | n/a |
| **All-employee share plans**<br>To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the Shareholders. | These are all-employee share plans established under HMRC tax-advantaged regimes and follow the usual form for such plans.<br><br>Executive Directors will be able to participate in all-employee share plans on the same terms as other Group employees. | The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time. | Consistent with normal practice, such awards will not be subject to performance conditions. |

## Chairman and Non-executive Directors

| Element and Purpose | Policy and Operation | Maximum | Performance Measures |
|---|---|---|---|
| **Chairman/Non-executive Director fees**<br>To enable the Company to recruit and retain Chairmen and Non-executive Directors of the highest calibre, at the appropriate cost. | The fees paid to the Chairman and Non-executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity.<br><br>The fees payable to the Non-executive Directors are determined by the Board, with the Chairman's fees determined by the Remuneration Committee. Fees are paid monthly in cash.<br><br>The Chairman and Non-executive Directors will not participate in any new cash or share incentive arrangements from admission.<br><br>The Company reserves the right to provide benefits (including travel and office support) to the Chairman and Non-executive Directors. | Any increases actually made will be appropriately disclosed.<br><br>The aggregate fees (and any benefits) of the Chairman and Non-executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees (currently £325,000 per annum in aggregate).<br>If the Chairman and/or Non-executive Directors devote special attention to the business of the Company, or otherwise perform services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, they may be paid such additional remuneration as the Directors or any Committee authorised by the Directors may determine. | n/a |

Other elements of our policy include:

## Recruitment Remuneration Policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the general policy for Executive Directors as set out above and structure a package in accordance with that policy. Any caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice.

The Annual Bonus Plan, DSP and PSP will operate (including the maximum award levels) as detailed in the general policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy-out awards forfeited by the individual on leaving a previous employer.

For the avoidance of doubt, buy-out awards are not subject to a formal cap. Any recruitment-related awards which are not buy-outs will be subject to the limits for Annual Bonus Plan and PSP as stated in the general policy. Details of any recruitment-related awards will be appropriately disclosed.

For any buy-outs the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing Annual Bonus Plan, DSP or PSP. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing Annual Bonus Plan, DSP or PSP.

All buy-outs, whether under the Annual Bonus Plan, DSP, PSP or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek (where it is practicable to do so) to make buy-outs subject to what are, in its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases (such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited) and where the Committee considers it to be in the interests of Shareholders.

A new Chairman/Non-executive Director would be recruited on the terms explained above in respect of the main policy for such Directors.

## Service contracts

### Executive Directors

The Committee's policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination upon no more than 12 months' notice by either party. The service agreements of both Executive Directors comply with that policy. Contracts contain provisions allowing the Company to make payments in lieu of notice (albeit not including bonus or benefits) but do not contain change of control provisions.

The Committee reserves flexibility to alter these principles if necessary to secure the recruitment of an appropriate candidate and, if appropriate, introduce a longer initial notice period (of up to two years) reducing over time.

The date of each Executive Director's contract is:

| | |
|---|---|
| **Mark Kelly** | 29 March 2016 |
| **Michael Scott** | 1 September 2016 |

### Chairman/Non-executive Directors

The Chairman and each Non-executive Director is engaged for an initial period of three years. These appointments can be renewed following the initial three-year term. These engagements can be terminated by either party on twelve months' notice.

Neither the Chairman nor any Non-executive Directors can participate in the Company's incentive plans, are not entitled to any pension benefits and are not entitled to any payment in compensation for early termination of their appointment beyond the twelve months' notice referred to above.

| Name | Date of Original Appointment | Date of Latest Appointment | Term |
|---|---|---|---|
| **Bob Lawson** | 4 February 2015 | 2 February 2018 | 3 years |
| **Patrick Kalverboer** | 4 February 2015 | 2 February 2018 | 3 years |
| **Frank Nelson** | 4 February 2015 | 2 February 2018 | 3 years |
| **Martyn Coffey** | 4 February 2015 | 2 February 2018 | 3 years |

The Directors' service agreements and letters of appointment are available for Shareholders to view from the Company Secretary on request.

### Termination/change of control policy summary

It is appropriate for the Committee to consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the Annual Bonus Plan, DSP and PSP. The potential treatments on termination under these plans are summarised in the table below:

| Incentives | If a leaver is deemed to be a 'good leaver'; for example, leaving through injury, ill-health, disability, retirement, redundancy, sale of business or otherwise at the discretion of the Committee | If a leaver is not a 'good leaver' | Change in control |
|---|---|---|---|
| **Annual Bonus Plan** | Committee has discretion to determine an annual bonus which may be limited to the period actually worked. | Annual bonus generally paid. | Committee has discretion to determine annual bonus. |
| **Deferred Share Plan** | Awards normally vest either on cessation or the normal vesting date. The Committee can pro-rate awards if considered appropriate. | All awards will normally lapse. | Awards vest on a pro rata basis, unless the Committee determines not to pro-rate. |
| **Performance Share Plan** | Will receive a pro-rated award subject to the application of the performance conditions at the end of the normal performance period.<br><br>Committee retains standard discretions to either vary/disapply time pro-rating or to accelerate vesting to the earlier date of cessation (determining the performance conditions at that time). | All awards will normally lapse. | Will receive a pro-rated award subject to the application of the performance conditions at the date of the event, unless the Committee determines not to pro-rate. |

On death, Annual Bonus Plan, DSP and PSP awards typically vest in full (with pro-rating also potentially applying).

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

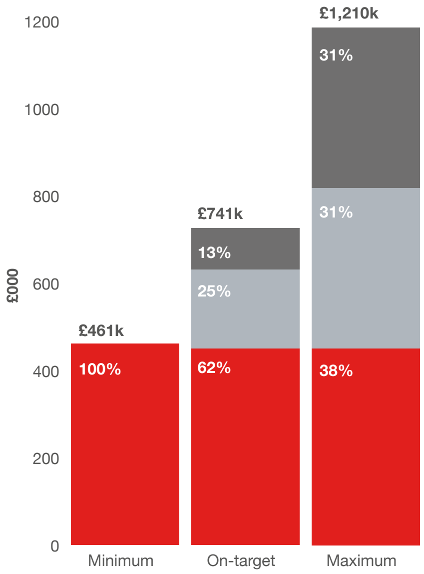
## Other policy matters

The 2015 Annual Report also set out formal details of our approach to:

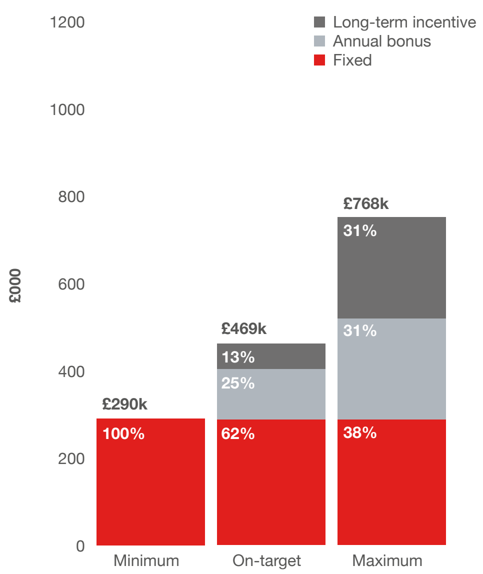
- Travel and hospitality;
- Differences between the policy on remuneration for Directors from the policy on remuneration for other employees;
- Committee discretions;
- External appointments;
- Considerations of employment conditions elsewhere in the Group;
- The operation of malus and clawback in relation to the PSP and annual bonus; and
- How the views of Shareholders are taken into account.

The Committee is mindful of ongoing debate regarding the publication of ratios comparing CEO to employee pay. The Committee does not at present consider it appropriate to publish such data in this report as it is concerned that no common methodology has yet been established amongst UK companies and their investors for these comparisons. The Company's expectation is that it will publish ratios showing comparisons in future years when, as can be expected, UK regulations or guidance develop a common methodology.

### Illustrations of application of Remuneration Policy




Chief Executive Officer – Mark Kelly




Chief Financial Officer – Michael Scott

The charts above aim to show how the Remuneration Policy for Executive Directors will be applied in 2018 using the assumptions in the table below.

**Minimum**

- Consists of base salary, benefits and pension.
- Base salary is the salary to be paid with effect from 1 April 2018.
- Estimated value of a full year's benefits, including car allowance, private medical cover, health insurance and life assurance.
- Pension measured as the cash allowance in lieu of Company contributions at 15% of salary.

| | Base Salary | Benefits | Pension | Total Fixed |
|---|---|---|---|---|
| Mark Kelly | £374,544 | £29,785 | £56,182 | £460,511 |
| Michael Scott | £239,292 | £14,322 | £35,894 | £289,508 |

**Target**

Based on what the Director would receive if performance was on-target (excluding share price appreciation and dividends):

- Annual bonus: consists of the on-target bonus of 50% of maximum opportunity.
- Long-term incentives: consists of the threshold level of vesting (25% vesting) under the PSP.

**Maximum**

Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: consists of maximum bonus of 100% of base salary.
- Long-term incentives: consists of the face value of awards (at 100% of salary for both Executive Directors) under the PSP.

## PART B: THE ANNUAL REPORT ON REMUNERATION

### The Committee (unaudited information)

The members of the Remuneration Committee are:

Martyn Coffey (Chairman)
Bob Lawson
Frank Nelson

The Committee's principal responsibilities are to:

- Recommend to the Board the remuneration strategy and framework for the Chairman, Executive Directors and senior managers.
- Determine, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers.
- Oversee any major changes in employee benefit structures throughout the Group.

The Chief Executive Officer is invited to attend meetings of the Committee, except when his own remuneration is being discussed, and the Chief Financial Officer and other Executive and Non-executive Directors attend meetings as required. Bob Lawson takes no part in any discussions relating to his own remuneration.

The Committee met two times during the year, with all members of the Committee present at these meetings.

The Committee has formal terms of reference which can be viewed on the Company's website (investors.eurocell.co.uk).

FIT Remuneration Consultants LLP ('FIT'), signatories to the Remuneration Consultants Group's Code of Conduct, are appointed by the Committee and provide advice to the Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2017 were £8,824 (excluding VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

## Audited Information

### Single total figure table (audited)

The remuneration for the Chairman, Executive and Non-executive Directors of the Company who performed qualifying services during the relevant financial year is detailed below. The Chairman and Non-executive Directors received no remuneration other than their annual fee.

For the year ended 31 December 2017:

| Director | Salary/fees £000 | Taxable benefits[1] £000 | Bonus £000 | Long-term incentives £000 | Pension £000 | Other £000 | Total remuneration £000 |
|---|---|---|---|---|---|---|---|
| Mark Kelly[2] | **365** | **28** | **146** | **–** | **55** | **322** | **916** |
| Michael Scott[3] | **233** | **14** | **93** | **–** | **35** | **–** | **375** |
| Robert Lawson | **120** | **–** | **–** | **–** | **–** | **–** | **120** |
| Patrick Kalverboer | **40** | **–** | **–** | **–** | **–** | **–** | **40** |
| Frank Nelson | **48** | **–** | **–** | **–** | **–** | **–** | **48** |
| Martyn Coffey | **45** | **–** | **–** | **–** | **–** | **–** | **45** |

For the year ended 31 December 2016:

| Director | Salary/fees £000 | Taxable benefits[1] £000 | Bonus £000 | Long-term incentives £000 | Pension £000 | Other £000 | Total remuneration £000 |
|---|---|---|---|---|---|---|---|
| Mark Kelly[2] | 274 | 26 | 220 | – | 41 | – | 561 |
| Michael Scott[3] | 77 | 4 | 61 | – | 12 | – | 154 |
| Patrick Bateman[4] | 189 | 8 | 59 | – | 28 | – | 284 |
| Matthew Edwards[5] | 117 | 8 | 39 | – | 17 | 1 | 182 |
| Robert Lawson | 120 | – | – | – | – | – | 120 |
| Patrick Kalverboer | 40 | – | – | – | – | – | 40 |
| Frank Nelson | 48 | – | – | – | – | – | 48 |
| Martyn Coffey | 45 | – | – | – | – | – | 45 |

Notes:

(1) Taxable benefits comprise car allowance, private family medical cover, permanent health insurance and life assurance.

(2) Mark Kelly was appointed to the Board with effect from 29 March 2016 and was appointed Chief Executive Officer with effect from 1 May 2016. Other in 2017 relates to the value of the recruitment award over 123,864 Eurocell plc shares granted on 28 June 2016 in connection with an amount forfeited on cessation of employment with his previous employer. The award vested after the expiry of a 12-month deferral period and was subject to continued employment but no other performance conditions. The value of the shares is based on the closing Eurocell share price on the date of vesting. While the buyout award also included the potential payment of £200,000 in cash, this amount was ultimately forfeited by Mr. Kelly and therefore no compensation was payable by Eurocell for this cash part of the buyout.

(3) Michael Scott was appointed Chief Financial Officer with effect from 1 September 2016.

(4) Patrick Bateman resigned with effect from 30 June 2016.

(5) Matthew Edwards left the Company with effect from 30 June 2016. Other in 2016 relates to payments for legal fees and other expenses made to Mr Edwards in connection with his settlement agreement.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2017 was £1,544,000 (2016: £1,434,000).

### Further information on the 2017 annual bonus (audited)

In 2017, the annual bonus metrics were a blend of targets relating to adjusted profit before tax (70% of the bonus opportunity) and cash flow (30% of the bonus opportunity). In addition, a health and safety adjustment underpin applied which, if not achieved, could reduce the bonus pay-out.

More particularly, the adjusted profit before tax and cash flow bonus targets were as follows:

| £m | Threshold | Target | Maximum | Actual | Pay-out (% of max) |
|---|---|---|---|---|---|
| Adjusted Profit before Tax | 23.6 | 24.8 | 26.7 | 24.5 | 42 |
| Cash flow | 28.1 | 29.6 | 31.8 | 28.8 | 33 |

Performance against the adjusted profit before tax element of the bonus resulted in a bonus of 42% of that element (i.e. approx. 30% of salary).

Performance against the cash flow element of the bonus resulted in a bonus of 33% of that element (i.e. approx. 10% of salary).

The health and safety underpin was also considered satisfied.

In total, this results in a total bonus pay-out of 40% of salary.

50% of the annual bonus paid to Mark Kelly and Michael Scott will be deferred into shares under the DSP.

## Statement of Directors' shareholding and share interests (audited)

The table below details for each Director, the total number of Directors' interests in shares at 31 December 2017:

| Director | Beneficially owned 31 Dec 16[2] | Beneficially owned 31 Dec 17[2] | Vested but unexercised awards | Unvested DSP | Unvested PSP[3] | Unvested SAYE | SOG (% of salary)[4] | SOG met?[4] |
|---|---|---|---|---|---|---|---|---|
| Mark Kelly | 43,939 | 109,469 | – | 45,502 | 421,565 | 11,029 | 100 | No |
| Michael Scott | – | 14,215 | – | 12,724 | 220,656 | 11,029 | 100 | No |
| Patrick Kalverboer[1] | 20,159,094 | 30,000 | – | – | – | – | – | n/a |
| Robert Lawson | 58,596 | 72,811 | – | – | – | – | – | n/a |
| Frank Nelson | 28,571 | 28,571 | – | – | – | – | – | n/a |
| Martyn Coffey | 5,714 | 10,714 | – | – | – | – | – | n/a |

Notes:
(1) The interests of H2 Equity Partners are noted as interests of Patrick Kalverboer. Mr Kalverboer is a managing partner of H2 Equity Partners. On 16 March 2017 H2 Equity Partners disposed of its entire shareholding in the Company.
(2) The beneficial shareholdings set out above include those held by Directors and their respective connected persons.
(3) Performance-based share awards.
(4) Under share ownership guidelines implemented by the Remuneration Committee, Executive Directors are required to build and then maintain a shareholding equivalent to at least 100% of base salary within five years of commencement of employment. As described above, Mark Kelly and Michael Scott were appointed in March and September 2016 respectively and continue to build their shareholdings to comply with this guideline.

## Performance Share Plan awards granted in 2017

The following awards were made under the PSP in 2017:

| | Date of grant | Basis of award (% salary) | Share price[1] | Number of shares | Face value of award at grant | Exercise period |
|---|---|---|---|---|---|---|
| Mark Kelly | 4 April 2017 | 100 | 243.0 | 148,148 | 360,000 | April 2020 to April 2021 |
| Michael Scott | 4 April 2017 | 100 | 243.0 | 94,650 | 230,000 | April 2020 to April 2021 |

Notes:
(1) Rounded to one decimal place for the purposes of presentation in this report.

The performance conditions applying to the awards made in April 2017 relate to: (i) adjusted earnings per share growth for two-thirds of the award; and (ii) Group cash flow targets for one-third of the award. Group cash flow is defined as the aggregate of EBITDA less working capital (and excluding capital expenditure) for each of the three financial years falling in the performance period.

# Directors' Remuneration Report continued

More specifically:

| Adjusted EPS growth target to 31 December 2019 | Portion of award vesting |
|---|---|
| Above 13% p.a. | 100% |
| Between 7% p.a. and 13% p.a. | Pro rata on straight-line between 25% and 100% |
| 7% p.a. | 25% |
| Below 7% p.a. | 0% |

| Operating cash flow to 31 December 2019 | Portion of award vesting |
|---|---|
| Above £103.7 million | 100% |
| Between £84.9 million and £103.7 million | Pro rata on straight-line between 25% and 100% |
| £84.9 million | 25% |
| Below £84.9 million | 0% |

## Outstanding Share Plan awards

Details of all outstanding share awards made to Executive Directors are set out below:

| Executive | Award type | Ex price (p) | Grant date | Interest at 1 January 2017 | Awards granted in the year | Awards lapsed in the year | Awards vested in the year | Interest at 31 December 2017 | Exercise period | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| Mark Kelly | PSP | 0 | 28/06/16 | 273,417 | – | – | – | 273,417 | Jun 19 – Jun 20 | (1) |
| | Recruitment | 0 | 28/06/16 | 119,424 | – | – | 119,424 | – | Jun 17 – Jun 18 | (2) |
| | PSP | 0 | 04/04/17 | – | 148,148 | – | – | 148,148 | Apr 20 – Apr 21 | (3) |
| | DSP | 0 | 04/04/17 | – | 45,502 | – | – | 45,502 | Apr 20 – Apr 21 | (4) |
| | SAYE | 163.2 | 07/04/17 | – | 11,029 | – | – | 11,029 | Apr 20 – Oct 20 | (5) |
| Michael Scott | PSP | 0 | 19/12/16 | 126,006 | – | – | – | 126,006 | Dec 19 – Dec 20 | (1) |
| | PSP | 0 | 04/04/17 | – | 94,650 | – | – | 94,650 | Apr 20 – Apr 21 | (3) |
| | DSP | 0 | 04/04/17 | – | 12,724 | – | – | 12,724 | Apr 20 – Apr 21 | (4) |
| | SAYE | 163.2 | 07/04/17 | – | 11,029 | – | – | 11,029 | Apr 20 – Oct 20 | (5) |
| Patrick Bateman | PSP | 0 | 09/03/15 | 118,094 | – | – | – | 118,094 | Mar 18 – Mar 19 | (6) |
| Matthew Edwards | PSP | 0 | 09/03/15 | 57,142 | – | – | – | 57,142 | Mar 18 – Mar 19 | (6) |

Notes:
(1) Performance targets are presented on page 60 of the Annual Report 2016.
(2) Recruitment award of shares with a value of £200,000 (measured at the date of grant) in relation to an amount forfeited on cessation from previous employer. As first disclosed in the Annual Report 2015, the shares vested 12 months from grant, subject to continued employment. The number of shares under award (119,424) was increased by 4,440 dividend equivalent shares at vesting.
(3) Performance targets for the 2017 PSP awards are set out above.
(4) Deferred Share Bonus awards in respect of the 2016 annual bonus award.
(5) Awards granted under the Eurocell plc Save As You Earn Scheme. Awards are based on a 3-year savings contract with an exercise price of 163.2p.
(6) Performance targets are presented on page 61 of the Annual Report 2016. Pursuant to the PSP rules, these awards have been pro-rated to reflect the cessation of employment of Messrs Bateman and Edwards and shall vest on the normal vesting dates (subject to performance against the above targets).

During the year ended 31 December 2017, the highest mid-market price of the Company's shares was 274.5p and the lowest mid-market price was 170.1p. At 31 December 2017 the share price was 215.0p.

The aggregate gains by all Directors during 2017 was £322,146 (2016: £nil).

## Payments to past Directors (audited)

No payments were made to past Directors during the year. The March 2018 vesting of the PSP awards held by past Directors will be disclosed in the 2018 Annual Report and Accounts.

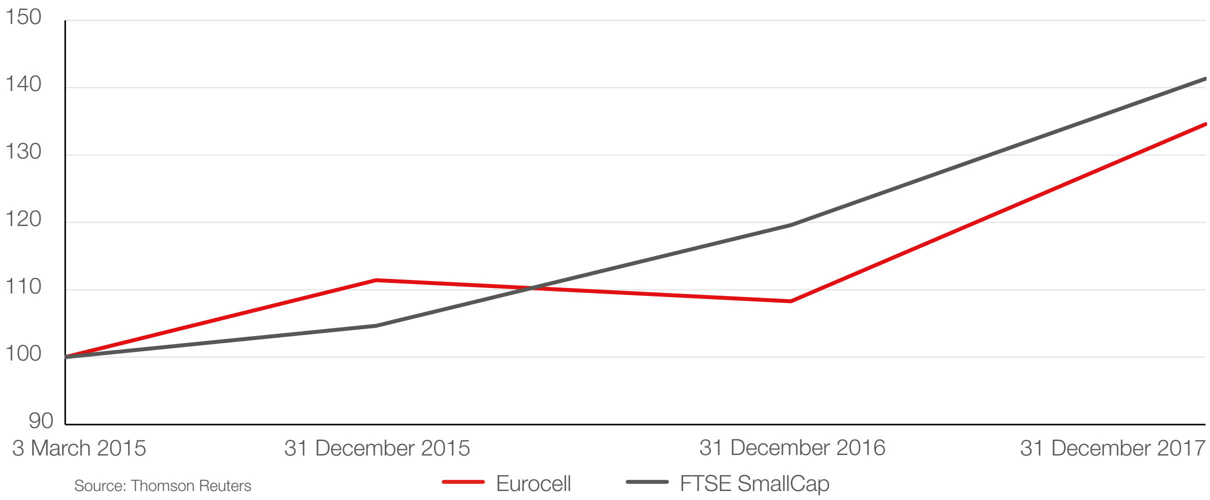
## Payments for loss of office (audited)

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

## Performance graph and CEO remuneration table (unaudited)

The following graph shows the Total Shareholder Return ('TSR') performance of an investment of £100 in Eurocell plc's shares from its listing in March 2015 to the end of the period, compared with a £100 investment in the FTSE SmallCap Index over the same period. The FTSE SmallCap Index was chosen as a comparator because it represents a broad equity market index of similar sized companies.

TSR Index




The table below details certain elements of the CEO's remuneration over the same period as presented in the TSR Index graph:

| | Single figure of total remuneration | Annual bonus pay-out against maximum % | Long-term incentive vesting rates against maximum opportunity % |
|---|---|---|---|
| 2017 | Mark Kelly: £916,442 | Mark Kelly: 40% | Mark Kelly: n/a |
| 2016 | Patrick Bateman: £284,457<br>Mark Kelly: £560,558 | Patrick Bateman: 33%<br>Mark Kelly: 80% | Patrick Bateman: n/a<br>Mark Kelly: n/a |
| 2015 | Patrick Bateman: £637,098 | Patrick Bateman: 87% | Patrick Bateman: n/a |

As the Company listed in March 2015, part of the 2015 remuneration relates to when Eurocell was a privately owned Company.

## Percentage change in remuneration of Director undertaking the role of CEO (unaudited)

The Regulations require us to show the year-on-year percentage change in remuneration received by the Chief Executive Officer, compared with the change in remuneration received by all UK employees. As Mark Kelly replaced Patrick Bateman in July 2016, there is no appropriate base against which to measure the percentage change in remuneration received by the Chief Executive Officer. The table below presents the year-on-year percentage change in remuneration received by all UK employees:

| | Percentage increase in remuneration between 2016 and 2017 | |
|---|---|---|
| | CEO | All staff |
| Salary and fees | n/a | 2.7% |
| Short-term incentives | n/a | 0% |
| All taxable benefits | n/a | 0% |

Mark Kelly joined the Company on 29 March 2016 and his total remuneration for 2016 (9 months) was £560,558 and for 2017 (12 months) was £916,442.

# Directors' Remuneration Report continued

## Relative importance of spend on pay (unaudited)

The table below details the change in total employee pay between 2016 and 2017 as detailed in Note 8 of the Financial Statements, compared with distributions to Shareholders by way of dividend, share buybacks or any other significant distributions or payments.

| | % change | 2017 £m | 2016 £m |
|---|---|---|---|
| Total gross employee pay | 11% | 47.4 | 42.7 |
| Dividends/share buybacks | 6% | 9.0 | 8.5 |

The average number of employees during the year was 1,496 (2016: 1,289).

## Statement of voting at General Meeting

The following table shows the results of the binding Remuneration Policy vote at the 19 May 2016 AGM and the advisory Directors' Remuneration Report vote at the 19 May 2017 AGM.

| | 19 May 2016 AGM (Binding Vote) | | 19 May 2017 AGM (Advisory Vote) | |
|---|---|---|---|---|
| | Approval of the Directors' Remuneration Policy | | Annual Report on Remuneration | |
| | Total number of votes | % of votes cast | Total number of votes | % of votes cast |
| For (including discretionary) | 85,931,870 | 100% | 73,190,172 | 99.52% |
| Against | – | – | 349,500 | 0.48% |
| Votes withheld | – | – | 2,108,300 | – |

## Implementation of policy for 2018 (unaudited information)

### Base salary

- Base salaries from 1 April 2017 were as follows: £367,200 for Mark Kelly, and £234,600 for Michael Scott. In line with other Eurocell employees, with effect from 1 April 2018, these salaries will be increased by 2% to £374,544 and £239,292 respectively.

### Pension

- Contribution rates for Executive Directors will be 15% of salary in 2018.

### Benefits

- Details of the benefits received by Executive Directors are set out in Note 1 to the Single Total Figure Table on page 60. There is no intention to introduce additional benefits in 2018.

### Annual bonus

- The annual bonus opportunity for 2018 will be structured in a similar manner to 2017. The maximum bonus will be 100% of salary and will be payable based on performance against a blend of adjusted profit before tax (70% of the bonus opportunity) and operating cash flow (30% of the bonus opportunity) targets.
- These targets will be set in light of internal and external forecasts and will require significant outperformance to generate higher levels of pay-out. In addition, a health and safety adjustment underpin will apply which, if not achieved, could reduce the bonus pay-out.
- Up to 50% of any bonus earned will be deferred into shares for three years.
- Given the competitive nature of the Company's sector, the specific performance targets for 2018 are considered to be commercially sensitive and, accordingly, are not disclosed at this time, although strong levels of disclosure will be made in next year's report in relation to the 2018 bonus outturn.

### Long-term incentives

- Awards will be made under the PSP in 2018 to the Executive Directors structured in a similar manner to the awards made in 2017, in that awards will be made which will vest subject to three-year earnings per share (two-thirds of the award) and operating cash flow (one-third) targets.
- Full details of these targets will be disclosed in next year's report, with these targets no less challenging in relative terms than the targets applied to the 2017 PSP awards.

### Chairman and Non-executive Directors' fees

- The fees of the Chairman and Non-executive Directors will remain unchanged from 2017 levels.