Directors' Remuneration Report

Remuneration Committee Chairman's Letter

Members:
Martyn Coffey (Chairman)
Bob Lawson
Frank Nelson
Sucheta Govil

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 2018. The report is split into two parts:

- Part A: The Directors' Remuneration Policy – which sets out the remuneration policy for which shareholder approval will be sought at the 2019 AGM, given that Eurocell has reached the end of its 3-year shareholder approved policy period; 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 2018 and how the policy will be operated for 2019.

Accordingly, at our 2019 AGM, there will be 2 remuneration-related resolutions presented: (i) the normal annual advisory vote on our Directors' Remuneration Report; and (ii) the vote to approve our new Directors' remuneration policy, which will apply to all payments to be made to Directors from the 2019 AGM and which (unless altered with shareholders' approval) will apply for a period of 3 years.

Work of the committee during the year

The Committee met 3 times during 2018. 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 2017 annual bonus awards.
- Agreeing Executive Director base salary increases from 1 April 2018.
- Setting the performance targets for the 2018 annual bonus.
- Agreeing the award levels and earnings per share and operating cash flow targets for the 2018 PSP awards.
- Considering the new UK Corporate Governance Code and updating the Remuneration Committee terms of reference.
- Reviewing the Remuneration Policy, considering appropriate updates where necessary and communicating with the Company's major investors and representative bodies.

Pay for performance

As described in earlier sections of this Annual Report, our senior management team delivered good progress against our strategic priorities in 2018. The highlights include further increases in market share, with strong organic sales growth of 12% driven from all areas of the business. We also increased our use of recycled material, with further progress secured for the future via the acquisition of Ecoplas.

However, strong sales growth combined with significant mix changes impacted negatively on the efficiency of our manufacturing operations, leading to increased manufacturing and distribution costs.

As a result, despite strong sales growth, we reported adjusted profit before tax of £22.5 million, down 8% on last year. Reported profit before tax of £22.1 million is down 7% on last year.

Cash conversion was impacted by working capital investment required to support the strong sales growth and a stock build programme commenced towards the end of the year, designed to partially mitigate the risk of disruption to our business due to Brexit. Underlying operating cash flow was £22.0 million (2017: £28.8 million).

Against stretching targets, this performance has resulted in no bonus being awarded to the Executive Directors under the Annual Bonus Plan. Further details of performance against the relevant targets can be found on page 63 of this report.

Performance Share Plan ('PSP') awards originally granted in 2016 are expected to lapse in 2019 as a result of EPS and cash flow performance to 31 December 2018 being below threshold.

Proposed changes to the remuneration policy

Following a detailed review of the Remuneration Policy, the Committee's main conclusions were that the current policy, originally set at IPO in 2015 and formally approved by shareholders at the 2016 AGM, continues to remain appropriate for Eurocell. As such, the Committee is only proposing minor updates in respect of recent developments in governance and to ensure the policy is not out of line with that of similarly sized FTSE SmallCap companies. No increases to variable pay levels are proposed.

The proposed changes to Eurocell's remuneration policy are as follows:

- Annual bonus deferral will be formalised and made compulsory. Currently, the Committee can determine each year whether to operate bonus deferral into shares (most recently deferring half of the bonus paid). Going forwards, 100% of any annual bonus awarded to Executive Directors above 75% of salary will be compulsorily deferred into Eurocell shares for 3 years from grant. The proposed approach is considered to be simpler from an administrative perspective, where low levels of bonus are awarded, and is considered fairer as participants will have greater certainty in respect of the level of deferral that will be operated. It also ensures that the bonus potential is competitive against similarly sized SmallCap companies. Formally deferring half of any annual bonus awarded on a compulsory basis is considered too onerous from both an administrative and market competitive perspective.
- Shareholding guidelines will be increased from 100% to 200% of salary from the 2019 AGM in line with best practice. However, rather than operating a fixed timeframe to achieve the guidelines, a more market standard approach will be adopted. Going forwards, Executive Directors will be required to retain 50% of the net of tax shares which vest under deferred bonus and PSP awards until the new guideline is met.
- To ensure compliance with the new UK Corporate Governance Code:
  - A 2 year post-vesting holding period will be introduced for all PSP awards granted to Executive Directors after the 2019 AGM; and
  - Future Executive Director appointments will be offered a lower pension than the 15% of salary currently offered, to the extent this is possible, so as to align senior executive pension provision closer to workforce norms over time. No changes will be made to incumbent pension provision.

Annual bonus and the normal PSP award grant policy will each remain capped at 100% of salary.

Implementation of the Remuneration Policy for 2019

The Remuneration Committee intends to operate the Remuneration Policy for 2019 as follows.

Base salaries

Salary levels will be positioned to reflect experience and responsibility. Mark Kelly's and Michael Scott's current salaries are £374,544 and £239,292 respectively. With effect from 1 April 2019, these salaries will be increased by 5%.

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 2019, 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. Any bonus in excess of 75% of salary will be deferred into shares for 3 years.

Long-term incentives

PSP awards are expected to be made in April 2019. Award levels will be set at 100% of salary for Mark Kelly and Michael Scott. Performance targets will be based on 3-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.

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.

Yours sincerely

Martyn Coffey
Chair of the Remuneration Committee
14 March 2019

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.

Part A sets out the Remuneration Policy for which shareholder approval will be sought at the 2019 AGM, given that Eurocell has reached the end of its 3-year shareholder approved policy period.

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

Policy scope

The Policy applies to the Chairman, Executive Directors and Non-executive Directors.

Policy duration

The new Directors' remuneration policy will be put to a binding shareholder vote at the 2019 AGM and, subject to receiving majority shareholder support, the policy will apply from the date of approval for a maximum of 3 years.

Changes from the 2016 Remuneration Policy

The main changes from the 2016 remuneration policy are summarised below:

- Annual bonus deferral will be formalised and made compulsory. Going forwards, 100% of any annual bonus awarded to Executive Directors above 75% of salary will be compulsorily deferred into Eurocell shares for 3 years from grant.
- Shareholding guidelines for Executive Directors will be increased from 100% to 200% of salary. Executive Directors will be required to retain at least 50% of the net of tax shares which vest under the PSP and deferred bonus until the guideline is met.
- A 2-year post-vesting holding period will be introduced to PSP awards granted to Executive Directors from the 2019 AGM onwards.
- Future Executive Director appointments will be offered a lower pension than the 15% of salary currently offered, to the extent this is possible, so as to align senior executive pension provision closer to workforce norms over time. No changes will be made to incumbent pension provision.

To aid the administration and clarity of its operation, a number of minor changes have also been made to the wording of the remuneration policy where appropriate.

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 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. 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. Base salary is normally 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 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. 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. 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). 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
Pension 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 although future Executive Director appointments will be offered a lower pension, to the extent this is possible, so as to align senior executive pension provision closer to workforce norms over time.	n/a

Directors' Remuneration Report continued

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Annual Bonus Plan To motivate executives and incentivise delivery of performance over a 1-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. 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. Any annual bonus award above 75% of salary will be compulsorily deferred into Eurocell shares, under the Company's Deferred Share Plan ('DSP'), for 3 years from grant. The number of shares subject to vested DSP 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 the vesting period. A 2 year post-vesting holding period will apply to PSP awards granted to Executive Directors after the 2019 AGM. Clawback and malus provisions apply to the Annual Bonus Plan and DSP, as explained in more detail below.	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. 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. 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.
Long-term incentives 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 3 years. 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 the vesting period (or at the end of any holding period in respect of unexercised awards). Malus and clawback provisions apply to PSP awards and are explained in more detail below.	The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year. 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). 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) 3 years. No more than 25% of awards vest for attaining the threshold level of performance conditions.

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Share ownership guidelines To further align the interests of Executive Directors with those of shareholders.	Executive Directors are required to retain 50% of the net of tax shares which vest under the PSP and DSP awards until the guideline is met.	200% of base salary for all Executive Directors.	n/a
All-employee share plans 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. 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 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. 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. The Chairman and Non-executive Directors will not participate in any cash or share incentive arrangements. The Company reserves the right to provide benefits (including travel and office support) to the Chairman and Non-executive Directors where appropriate.	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. 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

Notes to the policy table

Performance targets

Details of the performance targets applying to annual bonus awards and PSP grants, which are set to reflect the Company's strategic goals and to align with shareholder's interests, can be found in the relevant sections of the Annual Report on Remuneration.

Malus and clawback

Malus (being the forfeiture of unpaid or unvested awards) and clawback (being the ability of the Company to claim repayment of paid amounts) provisions apply to the Annual Bonus Plan, DSP and PSP in certain circumstances (e.g. material misstatement of accounts, miscalculation of vesting/payouts and conduct that would or could justify summary dismissal) and within certain time periods.

Stating maximum amounts for the remuneration policy

The DRR regulations and related investor guidance encourages companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Directors' Remuneration Policy, these will operate simply as caps and are not indicative of any aspiration.

Directors' Remuneration Report continued

Travel and hospitality
While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality (whether paid for by the Company or another) and business travel for Directors (and exceptionally their families) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Differences between the policy on remuneration for Directors and remuneration of other employees
While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where Eurocell's pay policy for Directors differs from its pay policies for groups of employees, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Executive Directors' Remuneration Policy.

Committee discretions
The Committee will operate the Annual Bonus Plan, DSP and PSP according to their respective rules and the above policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans. These discretions include, but are not limited to, the following:
- the selection of participants;
- the timing of grant of an award/bonus opportunity;
- the timing of vesting an award/bonus opportunity;
- the size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- the determination of the extent to which performance targets are satisfied and the resultant vesting/bonus pay-outs;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- the annual review of performance measures, weightings and targets from year-to-year; and
- application of malus and/or clawback provisions.

In addition, while performance measures and targets used in the Annual Bonus Plan and PSP will generally remain unaltered, if events occur which, in the Committee's opinion, would make a different or amended target a fairer measure of performance, such amended or different target can be set provided that it is not materially more or less difficult to satisfy (having regard to the event in question).

Any use of these discretions would, where relevant, be explained in the Directors' Remuneration Report and may, where appropriate and practicable, be the subject of consultation with the Company's major Shareholders. In addition, for the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors under previous policies.

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.

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 2 years) reducing over time.

The date of each Executive Director's contract is:

Mark Kelly	29 March 2016
Michael Scott	1 September 2016

Directors' Remuneration Report continued

Chairman/Non-executive Directors

The Chairman and each Non-executive Director is engaged for an initial period of 3 years. These appointments can be renewed following the initial 3-year term. These engagements can be terminated by either party on 12 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 12 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
Sucheta Govil	1 October 2018	1 October 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	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.
DSP	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.
PSP	Will receive a pro-rated award subject to the application of the performance conditions at the end of the normal performance period. 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, the 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.

External appointments

The Company's policy is to permit an Executive Director to serve as a non-executive director elsewhere when this does not conflict with the individual's duties to the Company, and where an Executive Director takes such a role they will be entitled to retain any fees which they earn from that appointment (unless the Committee determines otherwise).

Statement of consideration of employment conditions elsewhere in the Group

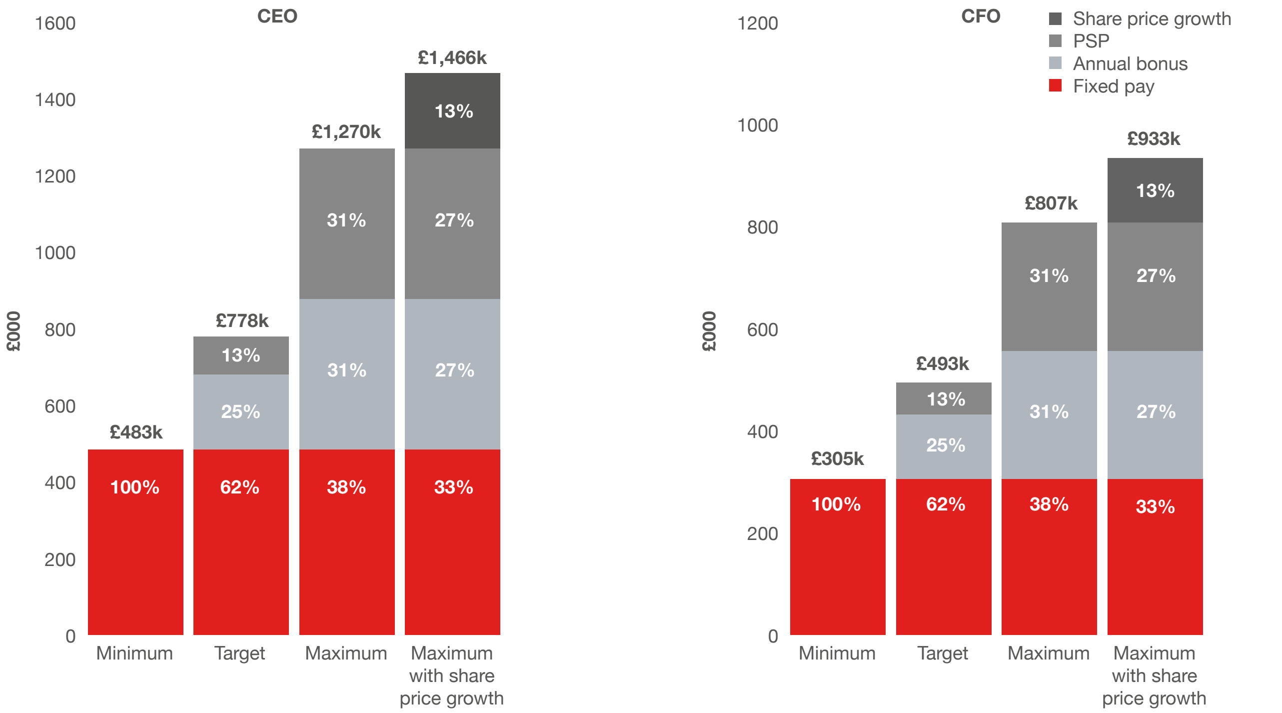
Pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration. The Committee receives regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. Reflecting standard practice, the Company did not consult with employees in drawing up this policy or the Remuneration Report.

Statement of consideration of shareholder views

When determining executives' remuneration, the Committee takes into account views of shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee is always open to feedback from shareholders on remuneration policy and arrangements, and commits to undergoing shareholder consultation in advance of any significant changes to remuneration policy.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure that the structure of the executive remuneration remains appropriate.

Illustrations of application of remuneration policy



The charts above aim to show how the remuneration policy for Executive Directors will be applied in 2019 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 2019.
- 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	£393,271	£30,678	£58,991	£482,940
Michael Scott	£251,257	£16,356	£37,688	£305,301

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.

Maximum with Share Price Growth

As per the maximum but with a 50% share price growth assumption for the PSP awards.

Directors' Remuneration Report continued

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 and Sucheta Govil (from 1 October 2018).

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; and
- 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 3 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 2018 were £20,889 (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 2018:

Director	**Salary/fees £000**	**Taxable benefits[1] £000**	**Bonus £000**	**Long-term incentives £000**	**Pension £000**	**Other £000**	**Total remuneration £000**
Mark Kelly	**372**	**31**	**–**	**–**	**56**	**–**	**459**
Michael Scott	**238**	**14**	**–**	**–**	**36**	**–**	**288**
Robert Lawson	**120**	**–**	**–**	**–**	**–**	**–**	**120**
Patrick Kalverboer	**40**	**–**	**–**	**–**	**–**	**–**	**40**
Frank Nelson	**48**	**–**	**–**	**–**	**–**	**–**	**48**
Martyn Coffey	**45**	**–**	**–**	**–**	**–**	**–**	**45**
Sucheta Govil[2]	**10**	**–**	**–**	**–**	**–**	**–**	**10**

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[3]	365	28	146	–	55	322	916
Michael Scott	233	14	93	–	35	–	375
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 Sucheta Govil joined the Board on 1 October 2018.

3 Other for Mark Kelly 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 aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2018 was £1,010,000 (2017: £1,544,000).

Further information on the 2018 annual bonus (audited)

In 2018, 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 (including to zero).

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	22.5	0%
Cash flow	26.5	27.9	30.0	22.0	0%

Performance below the threshold against both the adjusted profit before tax and the cash flow elements of the bonus resulted in no bonus being awarded.

PSP awards vesting in respect of 2018

The PSP values included in the single figure table above relate to awards granted in 2016 which vest in 2019, dependent on EPS and cash flow performance measured over the 3-year period ended 31 December 2018.

Under the EPS performance target (two-thirds of awards) which uses a sliding scale, 25% of this part of an award vests where growth of adjusted earnings per share of 7% p.a. is achieved over the 3-year performance period, increasing pro-rata to full vesting where growth of 13% p.a. is achieved.

Performance target	Base EPS	EPS at 31 December 2018	EPS growth	Threshold 7% p.a.	Maximum 13% p.a.	Vesting %
Adjusted EPS	18.6p	19.1p	3%	22.8p	26.8p	0%

Under the cash-flow target (defined as aggregate of EBITDA less working capital and excluding capital expenditure over the 3-year period) (one-third of awards), 25% of this part of an award vests for cash flow of £84.9m increasing pro-rata to full vesting for cash flow of £103.7m.

Performance target	Threshold	Maximum	Actual	Vesting %
Cash flow	£84.9m	£103.7m	£83.2m	0%

As a result of EPS (two-thirds of awards) and cash flow (one-third of awards) performance, no PSP share awards are expected to vest in 2019.

Directors' Remuneration Report continued

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 2018:

Director	Beneficially owned 31 Dec 17[2]	Beneficially owned 31 Dec 18[2]	Vested but unexercised awards	Unvested DSP	Unvested PSP[3]	Unvested SAYE	SOG (% of salary)[4]	SOG met?[4]
Mark Kelly	109,469	109,469	–	79,210	595,114	11,029	200	No
Michael Scott	14,215	14,215	–	34,259	331,535	11,029	200	No
Patrick Kalverboer[1]	30,000	30,000	–	–	–	–	–	n/a
Robert Lawson	72,811	72,811	–	–	–	–	–	n/a
Frank Nelson	28,571	28,571	–	–	–	–	–	n/a
Martyn Coffey	10,714	10,714	–	–	–	–	–	n/a
Sucheta Govil	–	–	–	–	–	–	–	n/a

Notes:
1 The interests of H2 Equity Partners were previously 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 the new policy, shareholding guidelines for Executive Directors will be increased from 100% to 200% of salary. Executive Directors will be required to retain at least 50% of the net of tax shares which vest under the PSP and DSP until the guideline is met.

PSP awards granted in 2018

The following awards were made under the PSP in 2018:

	Date of grant	Basis of award (% salary)	Share price[1]	Number of shares	Face value of award at grant	Exercise period
Mark Kelly	18 April 2018	100%	215.8	173,549	374,544	April 2021 to April 2022
Michael Scott	18 April 2018	100%	215.8	110,879	239,292	April 2021 to April 2022

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 2018 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 3 financial years falling in the performance period.

More specifically:

Adjusted EPS growth target to 31 December 2020	Portion of award vesting
Above 10% p.a.	100%
Between 4% p.a. and 10% p.a.	Pro rata on straight-line between 25% and 100%
4% p.a.	25%
Below 4% p.a.	0%

Group cash flow to 31 December 2020	Portion of award vesting
Above £97.0 million	100%
Between £79.4 million and £97.0 million	Pro rata on straight-line between 25% and 100%
£79.4 million	25%
Below £79.4 million	0%

DSP awards granted in 2018

The following awards were made under the DSP in 2018 in respect to the 2017 annual bonus:

	Date of grant	2017 Annual bonus award	Basis of deferred award (% bonus)	Share price[1]	Number of shares	Face value of award at grant	Exercise period
Mark Kelly	18 April 2018	146,160	50	216.8	33,708	£73,080	April 2021 to April 2022
Michael Scott	18 April 2018	93,380	50	216.8	21,535	£46,690	April 2021 to April 2022

1 Rounded to one decimal place for the purposes of presentation in this report.

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 2018	Awards granted in the year	Awards lapsed in the year	Awards vested in the year	Interest at 31 December 2018	Exercise period	Notes
Mark Kelly	PSP	0	28/06/16	273,417	–	–	–	273,417	Jun 19 – Jun 20	1
	PSP	0	04/04/17	148,148	–	–	–	148,148	Apr 20 – Apr 21	2
	PSP	0	18/04/18	–	173,549	–	–	173,549	Apr 21 – Apr 22	3
	DSP	0	04/04/17	45,502	–	–	–	45,502	Apr 20 – Apr 21	4
	DSP	0	18/04/18	–	33,708	–	–	33,708	Apr 21 – Apr 22	5
	SAYE	163.2	07/04/17	11,029	–	–	–	11,029	Apr 20 – Oct 20	6
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	2
	PSP	0	18/04/18	–	110,879	–	–	110,879	Apr 21 – Apr 22	3
	DSP	0	04/04/17	12,724	–	–	–	12,724	Apr 20 – Apr 21	4
	DSP	0	18/04/18	–	21,535	–	–	21,535	Apr 21 – Apr 22	5
	SAYE	163.2	07/04/17	11,029	–	–	–	11,029	Apr 20 – Oct 20	6

1 See 'PSP Awards Vesting in Respect of 2018' section above.
2 As disclosed in the 2017 Directors' Remuneration Report.
3 See 'PSP Awards Granted in 2018' section above.
4 DSP awards in respect of the 2016 annual bonus award.
5 DSP awards in respect of the 2017 annual bonus award.
6 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.

During the year ended 31 December 2018, the highest mid-market price of the Company's shares was 264p and the lowest mid-market price was 210p. At 31 December 2018 the share price was 211p.

The aggregate gains by all Directors during 2018 was £nil (2017: £322,146).

Payments to past directors (audited)

PSP share awards vested during the year to Patrick Bateman (76,144 shares) and Matthew Edwards (36,843 shares), both of whom are past Directors. The gross value of the awards vesting was £162,187 and £78,476 for Patrick and Matthew respectively. No other payments to past directors were made during the year.

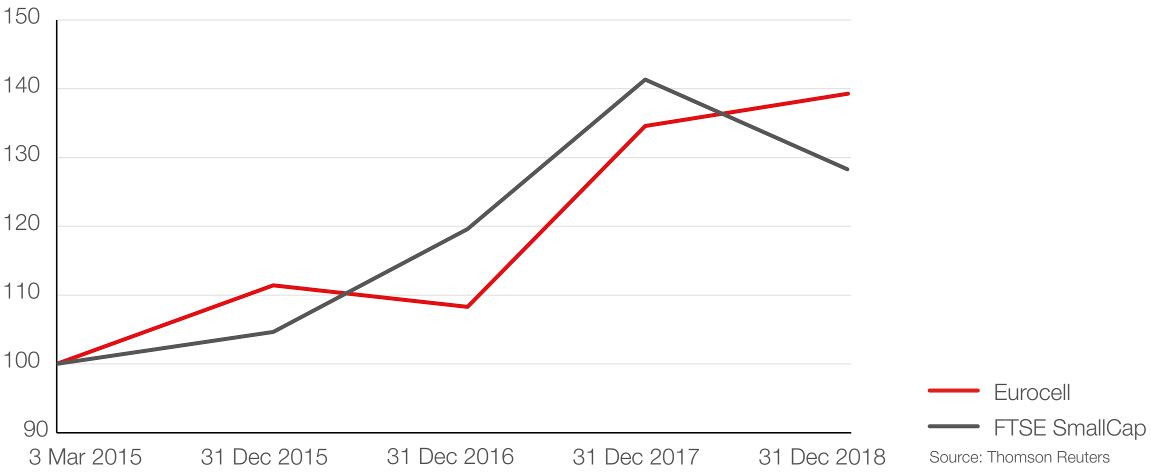
Payments for loss of office (audited)

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



Directors' Remuneration Report continued

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

Year	CEO	Single figure of total remuneration	Annual Bonus pay-out against maximum %	Long-term incentive vesting rates against maximum opportunity %
2018	Mark Kelly	£459,294	0%	0%
2017	Mark Kelly	£916,442	40%	n/a
2016	Mark Kelly	£560,558	80%	n/a
	Patrick Bateman	£284,457	33%	n/a
2015	Patrick Bateman	£637,098	87%	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 table below presents the year-on-year percentage change in remuneration for the CEO and for all UK employees:

	Percentage increase in remuneration between 2017 and 2018	
	CEO	All staff
Salary and fees	2%	4%
Short-term incentives	(100)%	21%
All taxable benefits	10%	10%

Relative importance of spend on pay (unaudited)

The table below details the change in total employee pay between 2017 and 2018 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	**2018 £m**	2017 £m
Total gross employee pay	18%	**56.1**	47.4
Dividends/share buybacks	3%	**9.3**	9.0

The average number of employees during the year was 1,666 (2017: 1,496).

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 18 May 2018 AGM.

	19 May 2016 AGM (Binding Vote)		18 May 2018 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%	89,257,815	100%
Against	–	–	1,500	0.0%
Votes withheld	–	–	0	–

Implementation of policy for 2019 (unaudited information)

Base salary

- Base salaries from 1 April 2018 were as follows: £374,544 for Mark Kelly, and £239,292 for Michael Scott. With effect from 1 April 2019, these salaries will be increased by 5% to £393,271 and £251,257 respectively. The salary increase reflects the individuals' performance in their respective roles during the year ended 31 March 2019.

Pension

- Contribution rates for Executive Directors will be 15% of salary in 2019.

Benefits

- Details of the benefits received by Executive Directors are set out in Note 1 to the Single Total Figure Table on page 62. There is no intention to introduce additional benefits in 2019.

Annual bonus

- The annual bonus opportunity for 2019 will be structured in a similar manner to 2018. 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.
- Any bonus earned above 75% of salary will be deferred into shares for three years.
- Given the competitive nature of the Company's sector, the specific performance targets for 2019 are considered to be commercially sensitive and, accordingly, are not disclosed at this time, although the targets will be disclosed in next year's report in relation to the 2019 bonus outturn.

Long-term incentives

- Awards will be made under the PSP in 2019 to the Executive Directors structured in a similar manner to the awards made in 2018, 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 2018 PSP awards.

Chairman and Non-executive Directors' fees

- The fees of the Chairman and Non-executive Directors will remain unchanged from 2018 levels.