Nomination Committee Report

Chair

Bob Lawson

Members

Frank Nelson

Martyn Coffey

Mark Kelly

Sucheta Govil

Dear Shareholder,

I am pleased to report to you on the main activities of the Committee and how it has performed its duties during 2020.

This year, the Committee's main focus has been on succession planning for the Board, given the length and concurrency of service of the Chair and the majority of the Non-Executive Directors.

In addition, the Committee has continued to oversee the development of the Executive Committee, and its members, which has been in its current form since Autumn 2019 (see page 79 for further details of the members).

Finally, I would like to thank my fellow Committee members, all of whom have served throughout the year, for their valuable contribution and support, and I welcome any comments or questions from shareholders.

Bob Lawson
Chair of the Nomination Committee
11 March 2021

Role and responsibilities:

The principal duties of the Nomination Committee are to:

- regularly review the structure, size and composition of the Board (including its skills, knowledge, experience, length of service and diversity) and make recommendations to the Board with regard to any changes;
- identify and nominate, for the approval by the Board, candidates to fill Board vacancies;
- review the time commitments required from Non-executive Directors; and
- maintain an effective succession plan for the Board and senior management taking into account the challenges and opportunities facing the Company, along with the skills and expertise needed in the future, while promoting diversity of gender, background and skills.

Summary of activities during the year

The Nomination Committee met formally twice during the year and attendance at the meetings is shown on page 70.

The main activities of the Committee included:

- succession planning for the Board, given the length and concurrency of service of the Chair and the majority of the Non-executive Directors;
- overseeing the development of the Executive Committee to support the strategy and governance of the wider Group;
- the ongoing review of talent for the Board and senior management including an assessment of their training and development needs;
- considering the results of the externally-facilitated review of the Committee's effectiveness (see page 69 for further details);
- a review of Directors' time commitments and independence;
- consideration of the re-election of Directors at the Annual General Meeting; and
- approving updates to the Committee's Terms of Reference.

Composition

The Nomination Committee is chaired by Bob Lawson, except where it is dealing with matters relating to his re-appointment or replacement, and comprises all three of the Non-executive Directors along with the Chief Executive Officer, all of whom have served on the Committee throughout the whole year.

The Code recommends that a majority of the Nomination Committee be Non-executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Board considers that the Company complies with the Code in this respect.

Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others, including the Human Resources Director and external advisers, to attend all or part of any meeting if it thinks it is appropriate, necessary or pursuant to the terms of any agreement with shareholders.

The Nomination Committee will meet as often as it deems necessary but, in accordance with its terms of reference, at least twice a year.

Diversity and inclusion

All Board and senior management appointments are made on merit, in-line with the policy adopted throughout the Group's workforce. The Board recognises and embraces the benefits of diversity and, in particular, the value that different perspectives and experience bring to the quality of debate and decision-making.

There are several considerations which are taken into account when considering appointments at all levels such as background, experience, and skill set, as well as shareholder perspectives. However, the Board believes that setting targets for the number of people from a particular background or gender is not the most effective approach to take. The Board will therefore look to follow the principles of this policy rather than specified quotas or targets.

In-line with this approach, the Group has maintained the procedure to ensure female applicants for all supervisory, managerial and senior managerial vacancies are given an automatic right to interview, to ensure greater opportunity and encouragement of internal promotion and cross departmental shift.

The Board recognises the Group operates in a historically male-dominated industry. At present, 17% (1 out of 6) of the Board is female, along with 26% (12 out of 47) of the senior management. We have an ongoing commitment to consider diversity as a key factor in future senior appointments. However, the overriding policy in any new appointment is to select candidates based on merit to ensure the continued success of the business.

Gender balance

The gender balance of those in the senior management and their direct reports is included within the Responsible Business section on page 46.

Succession planning

In 2020, the Committee increased its focus on succession planning for the Board, given the length and concurrency of service of the Chair (c.6 years) and the Non-executive Directors (c.6 years for two Non-executive Directors). It concluded that, in light of the requirements of the Code and best practice, whilst there is no immediate need for action, this matter should continue to be monitored to ensure any potential periods of transition are appropriately managed.

As part of the development of the Executive Committee, the Nomination Committee has also considered succession planning for appointments to the Board and to senior management, in order to maintain an appropriate balance of skills and experience within the Company and on the Board.

This planning process includes an analysis of any succession gaps or risks identified and includes contingency plans for the sudden or unexpected departure of Executive Directors and other senior managers.

As a result, the Board has a good understanding of succession planning across the Group and the range of measures being used to continue to develop and recruit talented senior employees.

Executive Committee

(in addition to Mark Kelly and Michael Scott)

Paul Walker

Group Company Secretary

Paul joined Eurocell in August 2019 and was appointed Group Company Secretary in September 2019. He previously worked for DFS Furniture plc where he was Financial Controller and, most recently, Director of Central Finance and Group Company Secretary. He is a member of the Institute of Chartered Accountants in England and Wales.

Mark Hemming

Chief Operating Officer

Mark joined Eurocell in August 2019 having previously worked for Amazon UK, most recently as Regional Director for Customer Fulfilment. Prior to that, Mark has experience of leading manufacturing plants in the automotive sector for Stadco Limited and Textron Automotive.

Bruce Stephen

Group Human Resources Director

Bruce joined Eurocell in July 2019. He previously worked for Greencore holding various roles including, most recently, Corporate Services Human Resources Director. Prior to Greencore, Bruce worked for Danone (Dairy) and Walkers Snacks (PepsiCo).

Ian Kemp

Sales Director – Profiles division

Ian joined Eurocell in 2012. Prior to that, he worked in the offsite construction industry for 12 years including Business Development Director for Caledonian Modular and UK Sales Manager for Portakabin.

Andy McDonnell

Managing Director – Building Plastics division

Andy joined Eurocell in May 2018, having previously held senior leadership positions in retail and trade at B&Q, TradePoint and Oak Furniture Land.

Audit and Risk Committee Report

Chair

Frank Nelson

Members

Martyn Coffey

Sucheta Govil

Dear Shareholder,

I am pleased to report to you on the Audit and Risk Committee's objectives and activities during 2020.

This report, which is part of the Directors' Report, explains how the Audit and Risk Committee has discharged its responsibilities during 2020.

During the year, the Committee's work has been dominated by the impact of COVID-19 on the Company's financial position, reporting and risk management.

In considering the Company's financial position and risk management processes, the Committee has considered short and medium-term profit and cash flow projections, in order to understand the range of potential outcomes and support the Executive in proactively managing the emerging effects of the pandemic on the Company's financing and cashflows.

In terms of financial reporting, the Committee has focused on the potential for the unique challenges posed by the pandemic to result in the impairment of assets, including stock, receivables, contract assets and goodwill. Our work, including a summary of the key accounting estimates and judgements made, is set out later in this report.

Further to last year's Audit and Risk Committee report, I can confirm that, following the completion of the 2019 audit, the transition to a new audit engagement partner concluded during the year and I am pleased to welcome Christopher Hibbs to the team.

Finally, I would like to thank my fellow Committee members, all of whom have served throughout the year, and both the internal and external auditors, for their valuable contribution and support during what has been a challenging period..

Frank Nelson
Chair of the Audit and Risk Committee
11 March 2021

Role and responsibilities:

The key responsibilities of the Committee are to:

- review the Annual Report, half-year report and any other formal announcements relating to the Group's financial performance, giving due consideration to significant accounting issues and judgements contained therein, as well as compliance with accounting standards and other legal and regulatory requirements;
- review the Annual Report and Financial Statements to advise the Board on whether they give a fair, balanced and understandable explanation of the Group's business and performance over the relevant period;
- review the Group's financial reporting systems and procedures;
- review the Group's internal controls and risk management systems and advise the Board whether they are adequate, by considering reports on their effectiveness from the Chief Financial Officer and Chief Executive Officer, together with reports from the Group's outsourced internal auditor and from the external auditor;
- review and update the Group's risk register, as part of the assessment of emerging and principal risks;
- review the Group's procedures to ensure compliance with the provisions of the Bribery Act 2010 and the Group's whistleblowing policy;
- review the external auditor's independence and objectivity, audit and non-audit fees and make recommendations regarding audit tender and the appointment and remuneration of the auditor, together with the terms of their engagement;
- review the annual audit plan and monitor the effectiveness of the external audit process;
- monitor and review the effectiveness of the outsourced internal audit function, including a review of the internal audit plan, all internal audit reports, and management's responses to the findings and recommendations of the internal audit function;
- consider the adequacy of the Group's finance function;
- review the Group's Tax Strategy; and
- review the Committee Terms of Reference

Summary of activities during the year

The Audit and Risk Committee met formally four times during the year and attendance at the meetings is shown on page 70.

The areas of particular focus for the Committee in 2020, and up to the date of this Annual Report, were as follows:

- Reviewed the 2019 and 2020 Annual Reports, as well as the 2020 Half-Year Report, including preliminary announcements.
- Considered information presented by management on significant accounting estimates and judgements adopted in respect of the Group's 2019 and 2020 Financial Statements and the 2020 Half-Year Report.
- Specifically in relation to 2020 Financial Statements and the 2020 Half-Year Report, considered the impact of COVID-19 on the Company's financial position and reporting, including potential asset impairments and related disclosures.
- Reviewed documentation prepared to support the viability statement and going concern assumption set out on page 63.
- Reviewed the external auditors' plan for their audit for the year ended 31 December 2020.
- Reviewed reports from the external auditor setting out their findings as a result of their audits for the years ended 31 December 2019 and 2020, as well as their review of the 2020 Half-Year Report.
- Considered the impact of any new accounting standards and financial reporting requirements, including guidance issued by the Financial Reporting Council ('FRC').
- Considered reports by management related to the effectiveness of the Group's systems of risk management and internal control.
- Reviewed the Group's risk register, including principal and emerging risks.
- Considered reports prepared by the Group's outsourced internal audit function.
- Considered the results of the externally-facilitated assessment of the Committee's effectiveness.
- Approved updates to the Committee's Terms of Reference.
- Reviewed, and approved updates where applicable, to Group policies for anti-bribery, whistleblowing, capital expenditure and treasury, along with the Group tax strategy.

The Committee was also kept up to date with changes to accounting standards and developments in financial reporting, company law and other regulatory matters through presentations from the external auditor, Chief Financial Officer and the Company's finance function.

The role of the Audit and Risk Committee is to oversee financial reporting. The Committee reviews the ongoing effectiveness of the Group's internal controls and provides assurance on the Group's risk management processes. The Committee also assesses information received from the external and internal audit functions.

Following the 2019 year-end, at the March 2020 meeting, the Committee reviewed and recommended for approval by the Board, the financial results for the year ended 31 December 2019, including a review of the full-year external audit.

As part of that review process, the members of the Committee reviewed the Annual Report, including the adequacy of the disclosure with respect to going concern and viability reporting. The Committee considered the appropriateness of preparing the accounts on a going concern basis, including consideration of forecast plans, and supporting assumptions, as well as sensitivity analysis and concluded that the Company's financial position was such that it continued to be appropriate for accounts to be prepared on a going concern basis.

This additional review by the Audit and Risk Committee, supplemented by advice received from external advisers during the drafting process, assisted the Board in determining that the report was fair, balanced and understandable at the time that it was approved.

Composition

The Audit and Risk Committee is chaired by Frank Nelson and comprises all three of the Non-executive Directors, but not the Chair of the Board, all of whom have served on the Committee throughout the whole year.

The Governance Code recommends that all members of the Audit and Risk Committee are Non-executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that one such member has recent and relevant financial experience.

The Board considers that, by virtue of his extensive experience, details of which are set out on page 65, Frank Nelson, a Fellow of the Chartered Institute of Management Accountants, has recent and relevant financial experience and the Company complies with the requirements of the Governance Code in this respect. Furthermore, all Committee members have extensive relevant commercial and operational experience, particularly in building/construction and industrial organisations, which both benefit the Committee and collectively illustrate its competence relevant to the sector in which the Group operates.

Only members of the Committee have the right to attend Committee meetings, but both the internal and external auditors were invited to attend all meetings during the year, as a matter of course. Other individuals, such as the Chief Executive Officer, the Chief Financial Officer and other members of the Board were invited to attend the Committee meetings as and when appropriate.

Key accounting estimates and judgements

As described above, the Committee reviewed the key estimates and judgements used in the preparation of the Group's 2020 Financial Statements (including a review of PricewaterhouseCoopers LLP's report and a discussion of their observations and findings in this area) as follows:

Area	Estimate/Judgement	Management's approach	Committee's review
Inventory valuation	Provisions for slow-moving items and discontinued product lines	Assessment of the appropriate level of provisioning against obsolescence, undertaken in the context of current trading and the forecast for the next financial year and beyond	Critically reviewed the carrying value of the Group's inventory, the approach taken by management and assessed the reasonableness of the underlying assumptions and financial forecasts used
Accounts receivable recoverability	Provisions for bad and doubtful debts	Application of IFRS 9's expected credit loss approach to the impairment of receivables (which requires the use of forward-looking statistical modelling to determine the appropriate level of provision), plus overlays to take into account the potential impact of COVID-19 and credit insurance on recoverability	Critically evaluated the methodology with respect to setting provisions for potential bad and doubtful debts, including management's assessment of the impact of COVID-19 and macro uncertainty, as well as the absolute level of provisions held1
Contract asset valuation	Carrying value/ impairment of contract payments made to customers	Assessment of contract profitability and potential impairment, undertaken in the context of current and forecast trading levels and the potential impact of COVID-19 on contract performance	Considered the reasonableness of the key estimates and underlying assumptions and forecasts, including management's assessment of the impact of COVID-19 and macro uncertainty, as well the absolute asset value
Going concern	Application of the going concern basis in preparing the accounts	Forecasting of profitability and cashflows to December 2023, in conjunction with the commercial and operational teams, to consider various scenarios and the wide range of possible impacts from COVID-19, along with other factors such as Brexit	Considered the reasonableness of the key estimates and underlying assumptions used in the forecasting process, including management's assessment of the impact of COVID-19 and macro uncertainty, the headroom on the RCF facility and the associated covenant compliance
Asset impairment	Carrying value/ impairment of non-current assets	Assessment of supportable carrying values, calculated based on current trading and medium-term cash flow forecasts, which include the estimated impact of COVID-19	Considered the reasonableness of the key estimates and underlying assumptions and forecasts, including management's assessment of the impact of COVID-19 and macro uncertainty, as well the absolute asset value

Notes:
1 The Committee's review also considered the specific nature and characteristics of customers in the Group's 2 major divisions.

In addition, the external auditor met regularly with the Committee without executive management being present and met separately with each of the Audit and Risk Committee Chair and the Chief Financial Officer.

The Audit and Risk Committee will meet as often as it deems necessary but, in accordance with its terms of reference, at least three times a year.

Risk management

The Group's risk management processes are set out in detail on pages 56 to 57.

The Group maintains a risk register that identifies key and emerging risks, the probability of those risks occurring and the impact they would have on the Group if unmitigated. Against each gross risk, the controls that exist to manage and, where possible, minimise or eliminate those risks are also listed, and an assessment of net risk is provided. The risk register also identifies any further actions required such that net residual risk is consistent with the risk appetite set by the Board. The register is regularly updated to reflect changes in circumstances.

The Group's Risk Management Committee is chaired by the Chief Financial Officer. This Committee reviews significant risks and the status of related mitigating actions each quarter.

The Audit and Risk Committee reviews the risk register twice per year to ensure the timely identification and robust management of inherent and emerging risks is taking place. To the extent that any failings or weaknesses are identified during the review process, appropriate measures are taken to remedy these.

Information relating to the management of risks and any changes to the assessment of key risks is reported by the Audit and Risk Committee to the Board.

Internal controls

The Board is responsible for the overall system of internal controls for the Group and for reviewing its effectiveness. In accordance with FRC guidance, it carries out such a review at least annually, covering all material controls including financial, operational and compliance controls and risk management systems.

In particular, the Board discharges its duties in this area by:
- holding regular Board meetings to consider the matters reserved for its consideration;
- receiving regular management reports which provide an assessment of key risks and controls;
- scheduling annual Board reviews of strategy including reviews of the material risks and uncertainties facing the business;
- ensuring there is a clear organisational structure with defined responsibilities and levels of authority which are regularly reviewed;
- ensuring there are documented policies and procedures in place; and
- scheduling regular Board reviews of performance against financial budgets and forecasts.

In reviewing the effectiveness of the system of internal controls, the Audit and Risk Committee:
- reviews the risk register compiled and maintained by senior managers within the Group at least bi-annually and question and challenge where necessary;
- regularly reviews the systems of financial and accounting controls; and
- reports to the Board on the risk and control culture within the Group.

The Group has several operating policies and controls in place covering a range of issues including financial reporting, capital expenditure, business continuity and information technology, including cyber security, and appropriate employee policies. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of financial statements.

In respect of the Group's financial reporting, the Finance Department is responsible for preparing the Group financial statements using a well-established process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. All financial information published by the Group is subject to the approval of the Audit Committee.

The internal control environment was strengthened in 2020 in response the impact of the COVID-19 pandemic. For example, as described in the Corporate Governance Statement on page 70, the Board increased the regularity and frequency of its business review meetings.

In addition, with the Group's finance and administrative teams working substantially from home during the period, controls related to the processing of cash payments and receipts were enhanced during lockdown periods (e.g. higher levels of approval required for transactions over certain limits). More generally, the Group's IT team have remained particularly vigilant and alive to cyber risks during this period and we continue to invest in our cyber security.

Other than as described above, there have been no changes in the Company's internal control systems during the financial year under review that have materially affected, or are reasonably likely to materially affect, the Company's control over financial reporting.

The Board, with advice from the Audit and Risk Committee, is satisfied that an effective system of internal controls and risk management is in place which enables the Company to identify, evaluate and manage key and emerging risks and which accords with the guidance published by the FRC.

These processes have been in place since the start of the financial year and up to the date of approval of the accounts. Further details of specific material risks and uncertainties facing the business can be found on pages 58 to 62.

Internal audit

KPMG LLP provide an outsourced Internal Audit function which complements the internal finance-based checks performed on the branch network operations.

During early 2020, the Committee worked with KPMG LLP to agree the programme for the year, which included reviews of business continuity planning, tax risk, treasury management, expenses and whistleblowing/Code of Conduct.

However, as a result of the impact of COVID-19 on the availability of key staff, with the Committee's approval, the Internal Audit program was temporarily suspended during Q2 and Q3. However, it resumed in Q4 with a Brexit readiness review and a full programme, approved by the Committee, is planned for 2021.

The Committee also formally reviews the Group's progress in implementing the improvement recommendations raised through the internal audit process in conjunction with the Executive Committee members, who monitor a report on the status of the outstanding actions on a monthly basis. Whilst COVID-19 has caused some delays to implementation, overall progress remains satisfactory.

External audit and auditors' independence

The Audit and Risk Committee has primary responsibility for making a recommendation to the Board on the appointment, reappointment, removal and remuneration of the external auditors. It keeps under review the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the auditors.

The external auditor is required periodically to assess whether, in its professional opinion, it is independent and those views are shared with the Audit and Risk Committee. The Committee has authority to take independent advice as it deems appropriate in order to resolve issues on auditor independence. No such advice has been required to date. There are no contractual obligations in place that restrict the choice of statutory auditor.

The Group's current auditors, PricewaterhouseCoopers LLP were appointed at the Audit and Risk Committee meeting on 29 April 2015, following the Company's IPO in March 2015. As a result, PricewaterhouseCoopers LLP may remain as external auditor without re-tender for ten years from that date, until the completion of the 2025 annual audit. The Committee considers the need to tender the audit on an annual basis and there are no current plans to perform such a tender.

In accordance with best ethical standards, PricewaterhouseCoopers LLP has processes in place designed to maintain independence, including the rotation of the audit engagement partner at least every five years. As a result of these processes, the previous audit engagement partner stepped-down following the conclusion of the 2019 audit and, following a handover period, the current audit engagement partner, Christopher Hibbs, assumed full responsibility.

The Committee has also adopted policies to safeguard the independence of its external auditors. Any work awarded to the external auditors with a value of more than £5,000 in aggregate in any financial year, other than an audit, requires the specific approval of the Committee. Where the Committee perceives that the independence of the auditors could be compromised, the work will not be awarded to the auditors. Details of amounts paid to PricewaterhouseCoopers LLP for audit and audit related assurance services in 2020 are set out on page 133. The audit related assurance services provided during the year were in relation to the half-year report (£35,000) and the sustainability measure which was introduced into the Company's banking facility (£25,000).

Prior to recommending the appointment of PricewaterhouseCoopers LLP at the forthcoming AGM to the Board, the Committee reviewed the audit process, the performance of the auditor and its ongoing independence, taking into consideration:

- an assessment of the lead audit partner and the audit team, including their responses to questions from the Committee;
- a review of the audit approach, scope, determination of significant risk areas and materiality;
- the execution of the audit and the audit findings reported;
- input from, and interaction with, management and communication with, and support to, the Committee;
- the quality of any recommendation points; and
- a review of independence, objectivity and scepticism.

Based on this review, the Committee concluded that the external audit process had been run efficiently and that PricewaterhouseCoopers LLP has been effective in its role as external auditor.

The Committee is satisfied that the independence of the external auditor is not impaired and the level of fees paid for non-audit services, details of which are set out in Note 5 to the Financial Statements, does not jeopardise its independence. In conclusion, the Committee has assessed the performance and independence of the external auditor and recommended to the Board the re-appointment of PricewaterhouseCoopers LLP as auditor until the AGM in 2022.

Whistleblowing and bribery

The Audit and Risk Committee monitors any reported incidents under our whistleblowing policy, which is available to all employees. This policy sets out the procedure for employees to raise legitimate concerns about any wrongdoing without fear of criticism, discrimination or reprisal.

During the year, there were no reports received through the whistleblowing process.

The Audit and Risk Committee also takes responsibility for reviewing the policies and procedures adopted by the Group to prevent bribery. The Group is committed to a zero-tolerance position with regard to bribery. The Committee is satisfied that the Group's procedures with respect to these matters are adequate.

Directors' Remuneration Report

Chair

Martyn Coffey

Members

Bob Lawson

Frank Nelson

Sucheta Govil

Dear Shareholder,

I am pleased to report to you on the main activities of the Committee and how it has performed its duties during 2020.

As described elsewhere in this annual report, the business responded well to the unique challenges posed by COVID-19 and is now well-placed for the future.

The first half of the year was dominated by the impact of the first lockdown, with the business temporarily closed from late March until mid-May. However, we prepared well for re-opening, and benefited from good market conditions to deliver an excellent second half performance.

Actions taken at the outset of the pandemic to help secure our financial position included the decision to cancel all pay awards which were due to come into effect in April 2020, as well as a voluntary agreement by the Board and other members of the senior management team to a temporary 20% reduction in remuneration. I would like to thank our colleagues throughout the business affected by these decisions for their understanding and support.

Despite the strong H2 recovery, sales and profits for the full year were below 2019 levels. In delivering these results for 2020, the Committee has also been particularly conscious of the financial support the Group received in response to the pandemic, from both shareholders and Government.

It is in this context that the Committee has assessed 2020 outcomes, and approved new basic salary levels, awards and targets. These reflect performance in a challenging economic and political environment and provide stretching targets for future growth.

We were very appreciative of the strong level of support received from shareholders at the 2020 AGM, where the Annual Report on Remuneration was approved with 100% of votes in favour. As no changes are proposed to the existing policy, there will again only be one remuneration resolution tabled at the 2021 AGM i.e. the advisory shareholder vote on the Annual Report on Remuneration.

Elsewhere, I am pleased to report that the Group's inaugural SAYE scheme, launched in 2017, reached maturity in 2020, resulting in gains for participants and increased share-ownership by our colleagues.

Finally, I would like to thank my fellow Committee members, all of whom have served throughout the year, for their valuable contribution and support during such a challenging period.

Martyn Coffey
Chair of the Remuneration Committee
11 March 2021

Role and responsibilities:

The Committee's principal responsibilities are to:

- recommend to the Board the remuneration strategy and framework for the Chair, 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.

Summary of activities during the year

The Committee met three times during 2020. 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 pay-out for the 2019 annual bonus awards;
- agreeing Executive Director and senior management base salaries from 1 April 2020;
- setting the performance targets for the 2020 annual bonus;
- agreeing the award levels and appropriate targets for the 2020 Performance Share Plan ('PSP') awards;
- agreeing the launch of the Group's 2020 Save as You Earn scheme;
- reviewing the Committee Terms of Reference;
- agreeing, in response to the COVID-19 pandemic, to the cancellation of all pay awards that were due to come into effect in April 2020; and
- agreeing to a voluntary temporary 20% reduction in remuneration by the Board and other members of the senior management team.

Impact of COVID-19

H1 was dominated by the impact of the first lockdown, with the business temporarily closed from late March until mid-May. However, we prepared well for re-opening, and benefited from a strong repair, maintenance and improvement (RMI) market, to deliver excellent sales and profit growth and good cash conversion in the second half. Also, good progress was made throughout the year with the project to fit-out our new warehouse, which remains on track.

Actions taken at the outset of the pandemic secured our financial position. These included self-help measures, such as the deferral of non-essential capital and other discretionary expenditure and cancellation of the final dividend payment for 2019. On remuneration, actions also included the decision to cancel all pay awards which were due to come into effect in April 2020, as well as a voluntary agreement by the Board and other members of the senior management team to a temporary 20% reduction in pay.

We are also grateful for the financial support we received in response to the pandemic from shareholders and the Government. In April we raised £17.1m (net) by way of a share placing, in order to retain good headroom on our bank facility, even under an extended shut-down, and to continue investment in the new warehouse. In addition, we have used various Government support measures, including the Coronavirus Job Retention Scheme, through which we recorded income of c.£6.5 million.

Outcome for 2020

Despite the strong H2 recovery, sales for the full year were 8% below 2019 and adjusted profit before tax was £8.5 million, compared to a profit in 2019 of £22.7 million. Following the success of the measures we took to conserve cash in H1, cash conversion was strong in the second half. Adjusted operating cash flow was £32.9 million, compared to £18.7 million in 2019.

Against stretching targets set before the onset of the pandemic, the outturn for both adjusted profit before tax and adjusted operating cash flow is below the threshold level of performance required under the Annual Bonus Plan and therefore no bonus is being awarded to the Executive Directors in respect of 2020. Further details of performance against the relevant targets can be found on page 95 of this report.

As a result of the pandemic, the grant of awards to Executive Directors under the PSP was delayed from the normal grant window until later in the 2020, so that the Committee could consider the appropriate level of grant and the most suitable performance conditions. PSP awards were therefore made in November 2020, with targets based on earnings per share and return on capital employed. Details can be found on page 96.

PSP awards originally granted in 2018 are expected to lapse in 2021 as a result of earnings per share and cash flow performance in the three years to 31 December 2020 being below threshold.

Implementation of the Remuneration Policy for 2021

The Remuneration Committee intends to operate the Remuneration Policy for 2021 as follows:

Base salaries

Salary levels are positioned to reflect experience and responsibility. Following cancellation of the salary increases that were due to come into effect in April 2020, Mark Kelly's and Michael Scott's current base salaries are £393,271 and £251,257 respectively. With effect from 1 April 2021, these salaries will be increased by 2.5% to £403,103 and £257,538 respectively.

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 2021, 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 2021. Award levels will be set at 150% of salary for Mark Kelly and Michael Scott. Performance targets will be based on earnings per share (two-thirds of the award) and return on capital employed improvement (one-third) in the third year of the performance period.

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 2021 AGM; and
(ii) the relevant Regulations do not require us to reproduce our Remuneration Policy in this report;

we have included, for ease of reference, a summary of our Policy (see Part A below) in addition to the Annual Report on Remuneration section of the report (see Part B below), in respect of which we will be holding an advisory vote at the forthcoming AGM.

The full Directors' Remuneration Policy was disclosed in the 2018 Annual Report and is available on the Company's website.

No changes have been made to the policy since its disclosure in 2018 and therefore no further shareholder approval has been required.

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, and is split into two parts, as follows:

- Part A: The Directors' Remuneration Policy – which sets out a summary of the Remuneration Policy for which shareholder approval was obtained at the 2019 AGM and which will continue to apply without amendment for the forthcoming year.
- 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 2020 and how the policy will be operated for 2021.

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 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 the circumstances.	n/a

Element and purpose	Policy and operation	Maximum	Performance measures
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
Annual Bonus Plan 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. 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. Malus and clawback provisions apply to the Annual Bonus Plan and DSP.	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.

Element and purpose	Policy and operation	Maximum	Performance measures
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 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). A two-year post-vesting holding period applies to PSP awards granted to Executive Directors after the 2019 AGM. Malus and clawback provisions apply to PSP awards.	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.
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.	No maximum limit (Guideline minimum target of 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.

Chair and Non-executive Directors

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Chair/Non-executive Director fees To enable the Company to recruit and retain Chairs and Non-executive Directors of the highest calibre, at the appropriate cost.	The fees paid to the Chair 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 Chair's fees determined by the Remuneration Committee. Fees are paid monthly in cash. The Chair 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 Chair and Non-executive Directors where appropriate.	The aggregate fees (and any benefits) of the Chair and Non-executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association. If the Chair 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 Chair/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 twelve 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

Chair/Non-executive Directors

The Chair 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 Chair 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 2021	3 years
Frank Nelson	4 February 2015	2 February 2021	3 years
Martyn Coffey	4 February 2015	2 February 2021	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 Group 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).

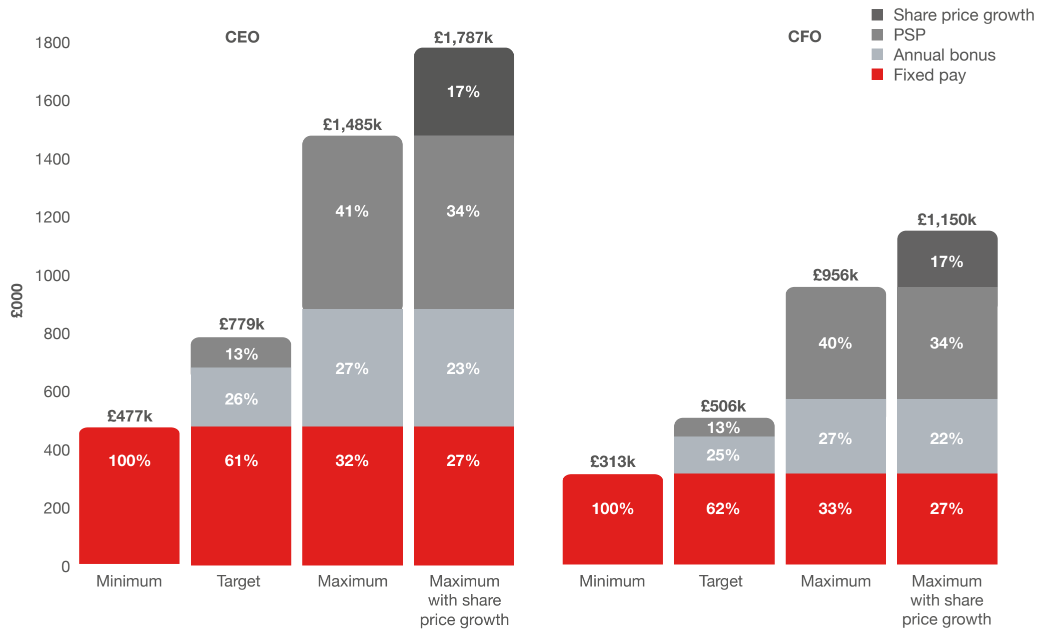
The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's 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.

Other policy matters

The 2018 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.

Illustrations of application of remuneration policy



The charts above aim to show how the remuneration policy for Executive Directors will be applied in 2021 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 2021.
- Estimated value of a full year's benefits, including car (and fuel) or car allowance, private family medical cover, permanent health insurance and travel insurance.
- Pension measured as the cash allowance in lieu of Company contributions at 15% of salary.

	Base salary	Benefits	Pension	Total fixed
Mark Kelly	£403,103	£13,560	£60,465	£477,128
Michael Scott	£257,538	£16,453	£38,631	£312,622

Target

- Annual bonus: consists of an assumed payment 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 maximum level of vesting under the PSP.

Maximum with Share Price Growth

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

PART B: THE ANNUAL REPORT ON REMUNERATION

The Committee (unaudited information)

The members of the Remuneration Committee are: Martyn Coffey (Chair), Bob Lawson, Frank Nelson and Sucheta Govil.

The Committee's principal responsibilities are to:
- recommend to the Board the remuneration strategy and framework for the Chair, 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 three 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 (www.investors.eurocell.co.uk).

During the year, the Committee considered its obligations under the Code and concluded that:
- the Directors' Remuneration Policy supports the Company's strategy (including in the performance measures chosen); and
- remuneration for our Directors remains appropriate.

In addition, the Committee has ensured that the Directors' Remuneration Policy and practices are consistent with the six factors set out in Provision 40 of the Corporate Governance Code:
Clarity – Our Directors' Remuneration Policy is well understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during a consultation when changes are being proposed).

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our Directors' Remuneration Policy and practices are straightforward to communicate and operate.

Risk – Our Directors' Remuneration Policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both annual incentives and long-term incentives which employ a blend of targets, (ii) the significant role played by shares in our incentive plans (together with bonus deferral and shareholding guidelines) and (iii) malus/ clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to standard dilution limits. The use of shares within our incentive plans results in that actual pay received being highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by variable pay, together with the composition of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to the Company's culture through the use of metrics in both the annual bonus and PSP that measure how we perform against key aspects of our strategy, which has the objective of delivering sustainable growth in revenue, profit and cash flow.

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 2020 were £9,272 (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 Chair, Executive and Non-executive Directors of the Company who performed qualifying services during the relevant financial year is detailed below. The Chair and Non-executive Directors received no remuneration other than their annual fee.

For the year ended 31 December 2020:

Director	Salary/fees[1] £000	Taxable benefits[2] £000	Pension £000	Total fixed remuneration £000	Bonus £000	Long-term incentives £000	Total variable remuneration £000	Total remuneration £000
Mark Kelly	380	29	57	466	—	—	—	466
Michael Scott	243	16	36	295	—	—	—	295
Robert Lawson	116	—	—	116	—	—	—	116
Frank Nelson	46	—	—	46	—	—	—	46
Martyn Coffey	44	—	—	44	—	—	—	44
Sucheta Govil	39	—	—	39	—	—	—	39

For the year ended 31 December 2019:

Director	Salary/fees £000	Taxable benefits[2] £000	Pension £000	Total fixed remuneration £000	Bonus £000	Long-term incentives £000	Total variable remuneration £000	Total remuneration £000
Mark Kelly	389	33	58	480	193	—	193	673
Michael Scott	248	21[3]	37	306	124	—	124	430
Robert Lawson	120	—	—	120	—	—	—	120
Frank Nelson	48	—	—	48	—	—	—	48
Martyn Coffey	45	—	—	45	—	—	—	45
Sucheta Govil	40	—	—	40	—	—	—	40
Patrick Kalverboer[4]	17	—	—	17	—	—	—	17

Notes:
1 The Directors took a 20% reduction in salary/fees, for 2 months, during the first lockdown period in 2020.
2 Taxable benefits comprise Company car (and fuel) or car allowance, private family medical cover, permanent health insurance and travel insurance.
3 Includes £5k relating to prior years.
4 Patrick Kalverboer stepped-down from the Board on 10 May 2019.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2020 was £1,006,000 (2019: £1,373,000).

Further information on the 2020 annual bonus (audited)

In 2020, the annual bonus metrics were a blend of targets set before the onset of the COVID-19 pandemic, 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 (post IFRS 16)	22.0	23.2	24.9	8.5	0%
Adjusted cash flow (post IFRS 16)	39.0	41.0	44.1	32.9	0%

Performance below the threshold for both the adjusted profit before tax and the cash flow elements of the Annual Bonus Plan resulted in no bonus being awarded to the Executive Directors in respect of 2020.

PSP awards vesting in respect of 2020

The PSP values included under long-term incentives in the single figure table above (£nil) relate to awards granted in 2018 which vest in 2021, dependent on EPS and cash flow performance measured over the 3-year period ended 31 December 2020. As noted below, these share awards are not expected to vest, primarily reflecting the impact of COVID-19 on the financial results for 2020.

Under the EPS performance target (two-thirds of awards) which uses a sliding scale, 25% of this part of an award vests where the mean average annual growth of adjusted earnings per share of 4% p.a. is achieved over the three-year performance period, increasing pro-rata to full vesting where mean average annual growth of 10% p.a. is achieved.

Performance target	Base EPS	EPS at 31 December 2020	Average annual EPS growth	Threshold 4% p.a.	Maximum 10% p.a.	Vesting %
Adjusted EPS (pre IFRS 16)	20.4p	6.7p	(22.4)%	22.8p	26.5p	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 £79.4m, increasing pro-rata to full vesting for cash flow of £97.0m.

Performance target	Threshold	Maximum	Actual	Vesting %
Cash flow	£79.4m	£97.0m	£63.3m	0%

As a result of EPS and cash flow performance, no PSP share awards are expected to vest in 2021.

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 2020:

Director	Beneficially owned 31 December 2019[1]	Beneficially owned 31 December 2020[1]	Vested but unexercised awards	Unvested DSP	Unvested PSP[2]	Unvested SAYE	Shareholding Guideline (% of salary)[3]	Shareholding Guideline met?[3]
Mark Kelly	109,469	161,717	—	60,571	652,378	10,465	200	No
Michael Scott	14,215	38,488	—	38,697	416,796	10,465	200	No
Robert Lawson	87,026	101,311	—	—	—	—	—	n/a
Frank Nelson	43,376	49,090	—	—	—	—	—	n/a
Martyn Coffey	10,714	16,428	—	—	—	—	—	n/a
Sucheta Govil	—	5,714	—	—	—	—	—	n/a

Notes:
1 The beneficial shareholdings set out above include those held by Directors and their respective connected persons.
2 Performance-based share awards.
3 Shareholding guidelines for Executive Directors are 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 2020

The following awards were made under the PSP in 2020:

Director	Date of grant	Basis of award (% salary)	Share price[1]	Number of shares	Face value of award	Exercise period
Mark Kelly	17 November 2020	150%	191.0p	308,582	589,392	November 2023 to November 2024
Michael Scott	17 November 2020	150%	191.0p	197,149	376,555	November 2023 to November 2024

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

The performance conditions, applying to the awards made in November 2020 relate to: (i) adjusted Earnings per Share for two-thirds of the award; and (ii) Group Return on Capital Employed for one-third of the award.

More specifically:

Adjusted EPS[1] for the year ended 31 December 2022	Portion of award vesting
Above 20.9p	100%
Between 19.3p and 20.9p	Pro rata on straight-line between 25% and 100%
19.3p	25%
Below 19.3p	0%

Group ROCE[2] for the year ended 31 December 2022	Portion of award vesting
Above 25%	100%
Between 20% million and 25%	Pro rata on straight-line between 25% and 100%
20%	25%
Below 20%	0%

1 Defined as adjusted earnings per share as shown in the consolidated audited accounts of the Company excluding non-underlying items for the third financial year of the performance period.
2 Defined as Group adjusted operating profit divided by average totals of opening and closing assets less trade and other payables for the third financial year of the performance period.

DSP awards granted in 2020

The following awards were made under the DSP in 2020 in respect to the 2019 annual bonus. Whilst not required under our Director's Remuneration Policy (which only requires annual bonus awards above 75% of salary to be deferred), 25% of the annual bonus paid to Mark Kelly and Michael Scott was deferred into shares to the one-year anniversary of the normal bonus payment date under the DSP.

Director	Date of grant	2019 Bonus Award (£)	Basis of deferred award (% bonus)	Share price[1]	Number of shares	Face value of award	Exercise period
Mark Kelly	9 September 2020	£193,415	25%	180.0p	26,863	£48,353	April 2021 to April 2022
Michael Scott	9 September 2020	£123,570	25%	180.0p	17,162	£30,892	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	Exercise price (p)	Grant date	Interest at 1 January 2020	Awards granted in the year	Awards lapsed in the year	Awards exercised in the year	Interest at 31 December 2020	Exercise period	Notes
Mark Kelly	PSP	0	04/04/17	148,148	—	(148,148)	—	—	Apr 20 – Apr 21	1
	PSP	0	18/04/18	173,549	—	—	—	173,549	Apr 21 – Apr 22	2
	PSP	0	24/04/19	170,247	—	—	—	170,247	Apr 22 – Apr 23	3
	PSP	0	17/11/20	—	308,582	—	—	308,582	Nov 23 – Nov 24	4
	DSP	0	04/04/17	45,502	—	—	(45,502)	—	Apr 20 – Apr 21	5
	DSP	0	18/04/18	33,708	—	—	—	33,708	Apr 21 – Apr 22	7
	DSP	0	09/09/20	—	26,863	—	—	26,863	Apr 21 – Apr 22	8
	SAYE	163.2	07/04/17	11,029	—	—	(11,029)	—	Jun 20 – Nov 20	9
	SAYE	172.0	09/04/20	—	10,465	—	—	10,465	Jun 23 – Nov 23	11
Michael Scott	PSP	0	04/04/17	94,650	—	(94,650)	—	—	Apr 20 – Apr 21	1
	PSP	0	18/04/18	110,879	—	—	—	110,879	Apr 21 – Apr 22	2
	PSP	0	24/04/19	108,768	—	—	—	108,768	Apr 22 – Apr 23	3
	PSP	0	17/11/20	—	197,149	—	—	197,149	Nov 23 – Nov 24	4
	DSP	0	04/04/17	12,724	—	—	(12,724)	—	Apr 20 – Apr 21	6
	DSP	0	18/04/18	21,535	—	—	—	21,535	Apr 21 – Apr 22	7
	DSP	0	09/09/20	—	17,162	—	—	17,162	Apr 21 – Apr 22	8
	SAYE	163.2	07/04/17	11,029	—	—	(11,029)	—	Jun 20 – Nov 20	10
	SAYE	172.0	09/04/20	—	10,465	—	—	10,465	Jun 23 – Nov 23	11

All figures above exclude dividend equivalent shares, where applicable.

Notes:
1 See 'PSP Awards Vesting in Respect of 2019' section in the 2019 Directors' Remuneration Report.
2 See 'PSP Awards Vesting in Respect of 2020' section above.
3 As disclosed in the 2019 Directors' Remuneration Report.
4 See 'PSP Awards Granted in 2020' section above.
5 DSP awards in respect of the deferred element of the 2016 annual bonus award. On 25 November 2020, an option was exercised by Mark Kelly when the share price was 212.5p. In accordance with the rules of the DSP, a further 5,547 shares were added to the original share award and therefore 51,049 shares were acquired under the option. 24,115 shares were sold immediately to cover the associated tax liabilities of the share vesting. The gain made by Mark Kelly was £108,479.
6 DSP awards in respect of the deferred element of the 2016 annual bonus award. On 25 November 2020, an option was exercised by Michael Scott when the share price was 212.5p. In accordance with the rules of the DSP, a further 1,549 shares were added to the original share award and therefore 14,273 shares were acquired under the option. 6,743 shares were sold immediately to cover the associated tax liabilities of the share vesting. The gain made by Michael Scott was £30,330.
7 DSP awards in respect of the deferred element of the 2017 annual bonus award
8 See 'DSP awards granted in 2020' section above.
9 On 9 September 2020, an option granted under the Eurocell plc Save as You Earn Scheme was exercised by a Mark Kelly when the share price was 180.0p. The gain made by Mark Kelly was £1,853.
10 On 14 October 2020, an option granted under the Eurocell plc Save as You Earn Scheme was exercised by a Michael Scott when the share price was 182.5p. The gain made by Michael Scott was £2,129.
11 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 172.0p.

During the year ended 31 December 2020, the highest mid-market price of the Company's shares was 275p and the lowest mid-market price was 165p. At 31 December 2020 the share price was 208p.

The aggregate gains by all Directors during 2020 was £142,791 (2019: £nil).

Payments to past directors (audited)

No payments to past directors were made during the year.

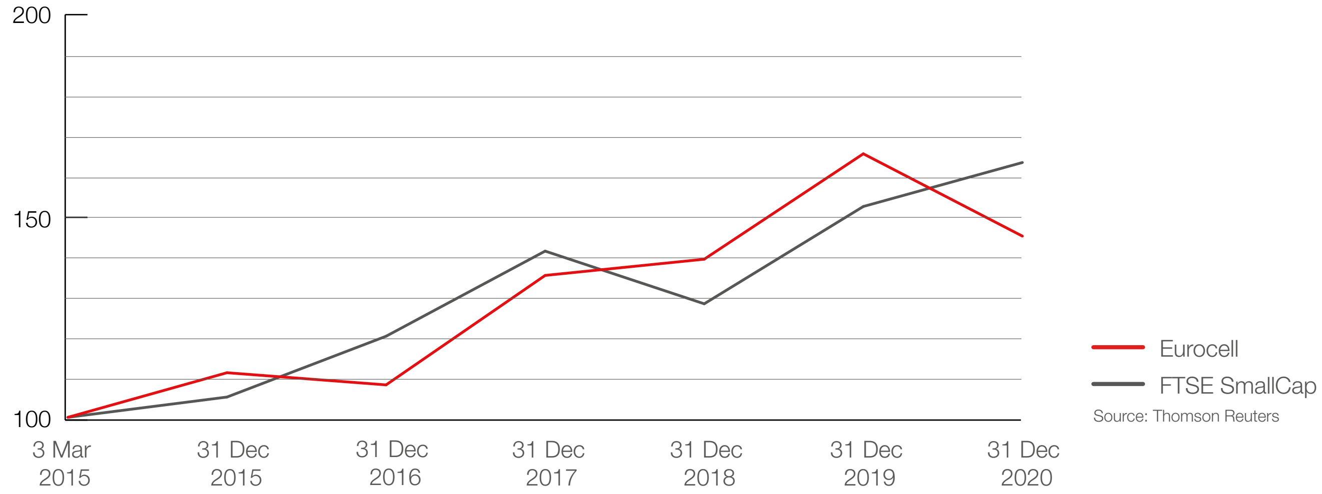
Payments for loss of office (audited)

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 31 December 2020, 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.

Total Shareholder Return Index



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 %	Year-on-year change in CEO remuneration %	Year-on-year change in employee remuneration %
2020	Mark Kelly	£465,945	0%	0%	(31)%	2%
2019	Mark Kelly	£673,262	49%	0%	47%	2%
2018	Mark Kelly	£459,294	0%	0%	(50)%	2%
2017	Mark Kelly	£916,442	40%	n/a	8%	2%
2016	Mark Kelly Patrick Bateman	£560,558 £284,457	80% 33%	n/a n/a	33%	2%
2015	Patrick Bateman	£637,098	87%	n/a	n/a	n/a

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

Annual change in remuneration of each director compared to employees (unaudited)

The table below presents the year-on-year percentage change in remuneration for each director and for all Group employees:

	Salary/fee increase/decrease[1] %	Annual bonus increase/decrease %	Taxable benefits increase/decrease %
Mark Kelly	(2)%	(100)%	(12)%[2]
Michael Scott	(2)%	(100)%	(24)%[3]
Robert Lawson	(3)%	n/a	n/a
Frank Nelson	(3)%	n/a	n/a
Martyn Coffey	(3)%	n/a	n/a
Sucheta Govil	(3)%	n/a	n/a
All employees	1%	(50)%	0%

Notes:
1 All the Directors took a 20% reduction in salary/fees during the first lockdown period in 2020.
2 Mark Kelly changed to a more tax-efficient car during 2020.
3 2019 taxable benefits for Michael Scott included c.£5,000 relating to prior years. Without this adjustment, his taxable benefits increase/decrease would be nil%.

CEO to employee pay ratio

The table below shows the CEO to employee pay ratio.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option B	23 : 1	19 : 1	15 : 1
2019	Option B	34 : 1	27 : 1	21 : 1

Notes to the CEO to employee pay ratio:
1 Option B (based on the gender pay gap reporting disclosures) was preferred as this data was already prepared on a Group basis.
2 In-line with the gender pay gap reporting regulations, pay for the 25th percentile, median and 75th percentile employees was calculated with reference to 5 April for each financial year.
3 The ratios shown are representative of the FTE 25th percentile, median and 75th percentile pay for employees within the Group at the gender pay gap reference date.
3 FTE equivalent pay has been calculated using the gender pay gap reporting methodology.
4 The Chief Executive's salary, benefits, pension, bonus and long-term incentives from the single total figure have been used.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, the median and the 75th percentile are shown below:

	Salary £'000			Total pay and benefits £'000		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020	19	24	30	20	25	31

Based on the salary profile of the Group's UK employees, the median pay ratio is consistent with the pay, reward and progression policies of the Group as a whole.

Relative importance of spend on pay (unaudited)

The table below details the change in total employee pay between 2019 and 2020 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	**2020 £m**	2019 £m
Total gross employee pay	(7)%	**60.7**	65.5
Dividends/share buybacks	(100)%	**nil**	9.6

The average number of employees during the year was 1,945 (2019: 1,855).

Statement of voting at General Meeting

The following table shows the results of the binding Remuneration Policy vote at the 10 May 2019 AGM and the advisory Directors' Remuneration Report vote at the 14 May 2020 AGM.

	(Binding Vote) Approval of the Directors' Remuneration Policy		(Advisory Vote) Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	87,361,882	99.41%	96,515,670	100%
Against	518,633	0.59%	0	0%
Votes withheld	1,737,500	—	600	—

Implementation of policy for 2021 (unaudited information)

Base salary

- Following cancellation of the salary increases that were due to come into effect in April 2020, Mark Kelly's and Michael Scott's current base salaries are £393,271 and £251,257 respectively. With effect from 1 April 2021, these salaries will be increased by 2.5% to £403,103 and £257,538 respectively.

Pension

- Contribution rates for Executive Directors will be 15% of salary in 2021.

Benefits

- Details of the benefits received by Executive Directors are set out in Note 2 to the Single Total Figure Table on page 95. There is no intention to introduce additional benefits in 2021.

Annual bonus

- The annual bonus opportunity for 2021 will be structured in a similar manner to 2020. 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 2021 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 2021 bonus outturn.

Long-term incentives

- Awards will be made under the PSP in 2021 to the Executive Directors structured in a similar manner to the awards made in 2020, in that awards will be made which will vest subject to three-year earnings per share (two-thirds of the award) and return on capital employed (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 2020 PSP awards.

Chair and Non-executive Directors' fees

- The fees of the Chair and Non-executive Directors will remain unchanged from 2020 levels.
- Robert Lawson receives a fee of £120,000 p.a. as Chair.
- The Non-executive Directors each receive a fee of £40,000 p.a., with an additional fee of £5,000 p.a. for each of the Chair of the Audit Committee and Chair of the Remuneration Committee and an additional fee of £3,000 p.a. for the Senior Independent Director.