



With the opening of Polypipe Middle East, Polypipe were able to manufacture the system locally and with quick delivery to the site.



**CASE STUDY JEBEL ALI HILLS MIDDLE EAST**

With the Middle East suffering from the effects of storm water events and due to the location of the new development, a local storm water network was unavailable to provide a system that met the projects needs and demands. Therefore, Polypipe was called upon to supply a robust solution to mitigate flood events on this new 2,000 home residential build.

In excess of 70,000m3 of Polystorm PSM1 Geocellular Modular Soakaway was provided as it allowed design flexibility and ensured a design life in excess of 50 years.

Not only did Polypipe provide the system, but they also assisted with third party independent material test results, design guidance, structural calculations and on-site installation instruction to all contractors on-site.

**OUR GOVERNANCE**

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# BOARD OF DIRECTORS



**RON MARSH**  
*Independent Non-Executive Chairman*  
**Committees: Nomination, Remuneration**

Ron Marsh was appointed to our Board of Directors on 28 March 2014 as the Senior Independent Director and as Independent Non-Executive Chairman since 27 May 2015. Mr Marsh is currently a Non-Executive Director of R.Faerch Plast A/S, the Senior Independent Director of Walstead Group Limited and was, from 1989 until 2013, Chief Executive of RPC Group. Mr Marsh is also Chairman of the UK based Packaging Federation and the Alliance for European Polymers which was established under the auspices of EuPC (European Plastic Converters) in 2015. Mr Marsh has a Bachelor of Arts in History from Oxford University.



**DAVID HALL**  
*Chief Executive Officer*  
**Committees: Nomination**

David Hall is our Chief Executive, a position he has held since September 2005, previously being employed with the Group from January to December 2004, until leaving to work with private equity in connection with the original buyout. Prior to that, he held Managing Director positions with plastic piping divisions of Marley plc (before and after its acquisition by Etex) and Glynwed plc following its acquisition by Etex (now Aliaxis), one of the world's largest manufacturer of plastic pipes and fittings. Mr Hall has more than 20 years of experience in the building products industry and is currently President of the British Plastics Federation and a previous Vice Chairman of the Construction Products Association. Mr Hall has a Bachelor of Science degree in Mechanical Engineering.



**MARTIN PAYNE**  
*Chief Financial Officer*

Martin Payne is a member of our Board of Directors and our Chief Financial Officer, a position he has held since May 2016. Before joining Polypipe Mr Payne served as Group Finance Director at Norcros plc, a leading supplier of branded showers, taps, bathroom accessories, tiles and adhesives. His previous experience includes holding senior financial positions at JCB, the construction equipment manufacturer, and at IMI plc, the British-based engineering company. He is a Fellow of the Chartered Institute of Management Accountants and has a degree in Economics from Durham University.

## COMMITTEES

In addition to the Polypipe Group plc Board, there are three Committees:

<b>Audit Committee</b>	Paul Dean (Chair), Moni Mannings and Mark Hammond
<b>Nomination Committee</b>	Ron Marsh (Chair), Paul Dean, Moni Mannings, Mark Hammond and David Hall
<b>Remuneration Committee</b>	Moni Mannings (Chair), Ron Marsh, Paul Dean and Mark Hammond



### **PAUL DEAN**

#### *Senior Independent Director*

#### **Committees: Audit, Nomination, Remuneration**

Paul Dean was appointed to our Board of Directors on 28 March 2014 as an Independent Non-Executive Director and is Chair of the Audit Committee. Mr Dean was appointed Senior Independent Director on 27 May 2015. Mr Dean is also a Non-Executive Director and Audit Chair of Porvair plc, Focusrite plc and Wincanton plc. He is the Senior Independent Director at Porvair plc. Mr Dean was Group Finance Director of Ultra Electronics Holdings plc from 2009 to 2013. Previously he had the same role at Foseco Group from 2001 to 2008, including when it floated in 2005. Mr Dean has a Master of Arts in History from Oxford University.



### **MONI MANNINGS**

#### *Non-Executive Director*

#### **Committees: Audit, Nomination, Remuneration**

Moni Mannings was appointed to our Board of Directors on 28 March 2014 as a Non-Executive Director and is Chair of the Remuneration Committee. Mrs Mannings was a senior partner of Olswang LLP until 31 March 2016 and had been a partner there since 2000. Previously she was also a Board Member of the Solicitors Regulation Authority and Chair of its Equality, Diversity and Inclusion Committee. Mrs Mannings currently holds the position of COO at Aistemos Limited and is also a Non-Executive member of the Boards of Investec Bank PLC and Cranfield University. Mrs Mannings has a Bachelor of Law from the University of Southampton.



### **MARK HAMMOND**

#### *Non-Executive Director*

#### **Committees: Audit, Nomination, Remuneration**

Following listing, Mark Hammond was appointed as a Non-Executive Director of our Board of Directors. Mr Hammond is Deputy Managing Partner of Caird Capital LLP which is the adviser to Cavendish Square Partners LP. Mr Hammond joined HBOS plc in June 2003 and served as Head of Integrated Finance from 2006 until 2010. Prior to joining HBOS plc, Mr Hammond held roles with Gresham Trust plc, The Royal Bank of Scotland plc and PricewaterhouseCoopers LLP where he qualified with the Institute of Chartered Accountants of Scotland in 1991. Mr Hammond graduated with a Master of Arts in Economics and Accountancy from the University of Aberdeen in 1988. Mr Hammond has previously been a Director of The Big Green Parcel Holding Company Limited and David Lloyd Leisure Group Limited. Mr Hammond currently sits on the Board of Governors of Beechwood Park School, Markyate, Hertfordshire.

## INTRODUCTION FROM THE CHAIRMAN

### DEAR SHAREHOLDER

I am pleased to present the Company's Corporate Governance report for the year ended 31 December 2016, on behalf of the Board.

This year has seen a significant change to the Board with Martin Payne joining as Chief Financial Officer, replacing Peter Shepherd who retired following 10 years of service with the Company. I am delighted to say that the transition has been a smooth one and that Martin has settled into his role very well. I remain confident that we have a strong and diverse Board in place, with the necessary motivation, experience and skills to support the Company with any future challenges.

In the previous year we reported that an externally facilitated review of our Board's performance would be carried out during this year. This review has now taken place and I was pleased with the outcome, which concluded that the Board functions strongly and also provided some helpful areas of focus for the future. The outcome of the review is discussed in more detail on pages 44 to 45 of this report.

The terms of reference for each of the Board committees were reviewed and adjusted as necessary to improve their efficiency and reflect changes of legislation and best practice.

During the year the Board has placed much focus on the strategic development of the Group, in light of which presentations by the Group's financial advisors and brokers and the annual strategy day proved very valuable.

The following pages of this report and the Directors' Remuneration Report set out in greater detail how the principles and provisions of the UK Corporate Governance Code (April 2014) (the UK Code) have been applied and how the Board and its committees have fulfilled their responsibilities during the year to ensure that robust governance practices are embedded across the Group. The report also serves to provide insight into how the Board and management team run the business for the benefit of the shareholders. As always, we welcome questions or comments from shareholders either via our website [www.polypipe.com](http://www.polypipe.com) or in person at the AGM.

**Ron Marsh**  
Chairman  
30 March 2017



# CORPORATE GOVERNANCE STATEMENT

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This report, which is also available on the Company's website, explains key features of the Company's governance structure to provide a greater understanding of how the main principles of the UK Code published in September 2014 by the Financial Reporting Council (FRC), have been applied and to areas of focus during the year. The UK Code can be found on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

In accordance with the Listing Rules of the UK Listing Authority, the Board confirms that throughout the year ended 31 December 2016 and as at the date of this report, the Company has complied with the main principles of the UK Code. The FRC published an updated version of the UK Corporate Governance Code in September 2016. Whereas the 2016 version of the UK Code is effective for accounting periods commencing on or after 17 June 2016, the Company has adopted the new requirements early.

The report also includes items required by the Disclosure Guidance and Transparency Rules. The Board has ultimate responsibility for the approval of the Annual Report and Accounts. It has considered the content and confirmed

that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

## HOW THE BOARD WORKS

### *The Board and its Committees*

The Board is responsible for the leadership and direction of the Group and is ultimately responsible to the Company's shareholders for the Group's long-term success. The Board takes the lead in areas such as strategy, financial policy and making sure we maintain a sound system of internal control. By delegating authority to its Committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters.

The Board has established a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its principal committees: the Audit, Nomination and Remuneration Committees. These are clearly defined within the terms of reference of the respective committees. The schedule of matters reserved for the Board includes the consideration and approval of:

- Strategy and overall management and leadership of the Group;
- Financial items – including the Group's annual budget, dividend policy, annual and half yearly accounts, accounting policies, and monetary limits;
- Risk management system and internal controls;
- Contracts with third parties not in the ordinary course of business;
- Legal, administration and pension arrangements;
- The Group's corporate governance arrangements;
- The application of the Company's share options schemes as recommended by the Remuneration Committee;
- Directors' and officers' insurance coverage and the commencement or settlement of any litigation;
- Communications with shareholders and the issue of shareholder circulars;
- Board and senior management appointments and arrangements; and
- Authorising conflicts of interest where permitted by the Company's Articles of Association.

## POLYPIPE'S GOVERNANCE STRUCTURE



## CORPORATE GOVERNANCE STATEMENT

The Board has also delegated to the Chief Executive Officer the responsibility for implementing the Group's business model and for the day-to-day operational management of the Group. The Chief Executive Officer is supported in carrying out his responsibilities by the Chief Financial Officer, and the senior management team.

The Board has direct access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Board may take independent professional advice in the furtherance of its duties if necessary, at the Company's expense.

### **Board Composition, Qualification and Experience**

At the year end, the Board was made up of the independent Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. Biographical details of the individual Directors can be found on pages 38 to 39. The Non-Executive Directors were appointed for the diversity of their backgrounds as well as their personal attributes and experience. The current Board members bring a wide range of skills and experience to the Board and all actively contribute in discussion.

In accordance with UK Code Provision B.1.1 the Nomination Committee and the Board have considered the independence of each of the Non-Executive Directors. The Board considered that the Chairman and all the Non-Executive Directors were deemed to be independent throughout the period.

In accordance with UK Code Provision B.7.1, at the 2016 AGM, the Board is proposing that all of the Directors will be subject to annual re-election.

### **Role of the Chairman and Chief Executive**

The roles and responsibilities of the Chairman and the Chief Executive are separate and clearly defined.

It is the Chairman's duty to provide overall leadership and governance of the Board. In performing this role, the Chairman sets the Board agenda, ensures that adequate time is available for discussion of all agenda items and promotes a culture of openness and debate at Board meetings. The Chairman is also responsible for ensuring that the Directors have an understanding of the views of major shareholders.

The Chief Executive is responsible for executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. He leads the senior management team in effecting decisions of the Board and its Committees and is responsible for the maintenance and protection of the reputation of the Group. The Chief Executive is also responsible for promoting the conduct of the affairs of the Group with the highest standards of integrity, probity and corporate governance.

### **Interaction between the Chairman and the Chief Executive**

As noted above, the role of Ron Marsh as the Chairman and David Hall as the Chief Executive Officer are separate with a distinct division of responsibilities. The partnership between both is based on mutual trust and facilitated by regular contact between them. The separation of authority enhances independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

### **Role of the Senior Independent Director**

Paul Dean is the Senior Independent Director (SID) of the Company and is available to shareholders if they have concerns that cannot be addressed through normal channels. The role of the SID is to act as a sounding board for the Chairman and an intermediary for the other Directors when necessary. The SID is also available to chair the Board in the absence of the Chairman and has authority to add items to the agenda

of any regular or special meeting of the Board of Directors. The role of the SID is considered to be an important check and balance in the Group's governance structure. During the year the SID met with institutional investors to discuss Corporate Governance matters.

### **Appointment and Tenure**

The Non-Executive Directors serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of the Non-Executive Directors who, on appointment, undertake that they have sufficient time to meet what is expected of them. There is no fixed expiry date and no notice period in their letters of appointment.

The Executive Directors' service contracts are also available for inspection at the Company's registered office. The notice period for the Executive Directors is twelve months.

### **Directors Induction and Training/ Professional Development**

The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and ongoing development of all Directors. Martin Payne joined as a Director during the year and received a comprehensive induction, which included a thorough briefing on the Group's various policies including Health and Safety, visiting all major Group locations, a series of meetings with Polypipe senior management and employees, and meetings with the Group's external advisors. Martin joined the Company as Chief Financial Officer Designate prior to Peter Shepherd's departure, which ensured a seamless transfer of responsibilities from Peter to Martin.

As the internal and external business environment changes, it is important to ensure the Directors' skills and knowledge are refreshed and updated regularly. For this purpose the Board were provided with several presentations during the year, including presentations

by the financial advisers, brokers and the Remuneration consultants of the Group and several presentations by senior management, in addition to the annual strategy day. During Board meetings held during the year the Company Secretary updated the Board members on new legislation and regulations, including the Market Abuse Regulation.

### **Directors' Conflicts of Interest**

Each Director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest, and these procedures have operated effectively during the year.

All potential conflicts approved by the Board are recorded in an Interests Register which is maintained by the Company Secretary and reviewed by the Board on a regular basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

### **Directors' Indemnity and Insurance**

Details of the Directors' indemnity arrangements can be found on page 63 of the Directors' Report.

### **Internal Controls and Risk Management**

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk and internal control systems in accordance with section C.2.3 of the UK Code and confirms that:

- there is an on-going process for identifying, evaluating, and managing the principal risks faced by the Group;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts;
- they are regularly reviewed by the Board; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The effectiveness of these systems is also reviewed through the work of the Audit Committee described on pages 49 to 51.

The key risks which the Board has focussed on this year together with their potential impact and mitigating actions are set out in the Risk Management Report on pages 30 to 33.

The Company has a Risk Management Framework which adopts a top down and a bottom up view of the key risks which involves both the downward cascade and upward escalation of risks between Group and the business units. It comprises a risk register template, a risk profile template and assessment guidelines to be used by both the Group and business units when considering risk. It also includes a detailed approach to formally recording and independently assessing Group level risks.

The Board has conducted a review of the effectiveness of the system of internal controls and risk management and is satisfied that it complies with Principle C.2.3 of the UK Code.

## **FINANCIAL AND BUSINESS REPORTING PROCESS**

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company. In addition to the Annual Report and Accounts the Company also ensures that other price-sensitive reports and other information are published externally.

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports which is set out in the Report of the Audit Committee on pages 49 to 51.

This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in Group Finance and throughout the Polypipe Group businesses);
- formal sign-offs from appropriate business segment senior executives;
- comprehensive review and, where appropriate, challenge from appropriate Group senior executives and Executive Directors;
- a transparent process to ensure full disclosure of information to the external auditors;
- oversight by the Group's Audit Committee, involving (amongst other duties):
  - a detailed review of key financial reporting judgements which have been discussed by management;
  - review and, where appropriate, challenge on matters including:
    - ▶ the consistency of, and any changes to, significant accounting policies and practices during the year;
    - ▶ significant adjustments resulting from an external audit;
    - ▶ the viability statement assumptions; and
    - ▶ the going concern assumption.

The above process provides comfort to the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

# CORPORATE GOVERNANCE STATEMENT

## BOARD MEETINGS

The Board met regularly during the year, holding nine Board meetings and a number of other meetings and teleconferences to discuss and review progress on issues affecting the Group throughout the year. A number of Board Committee meetings were also held during the year. Details of attendance at Board and Committee meetings are shown in the table below.

	Board Attendance	Audit Committee Attendance	Nomination Committee Attendance	Remuneration Committee Attendance
<b>Current Directors</b>				
Ron Marsh	9 of 9	–	2 of 2	5 of 5
David Hall	9 of 9	–	2 of 2	–
Martin Payne*	6 of 6	–	–	–
Moni Mannings	9 of 9	3 of 3	2 of 2	5 of 5
Paul Dean	9 of 9	3 of 3	2 of 2	5 of 5
Mark Hammond	9 of 9	3 of 3	2 of 2	5 of 5
<b>Past Director</b>				
Peter Shepherd **	3 of 3	–	–	–

\* Martin Payne served as Chief Financial Officer from 25 May 2016 to the end of the period.

\*\* Peter Shepherd served as Chief Financial Officer from the beginning of the period until 25 May 2016.

As the above table demonstrates every effort is made to ensure that all Directors, where possible, attend scheduled Board meetings. However, in the event that a Director is unable to attend a meeting, they are nevertheless provided with the meeting papers and information relating to the meeting and are able to discuss the issues arising with the Chairman and other Directors.

Senior management from across the Group, and advisers, attend some of the meetings for discussion of specific items in greater depth.

In order to provide the Board with greater visibility of the Group's operations and to provide further opportunities to meet senior management, the Board intends to visit at least one of the Group's business unit locations each year. Such visits allow the Board to gain a deeper understanding of local market dynamics and to assess management performance and potential. During the year, the Board visited the Group's operations in Genoa (Italy), Doncaster, Aylesford and Caerphilly. During these visits the Board members attended management presentations and/or tours of the factories and distribution centres.

In November 2016, the Board held its strategy day, where it spent a full day with senior management to discuss current performance of the Group and the Strategic Plan. Members of senior management presented to the Board the operational and financial performance of each business in detail and explained the growth prospects of each market segment in the UK and abroad.

Several Board dinners have been held ahead of scheduled Board meetings to provide a more relaxed forum than the formal meetings in which the Board members were able to have additional discussions which improves the focus of the formal Board meetings.

During the year the Chairman held one meeting with the Non-Executive Directors without the Executive Directors present, and the Non-Executive Directors met on one occasion without the Chairman being present to appraise the Chairman's performance as discussed below.

## BOARD COMMITTEES

The Company currently operates three Board committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. The role and

responsibilities of each Board Committee are set out in formal Terms of Reference. These Terms of Reference have been reviewed during the year and adjusted as necessary to improve the Committee's efficiency and to reflect changes of legislation and best practice. The updated Terms of Reference are available on the Company's website at [www.polypipe.com](http://www.polypipe.com).

The Board Committees make recommendations to the Board as they see fit.

## BOARD EVALUATION AND EFFECTIVENESS

In accordance with UK Code Provision B.6.1. to B.6.3., the Board and its Committees underwent their external evaluation conducted by Auxesis Consulting Limited (Auxesis). Auxesis has no connection with the Company. The evaluation consisted of a tailored, high level questionnaire for the Director's completion and one to one discussions with each of the Board members. The questionnaire was structured to provide Directors with an opportunity to express their views about:

1. Board structure and functionality;
2. Board meetings and contents;
3. Board administration and governance;
4. Interactions with management;
5. Committee structure, functionality and meetings; and
6. Personal effectiveness and overall Board effectiveness.

A report on the findings of the performance evaluation was prepared by Auxesis and presented by them to the Board in November 2016. The results of the evaluation indicated that the Board is rated effective to highly effective by its members and that the Directors view the Board as a whole as focussed with positive working relationships. Notwithstanding the above, the Directors recognised the need to continuously improve and develop their contributions. Going forward the following actions were agreed as a result of the exercise and these will be progressed over the coming year. These included:

- That the Board be provided with additional opportunities to focus on the Group's strategy;
- That the Non-Executive Directors would explore opportunities to further grow their understanding of the business and to increase contact with senior management;
- That succession planning of the Non-Executive Directors should be on the agenda for the coming years; and
- That the Board should consider improving efficiency by adopting electronic Board papers. This has been implemented with effect from December 2016.

In addition, the Chairman discussed with each Director their performance and their training needs and the Senior Independent Director led the assessment of the Chairman's leadership.

As a result of these individual reviews, it is considered that the performance of each of the Directors continues to be effective and that each Director demonstrates sufficient commitment to his or her role. It was acknowledged that the objective of the Board in supporting

the senior management team to improve the performance of the Group and promote the interests of the shareholders and stakeholders had been achieved and would continue to constructively challenge the senior management team. Consequently, the Chairman can confirm that each Director is suitable for re-election at the forthcoming AGM.

### SHAREHOLDER ENGAGEMENT

Responsibility for shareholder relations rests with the Chief Financial Officer. The Chief Financial Officer in conjunction with the Corporate Broker ensures that there is effective communication with shareholders on matters such as governance and strategy and maintains an active dialogue with investors through a planned programme of investor relations activities. As part of the investor relations programme, formal meetings with investors are scheduled to discuss the Group's interim and final results. In the intervening periods, the Company continues its dialogue with the investor community by meeting key investor representatives and holding investor roadshows.

During the reporting period, the top 20 shareholders of the Group were invited to meet with the Senior Independent Director and the Chair of the Remuneration Committee to ensure that the Board was aware of shareholder issues and concerns and to ensure that a satisfactory dialogue took place. Meetings were held with those shareholders who accepted the invitation and no concerns were raised.

The Chairman, the Senior Independent Director and the other Directors are available to engage in dialogue with major shareholders as appropriate. Board members develop an understanding of the views of major shareholders through analysts' and brokers' briefings and any direct contact initiated by shareholders. The Board believes that there were appropriate mechanisms in place during the year for the Board to understand the views of shareholders and to communicate with them on matters including governance, strategy and performance.

### ANNUAL GENERAL MEETING

The Company's AGM is to be held on 24 May 2017 at the Holiday Inn, High Road, Doncaster, DN4 9UX. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. A copy of the notice of AGM can be found on the Company's website at [www.polypipe.com](http://www.polypipe.com).

The AGM is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chairman of each of the Committees will be available to answer shareholders' questions at the AGM.

The notice of AGM will be sent out to shareholders at least 20 working days before the meeting. Results will be announced to the London Stock Exchange via an RNS announcement and published on the Company's website.

### RE-ELECTION OF DIRECTORS

At the AGM, all Directors will retire and submit themselves for re-election. As a result of the Board evaluation exercise, as Chairman I am satisfied that each Director continues to show the necessary level of commitment to the Group and has sufficient time available to fulfil his or her duties, to justify their re-election.

Approved by the Board and signed on its behalf.

**Ron Marsh**  
Chairman  
30 March 2017

## INTRODUCTION FROM THE CHAIR OF THE NOMINATION COMMITTEE

### DEAR SHAREHOLDER

I am delighted to present the report of the Nomination Committee for 2016. Since the appointment of Martin Payne as CFO at the 2016 AGM, there have been no further changes within the Board during the course of the year which has enabled the Committee to focus on its ongoing responsibilities. A more comprehensive description of the activities of the Committee during the year is provided in the following report. I will be available at the AGM to answer any questions about the work of the Committee.

#### Ron Marsh

Chair of the Nomination Committee  
30 March 2017

### COMMITTEE MEMBERSHIP AND MEETINGS

Throughout the year the Committee has comprised Ron Marsh (the Chairman), all of the Non-Executive Directors, being Moni Mannings, Paul Dean and Mark Hammond and David Hall (the Chief Executive Officer). Accordingly, there were five members. The Committee is chaired by the Board Chairman except when considering his own re-election.

In accordance with UK Code Provision B2.1. the majority of the members were independent. There have been no changes in the membership of the Committee during the year or since the year end.

The members of the Committee and details of their attendance at Committee meetings are set out on page 44. Biographies of each member are shown on pages 38 to 39. Under the Committee's Terms of Reference the Committee will normally meet not less than twice a year and at such other times as the Chairman shall require. The Committee held two scheduled formal meetings during the year under review. After each Committee meeting, the Chairman reports to the Board on the main items discussed.

### ROLE OF THE COMMITTEE

The Nomination Committee's main responsibilities are to evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and the Committees; to give full consideration to succession planning of Directors and other senior executives and to assist with the selection process of new Executive and Non-Executive Directors including the Chairman. The Committee's Terms of Reference were reviewed and updated during the year and explain the Committee's role and responsibilities. The Terms of Reference can be found on the Company's website at <http://investors.polypipe.com/corporate-governance/board-committees>. The Company Secretary acts as Secretary to the Committee.

In accordance with its terms of reference, the Nomination Committee is required to:

- Review the structure, size and composition of the Board and make recommendations to the Board, as appropriate;
- Consider succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board;
- Review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies;
- Identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Review the time commitment required from Non-Executive Directors; and
- Review the results of the Board performance evaluation process that relates to the composition of the Board.



### GOVERNANCE

The effectiveness of the Committee was considered as part of the Board and Committee evaluation detailed on pages 44 to 45. At its meeting in December 2016, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to operate effectively and provide robust challenge to the business.

### MAIN ACTIVITIES DURING THE YEAR

During the year under review the appointment of Martin Payne as Chief Financial Officer was finalised. Full details of the recruitment process were included on page 49 of the 2015 Annual Report and Accounts. The Nomination Committee also carried out its duties as listed above and has given particular focus to succession planning for both the Board members as well as senior executives as discussed below. As stated in the Corporate Governance Report, all of the Company's Directors will retire and each will offer themselves for re-election at the forthcoming AGM in accordance with UK Code Provision B.7.1. In proposing their re-election, the Chairman confirms that the Nominations Committee has considered the formal performance evaluation in respect of those Directors seeking re-election and the contribution and commitment of the Directors that are required to offer themselves for re-election. The Chairman has confirmed to the Board that their

# REPORT OF THE NOMINATION COMMITTEE

performance and commitment is such that the Company should support their re-election.

No Director was able to vote in respect of their own re-election when consideration was given to Director re-election at the AGM.

Information on the Directors' service agreements, shareholdings and share options of the Company is set out in the Directors' Remuneration Report on pages 53 to 61.

## SUCCESSION PLANNING

A key activity of the Committee is to keep under review the Company's succession plans for members of the Board and senior managers over the short, medium and long-term to ensure the Board and senior management remains appropriately balanced between new and innovative thinking and longer term stability. Management training is provided to senior and middle management where appropriate in order to develop internal talent for the future.

In addition, the Committee has considered emergency succession planning and is comfortable that a framework is in place should key management roles need to be covered on an interim basis.

Board appointment criteria are considered automatically as part of the Committee's approval on succession planning. The Committee believes that limited tenure of the Chairman and Non-Executive Directors and their subsequent enforced retirement as Directors is not always appropriate, and matters of Director tenure are viewed on a case by case basis. However, currently all the Non-Executive Directors and the Chairman have been appointed for less than six years as identified in Provision B.2.3 of the UK Code.

The Committee supports diversity, acknowledging the advantages that come from having diverse viewpoints and the influence in decision making. It is the aim of the Committee to always consider the benefits that arise from a diverse Board when making Board appointments. The Committee does not judge it

appropriate to introduce a quota system to enhance diversity in all of its forms to the Board. The Company's recruitment and appointment strategy is based on the merits of the candidates. Currently one of the six Directors is female.

Details of diversity within our workforce, including at Board and Executive management level can be found in our Corporate Responsibility Statement on page 34.

## TENURE OF NON-EXECUTIVE DIRECTORS

Appointments to the Board are typically made for an initial term of three years and are ordinarily limited to three consecutive terms in office subject to annual re-election by the shareholders at the AGM.

## NOMINATION COMMITTEE PRIORITIES FOR 2017

During the forthcoming year the Committee will be focusing on the succession planning of the senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed by the business. The Committee will also consider the succession planning of Non-Executive Directors so that replacements, which will be required in the longer term, can be phased over a suitable period. The Committee plans to make diversity an area of focus in 2017, bearing in mind the recommendations from the Hampton-Alexander Review on FTSE Women Leaders and the Parker review on Diversity of Boards, and will report on this in due course.

By order of the Board.

### Ron Marsh

Chair of the Nomination Committee  
30 March 2017

## INTRODUCTION FROM THE CHAIR OF THE AUDIT COMMITTEE

### DEAR SHAREHOLDER

I am pleased to present the Report of the Audit Committee for 2016.

The Committee is appointed by the Board from its Non-Executive Directors. Our Committee has continued to focus on the integrity of Polypipe's financial reporting, risk management and internal controls, and the quality of the internal and external audit processes. We will continue to keep our activities under review to ensure that we comply with any changes in the regulatory environment.

The Board has asked the Committee to oversee the process for determining whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

As a result of its work undertaken during the year and taking into account the result of the performance evaluation (further details are set out on pages 44 to 45), the Committee considers that it has acted in accordance with its Terms of Reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors.

Finally, in my role as Chair of the Audit Committee, I would like to welcome Martin Payne, the new Chief Financial Officer, to the Board, and thank both him and his predecessor, Peter Shepherd, for ensuring the handover was smooth and successful.

I will be available at the AGM to answer any questions about the work of the Committee.

**Paul Dean**  
Chair of the Audit Committee  
30 March 2017



# REPORT OF THE AUDIT COMMITTEE

## ROLE AND RESPONSIBILITIES

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website at <http://ir.polypipe.com>. The Terms of Reference have been reviewed and updated during the year to be in line with the Financial Reporting Council (FRC) Guidance on Audit Committees which was published in April 2016.

The key responsibilities of the Committee are to:

- Assist the Board with the discharge of its responsibilities in relation to internal and external audits;
- Monitor and review the Group's internal control and risk management systems;
- Monitor and review the effectiveness of the Group's internal audit function;
- Monitor the integrity of the financial statements of the Group including its annual and half-yearly reports, trading updates, preliminary results announcements and any other formal announcements relating to its financial performance, and reviewing significant financial reporting issues and judgements;
- Where requested by the Board, review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy;
- Oversee the relationship with the external auditor including the approval of the remuneration and the terms of engagement;
- Monitor and review the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Consider the scope of the annual audit and the extent of the non-audit services performed by the external auditor and agree the fee;
- Develop and implement the policy on the engagement of the external auditor to supply non-audit services taking into account relevant ethical guidance; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the Group's external auditor; and
- Report to the Board on how it has discharged its responsibilities.

## COMMITTEE MEMBERSHIP AND MEETINGS

The Committee is appointed by the Board and comprises three Non-Executive Directors, being Moni Mannings, Mark Hammond and Paul Dean. All Committee members are considered independent.

In accordance with the requirements of Provision C.3.1. of the UK Code, Paul Dean is designated as the Committee member with recent and relevant financial experience. All other members of the Committee are deemed to have the necessary ability and experience to understand the financial statements. The Committee as a whole has competence relevant to the sector in which the Group operates.

The Committee discharges its responsibilities through a series of scheduled formal meetings during the year. Each meeting has a formal agenda which is linked to the events in the financial calendar of the Group. Attendees at each of the meetings are the Committee members as well as, by invitation, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, and the external auditor, Ernst & Young LLP. The Company Secretary is also Secretary to the Audit Committee.

# REPORT OF THE AUDIT COMMITTEE

The Committee held three formal meetings during the year. In line with best practice, the Committee twice met with the Ernst & Young LLP lead audit partner without management being present.

## GOVERNANCE

The effectiveness of the Committee was considered as part of the Board and Committee evaluation detailed on pages 44 to 45. At its meeting in November 2016, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to operate effectively and provide robust challenge to the business.

## MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

As part of the process of working with the Board to carry out its responsibilities and to maximise effectiveness, meetings of the Committee normally take place prior to the Board meetings, at which the Chair of the Committee provides an update to the Board.

At these meetings the Committee focussed on the following areas:

### *Financial reporting*

During the year, Audit Committee meetings were held prior to the Board meetings to approve the Group's interim and annual financial statement announcements and to consider the financial reporting judgements made by management. These considerations are made through review of the accounting papers and financial reports prepared by management and reports prepared by the Group's external auditor.

The Committee also reported to the Board that it considered that, taken as a whole, the 2016 Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

### *Significant financial reporting risk and judgements*

The significant risk reviewed by the Committee in respect of the year under review was as follows:

- **Customer rebates and revenue recognition** – The Committee considered the operating effectiveness of controls surrounding revenue recognition and management's subjective assessment and recognition of customer rebate liabilities at the interim and year end;

The significant judgements reviewed by the Committee in respect of the year under review were as follows:

- **Goodwill impairment** – The Committee considered a detailed report prepared by management setting out the assumptions used in determining whether goodwill required impairment for any of the business units. This included a review of the discount rate and growth factors used to calculate the discounted projected future cash flows, the sensitivity analysis applied, and the discounted projected future cash flows used to support the carrying amount of the goodwill;
- **Property, plant and equipment impairment** – The Committee considered a report prepared by management setting out the events and changes in circumstances which indicated that the carrying amount of one of the Group's surplus properties may not now be fully recoverable, and the resulting charge from writing it down to its now estimated recoverable amount; and
- **Inventory provision** – The Committee reviewed the carrying amount of the Group's finished goods inventory and management's assessment and recognition of the appropriate level of provisioning against slow moving and obsolete items.

### *Internal control, internal audit and risk management*

The Committee has reviewed and approved the scope of the rolling internal audit work programme in relation to the Group's internal controls and procedures at each of the three meetings held during the year.

The Committee reviews and challenges the results and reports from the internal audit work programme and the adequacy of management's responses and resolution.

The Group's risk assessment process, including how significant financial risks are managed and mitigated, is a key area of focus for the Committee. In 2015, the Committee monitored and reviewed the Group's risk management development which included a review of the results of Polypipe Group's self-assessment against the FRC Guidance relating to Risk Management and the results of an external review by Ernst & Young LLP who carried out the FPP review as part of the IPO process. During the year under review, the Committee monitored and reviewed the Group's now established risk management framework and the results of testing performed by the Group's internal audit function on specific elements of that framework. There were no significant internal control failings or weaknesses during the year.

### *Other activities*

Other activities undertaken by the Committee during the year included the following:

- Oversaw the handover process from the previous to the current Chief Financial Officer;
- Considered the external audit plan and agreed the audit fee;
- Considered the viability statement and going concern assumption;
- Reviewed the insurance policies in place to protect the Group;
- Reviewed the Committee's performance, effectiveness and constitution; and
- Recommended the Audit Committee Report for approval by the Board.

## EXTERNAL AUDIT

### *Appointment*

The Committee carefully considers the reappointment of the external auditor each year prior to making their recommendation to the shareholders. As part of this process, the Committee considers the independence of the external auditor, the effectiveness of the external audit process, its remuneration, and the terms of engagement. Having reviewed the performance of Ernst & Young LLP in 2016, the Committee has decided to recommend to the Board that Ernst & Young LLP should be reappointed for the 2017 audit and a resolution to this effect will be put to the 2017 AGM.

In accordance with current professional standards, the external auditor is required to change the lead audit partner every five years in order to protect auditor independence and objectivity. Ernst & Young LLP were awarded the external audit in 2012 following a competitive tendering process and Stuart Watson has been the lead audit partner since that date. Accordingly, a rotation of the lead audit partner is required in 2017. In accordance with the UK Code, Competition and Markets Authority (CMA) Order and EU Audit Directive, it is the Group's intention to put the audit out to tender at least every ten years. Accordingly, the Company plans to run a competitive tender process in or before 2022 and will therefore comply with the CMA Order.

### *Independence*

The independence of the external auditor has been confirmed by Ernst & Young LLP in November 2016 and March 2017 at the Audit Committee meetings. The Committee considered Ernst & Young LLP's presentation on auditor independence, and the recent changes to auditor independence requirements, and confirmed that it considered the auditor to be independent.

### *Non-audit services*

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the Financial Reporting Council. This further increases auditor objectivity and independence. Any significant non-audit services will be awarded via a competitive tender process. There were no exceptions to this policy during 2016.

### *Effectiveness of the external audit process*

The Committee operates a formal process for reviewing the effectiveness of Ernst & Young LLP during the year under review. This process included the following:

- An assessment of the lead audit partner and the audit team;
- A review of the audit approach, scope, determination of significant risk areas and materiality;
- The execution of the audit;
- 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.

After considering the above matters, the Committee considered that the audit had been effective and recommended to the Board that Ernst & Young LLP be reappointed as external auditor to the Group.

## FRAUD, WHISTLE-BLOWING AND THE BRIBERY ACT

The Committee monitors any reported incidents under its whistle-blowing policy, which has been reviewed during the year. This policy is included in the Employee Handbook and sets out the procedure for employees to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

- Something that could be unlawful;
- A miscarriage of justice;
- A danger to the health and safety of any individual;
- Damage to the environment; or
- Improper conduct.

There were no concerns raised up to Group level which required the attention of the Committee during the year.

The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Group Finance Manual sets out the procedures to which employees must adhere and is aimed at reducing the risk of fraud from occurring. The Group is committed to a zero-tolerance position with regard to bribery. Those employees which the Group considers more likely to be exposed to potential breaches of its Group policy and statutory obligations under the UK Bribery Act have been provided with relevant guidance on compliance with their obligations. The Group maintains a record of all employees who have received this guidance and requests annual confirmations from each individual stating that they have complied with the Group's Anti-Bribery policy.

By order of the Board.

### **Paul Dean**

Chair of the Audit Committee  
30 March 2017

# INTRODUCTION FROM THE CHAIR OF THE REMUNERATION COMMITTEE

## DEAR SHAREHOLDER

I am pleased to present our Remuneration Report for 2016. This report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the UK Listing Authority Listing Rules and consistent with the UK Code.

No changes will be made this year to the Policy Report which was approved by shareholders at our 2015 AGM and which can be found in our 2014 Annual Report and Accounts (available in the Investors section of our website).

The most substantive issues considered by the Remuneration Committee (the Committee) during the past year are set out below.

## REWARDING 2016 PERFORMANCE

The financial and operating performance of Polypipe in 2016 is set out on pages 74 to 108.

Based on the Company's strong financial performance during the year and fulfilment of individual objectives, the Committee determined that David Hall, Chief Executive Officer (CEO), earned 69.4% of his maximum potential annual bonus in respect of 2016 performance, and both Martin Payne, Chief Financial Officer (CFO), and Peter Shepherd, former CFO, earned 74.4% of the maximum potential annual bonus in respect of 2016 performance pro-rated to reflect the amount of time served during the year.

## RETIREMENT OF PETER SHEPHERD

As a Committee, we recognise our responsibility to ensure that pay decisions relating to departing Directors are determined fairly both for shareholders and for the departing individuals. During 2016, our former CFO, Peter Shepherd, retired after 10 years' service to Polypipe. Peter received no further payments following cessation of employment

other than a time pro-rated annual bonus for 2016 based on Polypipe's full-year performance. His outstanding deferred share bonus awards vested upon cessation of employment in accordance with our standard policy for good leavers, and were settled in cash.

## APPOINTMENT OF MARTIN PAYNE

The Committee approved the pay arrangements for the new CFO, Martin Payne in line with our Policy Report. Full details of those arrangements are on pages 55 to 57.

## LTIP AWARDS

During 2016, the Committee approved the first LTIP award to Executive Directors since Admission. Award levels were 125% of annual salary to David Hall and 88% of annual salary to Martin Payne (time pro-rated downwards from 100% of annual salary to reflect that he will be employed for only part of the three-year period to which they relate). These award levels are significantly below the maximum permitted in our Policy Report (200% of annual salary).

The Committee considered a number of possible performance measures and concluded that a combination of stretching EPS growth targets and a relative Total Shareholder Return (TSR) measure provided an appropriate basis for rewarding the successful delivery of longer term strategic priorities, Company growth and shareholder value.

## PAY DECISIONS FOR 2017

The pay structure for our current Executive Directors for 2017 is outlined on pages 53 to 61. Key decisions made by the Committee in relation to 2017 include:

- The award of a 2.5% annual salary increase for Executive Directors. This is consistent with the average increase awarded to the Polypipe UK workforce for 2017.



- No changes to the performance measures to be used to assess Company performance in 2017. The Group Underlying Operating Profit and Working Capital financial measures which determine 90% of the bonus and the Underlying diluted EPS and relative TSR measures which determine 100% of the LTIP provide alignment with the priorities outlined in the Strategic Report and alignment with our shareholders' interests. The Committee believes that this combination of measures provides a fair and rounded assessment of short-term and longer term Company performance.

## SHAREHOLDER ENGAGEMENT

We take a keen interest in our shareholders' views on executive remuneration and welcome any feedback on the Remuneration Report.

This Remuneration Report will be subject to an advisory vote at the 2017 AGM.

I hope you will find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the resolution relating to remuneration at the AGM.

### Moni Mannings

Chair of the Remuneration Committee  
30 March 2017

# ANNUAL REPORT ON REMUNERATION

## UNAUDITED INFORMATION IMPLEMENTATION OF REMUNERATION POLICY IN 2017

This section provides an overview of how the Committee is proposing to implement our remuneration policy in 2017 for the Executive Directors.

### *Base annual salary*

As described in the Statement from the Chair of the Remuneration Committee, a standard annual salary review has been carried out by the Committee. The Committee approved a 2.5% increase in Executive Director salaries effective from 1 January 2017. This increase is consistent with the average annual salary increase awarded to the Company's UK workforce for 2017.

	Salary 1 January 2016	Salary 1 January 2017	% increase
David Hall (CEO)	£446,516	<b>£457,679</b>	2.5%
Martin Payne (CFO)	£285,000 (upon appointment in May 2016)	<b>£292,125</b>	2.5%

### *Pension*

Policy maximum: 20% of annual salary.

In 2017, the Executive Directors will receive a Company contribution worth 20% of annual salary to the Group Pension Plan, a personal pension scheme, or as a cash allowance.

### *Other benefits*

In 2017, the Executive Directors will receive a standard package of other benefits consistent with those received in 2016.

### *Annual bonus*

Policy maximum: 125% of annual salary.

The annual bonus plan for 2017 will be broadly consistent with the bonus plan operated in 2016. Key features of the plan for 2017 are:

- There will be a maximum bonus opportunity of 125% of annual salary for David Hall and 100% of annual salary for Martin Payne.
- 25% of any bonus earned will be deferred into shares under the Deferred Share Bonus Plan (DSBP). These shares will be released half after two years post grant and half after three years post grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual or if evidence emerges of a material health and safety breach, then the Committee has the flexibility to withhold the value of shares granted under the DSBP and/or to require repayment of an appropriate portion of the annual bonus cash award in respect of the relevant bonus year.

The annual bonus for 2017 for Executive Directors will be determined as detailed below:

As a percentage of maximum bonus opportunity	CEO	CFO
Performance measure		
Group Underlying Operating Profit	70%	70%
Working Capital	20%	20%
Individual objectives	10%	10%

The targets for these performance measures in relation to the financial year 2017 are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report to the extent that they do not remain commercially sensitive at that time.

# ANNUAL REPORT ON REMUNERATION

## LTIP

Policy maximum: 200% of annual salary.

The Executive Directors will receive an award under the LTIP during 2017. Key terms of this award will be:

- David Hall will receive an award over shares worth 125% of annual salary at grant and Martin Payne will receive an award over shares worth 100% of annual salary at grant.
- Awards will become exercisable three years after grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in too high a level of vesting under the LTIP or if evidence comes to light of material misconduct by an individual or if evidence emerges of a material health and safety breach, then the Committee has the flexibility to withhold or recover the value of shares granted under the LTIP.
- Awards will be subject to a combination of underlying diluted EPS and relative TSR performance measures assessed over a three-year period as detailed below:

Underlying diluted EPS performance condition (75% of award)			TSR performance condition (25% of award)	
	Three-year cumulative underlying diluted EPS	% of overall award vesting	Ranking in TSR comparator group	% of overall award vesting
Below threshold	<82.8 pence per share	0%	Below median	0%
Threshold	82.8 pence per share	18.75%	Median	6.25%
Maximum	94.5 pence per share	75%	Upper quartile	25%

*Threshold three-year cumulative underlying diluted EPS is calculated using a 5% per annum growth on 2016 underlying diluted EPS. Maximum three-year cumulative underlying diluted EPS is calculated using a 12% per annum growth on 2016 underlying diluted EPS. Vesting for performance between Threshold and Maximum will be calculated pro-rata on a straight-line basis.*

*Comparator group comprises companies in the FTSE 250 Index that are classified as Industrials by the Industry Classification Benchmark. Vesting for performance between Median and Upper quartile will be calculated pro-rata on a straight-line basis.*

## Sharesave Plan

Invitations to UK employees (including Executive Directors) to participate in the Sharesave Plan were issued in 2014 and 2016. The Board will, in due course, consider the appropriate timing for the next invitation to participate in the Sharesave Plan.

## Non-Executive Director remuneration

During the year, Non-Executive Director fees were reviewed for the first time since the Company's Admission in 2014. Following this review, the table below shows the revised fee structure for Non-Executive Directors for 2017. Non-Executive fees are determined by the full Board except for the fee for the Chairman of the Board, which is determined by the Committee.

	2017 fees
Chairman of the Board all-inclusive fee	£140,000
Basic Non-Executive fee	£45,000
Senior Independent Director additional fee	£10,000
Chair of Audit Committee additional fee	£8,000
Chair of Remuneration Committee additional fee	£8,000

## AUDITED INFORMATION

The information provided in this section of the Remuneration Report up until the 'Unaudited information' heading on page 60 is subject to audit.

### SINGLE TOTAL FIGURE OF REMUNERATION

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for 2016 with comparative figures for 2015.

All figures shown in £'000	2016					Total	2015				
	Salary and fees <sup>(1)</sup>	Benefits <sup>(2)</sup>	Annual bonus <sup>(3)</sup>	Pension <sup>(4)</sup>	Other <sup>(5)</sup>		Salary and fees <sup>(1)</sup>	Benefits <sup>(2)</sup>	Annual bonus <sup>(3)</sup>	Pension <sup>(4)</sup>	Total
<b>Executive Directors</b>											
David Hall	447	24	388	89	–	948	436	24	372	87	919
Martin Payne <sup>(6)</sup>	179	8	134	36	312	669	–	–	–	–	–
Peter Shepherd <sup>(7)</sup>	126	7	94	25	–	252	282	17	192	56	547
<b>Non-Executive Directors</b>											
Ron Marsh <sup>(8)</sup>	130	–	–	–	–	130	98	–	–	–	98
Paul Dean <sup>(9)</sup>	60	–	–	–	–	60	56	–	–	–	56
Moni Mannings	50	–	–	–	–	50	50	–	–	–	50
Mark Hammond	42	–	–	–	–	42	42	–	–	–	42
Alan Thomson <sup>(8)</sup>	–	–	–	–	–	–	53	–	–	–	53

#### Notes to the table – methodology

- (1) Salary and fees – Executive Director salaries were increased by 2.5% effective 1 January 2016 consistent with the average increases awarded to the Company's UK workforce. Martin Payne's annual salary was set at £285,000 per annum upon appointment in May 2016. The structure of Non-Executive Director fees was unchanged in 2016 compared to 2015.
- (2) Benefits – this represents the taxable value of all benefits. Executive Directors receive benefits including car allowance, fuel allowance, private family medical insurance and life assurance of four times annual salary.
- (3) Annual bonus – the bonus is paid 75% in cash and 25% deferred into shares under the DSBP. Further details on the 2016 annual bonus are set out on page 57.
- (4) Pension – pension provision is 20% of annual salary.
- (5) Other – this column comprises:
  - (i) £307,060 being the value of shares awarded to Martin Payne in partial compensation for bonus and long-term incentive awards forfeited when he left his previous employer Norcross plc. Although some of these shares do not vest in 2016, their full value is included in this year's single figure table for compliance with legislation. The shares have been valued at the share price when the award was granted of £3.226 per share. Full details of these shares are set out below.
  - (ii) £4,919 being the value of the grant of options to Martin Payne under the Sharesave Plan during 2016. The grant has been valued at 21.8% of the face value of shares under option, which is the IFRS 2 valuation for this award.
- (6) Martin Payne joined the Company on 16 May 2016 and was appointed to the Board on 25 May 2016.
- (7) Peter Shepherd stepped down from the Board on 25 May 2016 and retired from the Company on 3 June 2016.
- (8) Alan Thomson retired following the AGM in May 2015 and was replaced as Chairman by Ron Marsh.
- (9) Paul Dean was appointed as the Senior Independent Director with effect from the AGM in May 2015.

## ADDITIONAL DISCLOSURES IN RESPECT OF THE SINGLE FIGURE TABLE

### New CFO's pay arrangements

Martin Payne commenced employment with the Company on 16 May 2016 and was appointed to the Board on 25 May 2016. His pay arrangements upon appointment were in line with our Policy and comprised:

- Annual salary of £285,000.
- Pension contribution worth 20% of annual salary plus a standard benefits package.
- Eligibility to participate in the annual bonus plan. In 2016, Martin Payne had a maximum bonus potential of 100% of annual salary time pro-rated to reflect the proportion of the year that he was employed by Polypipe.
- Annual LTIP awards. The current policy is that Martin Payne will receive an annual LTIP award of shares worth 100% of annual salary. His first LTIP award was granted in May 2016 shortly after he commenced employment with Polypipe and was time pro-rated to reflect the fact that he will be employed for only part of the three-year period to which the award relates.
- 12-month notice period.

# ANNUAL REPORT ON REMUNERATION

In addition, certain buy-out arrangements (set out below) were agreed to partially compensate Martin Payne for bonus and long-term incentive awards that were forfeited when he left his previous employer Norcros plc. The buy-out arrangements have been structured in accordance with the principles set out in our Policy Report, in particular that they should be of comparable commercial value to the incentives that have been forfeited.

		Value of buy-out award (at grant)	Form of buy-out award		
<b>Compensation for forfeited annual bonus</b>	Relates to the annual bonus Martin Payne would have received from his previous employer Norcros plc in relation to the year of his departure (year ended 31 March 2016) if he had not joined Polypipe.	£67,417 *	To provide alignment with shareholders, the buy-out award has been granted wholly in the form of Polypipe shares. These shares will vest on the dates set out below subject to continued employment but no further performance conditions as the number of shares has been calculated based on an assessment of the anticipated performance outturn at Norcros plc.		
				Number of Shares	Date of Vesting
				10,449 *	May 2018
			10,449 *	May 2019	
<b>Compensation for forfeited long-term incentives</b>	Relates to long-term Norcros plc share awards due to vest in 2016 and 2017 that were forfeited by Martin Payne on joining Polypipe.  No compensatory award was granted in respect of forfeited long-term awards due to vest in 2018.	£239,643  This is an estimated equivalent value to the forfeited 2016 and 2017 long-term awards taking into account all relevant factors including time elapsed and performance to date.	The buy-out award will vest on the same dates that the original Norcros plc awards would have vested, subject to continued employment but no further performance conditions as the number of shares has been calculated based on an assessment of the anticipated performance outturn at Norcros plc.		
				Number of Shares	Date of Vesting
				50,601	September 2016
			23,684	July 2017	

\* The original buy-out award disclosed in our Stock Exchange announcement of 31 May 2016 was over 49,800 shares which was an estimate of the value of the bonus that would be forfeited by Martin Payne. Following his appointment at Polypipe, Martin Payne received a cash bonus from Norcros plc in relation to the year of his departure although he still forfeited a deferred share bonus. The original buy-out award was accordingly reduced to 20,898 shares to reflect the value of the cash bonus that was received from Norcros plc.

All of these non-pensionable share awards were granted under a deed in accordance with Listing Rule 9.4.2R (2) of the Listing Rules in order to facilitate the recruitment of Martin Payne as permitted by the 'Approach to Recruitment Remuneration' section of our Policy Report. Other significant terms of these awards are as follows:

- Awards were granted as nil cost options exercisable from their respective vesting dates until the tenth anniversary of grant. At its discretion, the Committee may permit settlement in cash.
- The number of shares was calculated using the share price of £3.226 per share being the average closing share price for 25-27 May 2016 (the three dealing days prior to grant). The value of the shares in the above table is based on this share price.
- With the exception of shares vesting in September 2016, the number of shares under award will be increased to reflect dividends with a record date between the date Martin Payne commenced employment with the Company and the vesting date. The value of the dividends will be determined as if they had been reinvested into Company shares on such terms as the Committee will determine.
- In such circumstances as the Committee determines appropriate, including if a material misstatement of Norcros plc's audited financial results (in relation to which a buy-out award is being granted) subsequently comes to light or if evidence comes to light of material misconduct by the individual, then the Committee has the flexibility to withhold the buy-out awards.
- Awards will be satisfied by existing shares other than treasury shares.

- Ordinarily unvested buy-out awards would lapse on cessation of employment. However, if Martin Payne ceases to hold office or employment in good leaver circumstances including death, ill-health, injury or disability or any other reason at the Committee's discretion (except in circumstances justifying summary dismissal), unvested awards would become exercisable on a time pro-rated basis (unless the Committee determines otherwise) either at the original vesting date or the date of cessation of employment at the Committee's discretion.
- In the event of a change of control (other than an internal reorganisation of the Polypipe Group), unvested awards would become exercisable on a time pro-rated basis (unless the Committee determines otherwise).
- The Committee may allow some or all of the award to vest (or adjust the number of shares subject to the award) in the event of demerger, delisting, special dividend or other event which, in their opinion, would affect the current or future value of the award. The number of shares subject to the award may also be adjusted in the event of any variation of share capital.
- No further awards will be made under the arrangement and no amendments will be made to the advantage of Martin Payne in relation to (i) the basis for determining his entitlement to, and the terms of, shares to be provided under the award; and (ii) any adjustment that may be made for any variation of share capital or special dividend without prior shareholder approval in general meeting except for minor amendments to benefit the administration of the award, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.
- The award is personal to Martin Payne and cannot be transferred, assigned or otherwise disposed of by him (other than to his personal representative following his death).

### Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2016 was 125% of annual salary for David Hall and 100% of annual salary for both Martin Payne and Peter Shepherd (time pro-rated in both cases to their proportion of the year that they were employed by Polypipe).

For David Hall and Martin Payne, 75% of the bonus earned will be paid in cash and 25% will be deferred into shares under the DSBP. These shares will be released half after two years post grant and half after three years post grant. For Peter Shepherd, the bonus will be paid wholly in cash. Malus and clawback provisions apply to the bonuses of all of the aforementioned Directors.

Performance measures and targets applying to the 2016 annual bonus are set out below:

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	% of maximum bonus payable
Group Underlying Operating Profit	70%	£63.4m	£66.7m	£76.7m	£69.4m	44.4%
Working Capital	20%	Net working capital position assessed at the end of each month relative to target. Monthly targets range from (£4.0m) to £31.9m due to seasonality. Maximum performance requires the monthly target to be met at the end of all 12 months.	35% of total bonus payable	70% of total bonus payable	Target achieved in all 12 months	20.0%
Individual objectives	10%	David Hall: objectives linked to operational performance and succession planning.			Partially achieved	5.0%
		Martin Payne: objectives linked to satisfactory handover from previous CFO and management of year end leverage position.			Fully achieved	10.0%
		Peter Shepherd: objectives linked to satisfactory handover to new CFO.			Fully achieved	10.0%
		<b>Total bonus payable % of maximum</b>	<b>Total bonus payable £'000 and % of annual salary</b>			
David Hall		69.4%	388 (86.8% of 2016 annual salary)			
Martin Payne		74.4%	134 (74.4% of salary earned in period 16 May – 31 December 2016)			
Peter Shepherd		74.4%	94 (74.4% of salary earned in period 1 January – 3 June 2016)			

# ANNUAL REPORT ON REMUNERATION

## SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR

### LTIP

An award was granted under the LTIP to selected senior executives, including the Executive Directors, in May 2016. This award is subject to the performance conditions described below and will become exercisable in May 2019.

Type of award	Date of grant	Maximum number of shares	Face value (£)*	Face value (% of salary)	Threshold vesting (% of award)	End of performance period
David Hall	10 May 2016	194,340	£558,145	125%	25% of award	EPS element – December 2018
Martin Payne – Nil cost option	31 May 2016	77,743	£250,800	88% **		EPS element – May 2019

\* The maximum number of shares that could be awarded has been calculated using the share price of £2.872 per share for David Hall's award (average closing share price for 5-9 May 2016) and £3.226 per share for Martin Payne's award (average closing share price for 25-27 May 2016) and is stated before the impact of reinvestment of the dividends paid since grant.

\*\* The LTIP award was reduced from 100% of annual salary on a time pro-rated basis to reflect the fact that he will be employed for only part of the three-year period to which the award relates.

Vesting of the awards is subject to satisfaction of the following performance conditions measured over a three-year performance period. Vesting is calculated on a straight-line basis.

Underlying diluted EPS performance condition (75% of award)			TSR performance condition (25% of award)	
	Three-year cumulative underlying diluted EPS	% of overall award vesting	Ranking in TSR comparator group	% of overall award vesting
Below threshold	<71.92 pence per share	0%	Below median	0%
Threshold	71.92 pence per share	18.75%	Median	6.25%
Maximum	82.11 pence per share	75%	Upper quartile	25%
<p><i>Threshold three-year cumulative underlying diluted EPS is calculated using a 5% per annum growth on 2015 underlying diluted EPS, adjusted for a full year of ownership of Nuaire. Maximum three-year cumulative underlying diluted EPS is calculated using a 12% per annum growth on 2015 underlying diluted EPS, adjusted for a full year of ownership of Nuaire. Vesting for performance between Threshold and Maximum will be calculated pro-rata on a straight-line basis.</i></p>			<p><i>Comparator group comprises companies in the FTSE 250 Index that are classified as Industrials by the Industry Classification Benchmark. TSR performance will be measured over the three-year period to 9 May 2019. Vesting for performance between Median and Upper quartile will be calculated pro-rata on a straight-line basis.</i></p>	

### Deferred Share Bonus Plan awards

On 26 April 2016, the Executive Directors received an award of shares under the Deferred Share Bonus Plan relating to the 2015 annual bonus. The value of these shares was included in the annual bonus figure in the 2015 single total figure of remuneration. No further performance conditions apply to these shares.

Type of award	Maximum number of shares	Face value (£)*	Vesting date
David Hall	31,174	£92,899	50% vests in each of April 2018 and April 2019
Peter Shepherd	16,128	£48,060	

\* The maximum number of shares awarded was calculated using the average closing share price for the 3 dealing days prior to grant of £2.98 per share.

### Sharesave Plan

Martin Payne participated in the 15 September 2016 grant of options under the Sharesave Plan on the same terms as other UK employees. Details relating to his participation in this grant are set out below. No performance conditions apply to these options.

Type of award	Maximum number of shares	Face value (£)	Options exercisable from
Martin Payne	8,144	£22,575	September 2019

Each option is exercisable at an exercise price of £2.21 per share. The option exercise price represents a 20% discount to the average closing price of a share on the three dealing days prior to the invitation to participate in the Company's Plan which was £2.772 per share. The face value of options in the above table is based on the aforementioned share price.

## PAYMENTS TO PAST DIRECTORS

There were no payments to past Directors during 2016.

## PAYMENTS FOR LOSS OF OFFICE

Peter Shepherd, the former CFO, stepped down from the Board on 25 May 2016 and retired from the Company on 3 June 2016. He received salary, pension and benefits up until his retirement date (as outlined in the single total figure of remuneration table above) and received no subsequent loss of office payments.

The Committee determined that Peter Shepherd should be entitled to receive a time pro-rated bonus for 2016 based on the Company's full-year performance (again as outlined in the single total figure of remuneration table above).

Peter Shepherd's outstanding share incentives were treated in accordance with the rules of the applicable plans:

- DSBP — Peter Shepherd was granted 22,155 ordinary shares in April 2015 and 16,128 ordinary shares in April 2016 representing the 25% retained value of his 2014 and 2015 annual bonus awards. The Committee determined that he should be treated as a good leaver in respect of these awards which therefore vested on 3 June 2016. Under the rules of the DSBP he took up the option to receive a cash amount in substitution for the right to receive these shares.
- Sharesave Plan – Peter Shepherd's outstanding options held under the all-employee Sharesave Plan may be exercised in accordance with the rules of the Sharesave Plan.

## STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

Upon Admission, the Committee introduced a shareholding requirement of 100% of base annual salary for the Executive Directors.

Executive Directors are expected to achieve the shareholding requirement within five years of an individual becoming subject to the requirement. The Committee reviews ongoing individual performance against the shareholding requirement at the end of each financial year.

David Hall has a shareholding that surpassed the requirement at 31 December 2016. Martin Payne commenced employment with the Company during 2016 and is building up his shareholding in line with the aforementioned five-year timescale.

The number of shares currently held by Directors are set out in the table below:

Director	Number of shares at 31 December 2016				
	Shares owned outright	Interests in share incentive schemes, subject to performance conditions	Interests in share incentive schemes, awarded without performance conditions		
		LTIP <sup>(1)</sup>	DSBP <sup>(2)</sup>	Recruitment awards <sup>(3)</sup>	Sharesave Plan <sup>(4)</sup>
David Hall <sup>(5)</sup>	5,873,740 (4,158% of salary)	194,340	73,975	–	9,045
Martin Payne <sup>(5)</sup>	56,819 (63% of salary)	77,743	–	44,582	8,144
Ron Marsh	175,000	–	–	–	–
Paul Dean	5,000	–	–	–	–
Moni Mannings	–	–	–	–	–
Mark Hammond	15,000	–	–	–	–
Peter Shepherd <sup>(6)</sup>	2,477,037	–	38,283	–	9,045

### Notes to the table

(1) This relates to shares awarded under the LTIP in May 2016.

(2) This relates to shares awarded under the DSBP in April 2015 and April 2016 in relation to the 2014 and 2015 annual bonuses respectively.

(3) This relates to shares awarded to Martin Payne in partial compensation for bonus and long-term incentive awards forfeited when he left his previous employer Norcros plc. Full details are set out on pages 55 to 57. A further 50,601 shares vested during 2016 and are included, net of shares sold to satisfy the related personal tax liability, in the 'Shares owned outright' column.

(4) This relates to shares awarded under the Sharesave Plan in September 2014 (David Hall and Peter Shepherd) and September 2016 (Martin Payne).

(5) For the purposes of determining the value of Executive Director shareholdings, the individual's current annual salary and the share price as at 31 December 2016 has been used (£3.24 per share).

(6) Shareholding as at date of cessation of employment in June 2016.

Between 31 December 2016 and the date of this report, there were no changes in the shareholdings of current Directors outlined in the above table.

# ANNUAL REPORT ON REMUNERATION

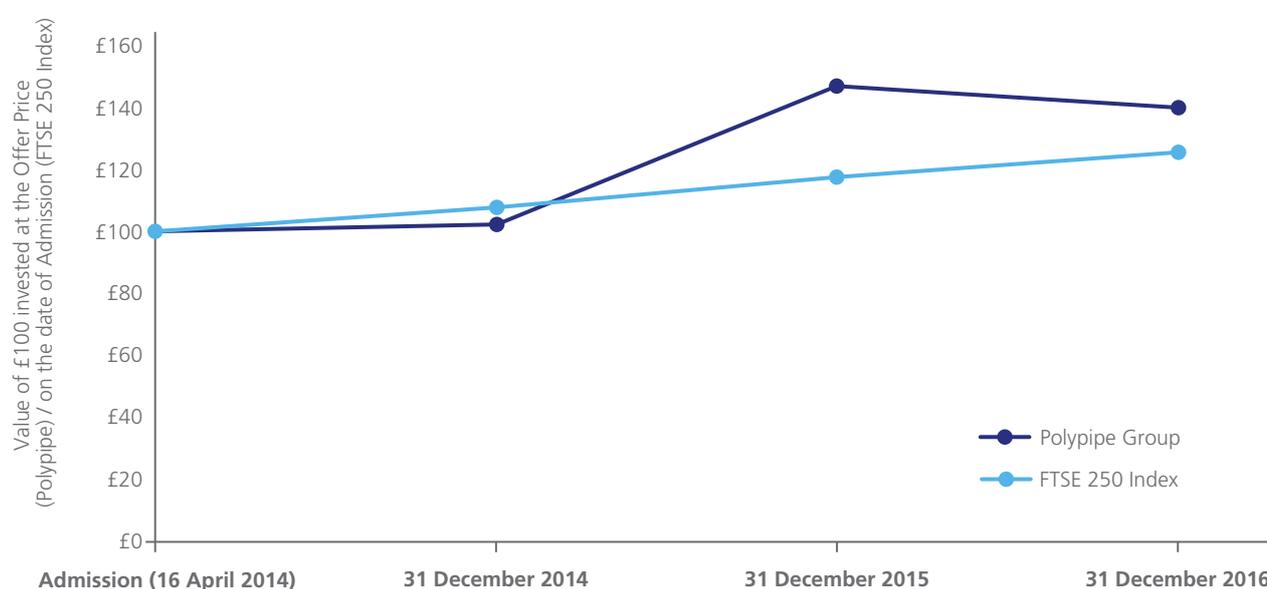
## UNAUDITED INFORMATION

The information provided in this section of the Remuneration Report is not subject to audit.

## PERFORMANCE GRAPH AND CEO REMUNERATION TABLE

The chart below compares the Total Shareholder Return performance of the Company over the period from Admission to 31 December 2016 to the performance of the FTSE 250 Index. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the Offer Price of £2.45 per share.

The table below the chart summarises the CEO single figure for total remuneration, annual bonus pay-outs and long-term incentive vesting levels as a percentage of maximum opportunity over this period.



	2014	2015	2016
CEO single figure of remuneration £'000	955	919	<b>948</b>
Annual bonus pay-out (as a % of maximum opportunity)	88.7%	68.2%	<b>69.4%</b>
LTIP vesting out-turn (as a % of maximum opportunity)	n/a (no award vested in 2014)	n/a (no award vested in 2015)	<b>n/a (no award vested in 2016)</b>

## PERCENTAGE CHANGE IN REMUNERATION OF THE CEO

The chart below illustrates the percentage change in annual salary, benefits and bonus between 2015 and 2016 for the CEO and the average for all Company UK employees. The CEO is a UK-based employee so the Committee feels that a comparator based on all UK employees is appropriate for the purposes of this analysis.

	Salary change (2015 to 2016)	Benefits change (2015 to 2016)	Annual bonus change (2015 to 2016)
CEO	+ 2.5%	–	+ 4.3%
Average for all UK employees	+ 2.5%	–	+17.8%

## RELATIVE IMPORTANCE OF THE SPEND ON PAY

The chart below illustrates the total expenditure on pay for all of the Company's employees compared to dividends payable to shareholders.



## CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee is chaired by Moni Mannings. During the year, the Committee also comprised Ron Marsh, Paul Dean and Mark Hammond.

The Committee met 5 times during 2016. The CEO, David Hall, was also present at those meetings by invitation. Martin Payne, CFO attended selected parts of some meetings by invitation.

The Committee is responsible for determining all aspects of Executive Director pay. It also monitors pay arrangements for other senior executives and oversees the operation of all share plans. Full terms of reference of the Committee are available on our website.

Deloitte LLP was appointed in 2014 to provide advice on executive remuneration matters. During the year, the Committee received independent and objective advice from Deloitte LLP principally on market practice, incentive design and drafting of the Remuneration Report for which Deloitte LLP was paid £47,300 in fees (charged on a time plus expenses basis). Deloitte LLP is a founding member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. In addition, during 2016, other departments within Deloitte LLP provided advice to the Company in relation to tax. The Committee has reviewed the nature of this additional advice and is satisfied that it does not compromise the independence of the advice that it has received.

## SHAREHOLDER VOTING ON REMUNERATION REPORT RESOLUTIONS

A high level of shareholder support has been received for our Remuneration Report resolutions since Admission as summarised below:

	Votes for	Votes against	Votes withheld
Approval of the Policy Report 2015 AGM	146,494,935 (99.99%)	1,457 (0.01%)	3,197,875
Approval of the Annual Report on Remuneration			
2015 AGM	144,345,469 (98.53%)	2,150,923 (1.47%)	3,197,875
2016 AGM	139,544,564 (95.97%)	5,860,276 (4.03%)	1,732,822

## EXTERNAL BOARD APPOINTMENTS

Executive Directors are not normally entitled to accept a Non-Executive Director appointment outside the Company without the prior approval of the Board. Neither of the current Executive Directors currently holds any such appointment.

## ANNUAL GENERAL MEETING

This Remuneration Report will be subject to an advisory shareholder vote at our AGM to be held on 24 May 2017.

By order of the Board.

### Moni Mannings

Chair of the Remuneration Committee

30 March 2017

# DIRECTORS' REPORT

## INTRODUCTION

The Directors present their Annual Report and Accounts for the period ended 31 December 2016. In accordance with the Companies Act 2006 as amended, and the Listing Rules and the Disclosure Guidance and Transparency Rules, the reports within the Governance section of the Annual Report and Accounts should be read in conjunction with one another, and the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report (pages 4 to 35) as the Board considers them to be of strategic importance.

## THE COMPANY

Polypipe Group plc is a public company limited by shares, incorporated in England and Wales with registered number 06059130. Since 16 April 2014, the Company was and remains listed on the premium segment of the London Stock Exchange. Whilst the Group operates predominately in the UK, it does have operations in France, Italy and the UAE.

## STRATEGIC REPORT

The Companies Act 2006 requires the Company to present a fair review of the development and performance of the Group's business during the financial year and the position of the business at the end of that year. This review is contained within the Strategic Report on pages 16 to 17. The principal activities of the Group are described in the Strategic Report on pages 14 to 15.

## FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies, including information on financial risks that materially impact the Group and financial instruments used by the Group (if any), are disclosed in Note 29 to the Group's consolidated financial statements on pages 105 to 108.

## VIABILITY STATEMENT

In accordance with Provision C2.2 of the UK Code, the Directors have assessed the prospect of the Group over a longer period than twelve months required by the 'Going Concern' provision. The Board conducted this review for a period of three years as the Group's Strategic Review covers a three-year period.

During 2016, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. In their assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties detailed on pages 30 to 33 of the Annual Report and Accounts. The Directors believe that, whilst not specifically noted, the potential impact of the EU Referendum result is covered within these principal risks and uncertainties. The Directors believe that the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook. Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2019 being the period considered under the Group's current three-year strategic plan.

## GOING CONCERN STATEMENT

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least twelve months from the date of this report. Accordingly, the Board continues to adopt and consider appropriate the going concern basis in preparing the Annual Report and Accounts.

## DIRECTORS

The current Directors' biographies are set out on pages 38 to 39. In addition, Mr Peter Shepherd was Chief Financial Officer until the 2016 AGM on 25 May 2016. In accordance with the UK Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company.

## APPOINTMENTS AND REPLACEMENT OF DIRECTORS

The rules about the appointment and replacement of Directors are contained in our Articles of Association (the Articles). They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Directors must retire and put themselves forward for election at their first AGM following their appointment and every third anniversary thereafter. However, the Directors wishing to continue to serve as members of the Board, will seek re-election annually in accordance with the UK Code.

Details of the Non-Executive Directors' letters of appointment are given on page 42 under Appointment and Tenure. The Executive Directors have service contracts under which twelve months' notice is required.

## POWERS OF DIRECTORS

The general powers of the Directors set out in Article 94 of the Company's Articles provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation or the Articles. The general powers of the Directors are also limited by any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

## COMPENSATION FOR LOSS OF OFFICE

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on pages 53 to 61.

## DIRECTORS' INDEMNITY ARRANGEMENTS

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the Company or any associate company, to the extent the law allows. In this regard, the Company is required to disclose that under Article 212 of the Company's Articles, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006 against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity has been in place since the Company's application for listing on the London Stock Exchange on 28 March 2014 and remains in place. The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance.

## SHARE CAPITAL

As at 31 December 2016 the share capital of the Company was 199,999,862 ordinary shares of £0.001 each of which 1,714,148 ordinary shares are held in treasury. Details of the Company's share capital are disclosed in Note 23 to the Group's consolidated financial statements.

### *Authority of the Directors to allot shares*

The Company passed a resolution at the AGM held on 25 May 2016 authorising the Directors to allot ordinary shares up to an aggregate nominal amount of £66,353.69 (representing 66,353,690 ordinary shares or approximately 33% of the ordinary share capital). No shares have been issued under this authority.

This authority will expire at the Company's AGM to be held on 24 May 2017 and the Directors will be seeking a new authority to allot shares, to ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

### *Issue of shares*

A special resolution was passed at the AGM held on 25 May 2016 granting the Directors the authority to issue shares on a non- pre-emptive basis up to £9,999.99 (representing 9,999,990 ordinary shares or approximately 5% of the ordinary share capital). No shares have been issued under this authority.

This authority will expire at the Company's AGM to be held on 24 May 2017 and the Directors will be seeking a new authority to issue shares on a non- pre-emptive basis up to £9,914.28. In addition to this, the Directors will seek authority to issue non- pre-emptively for cash shares up to £9,914.28 (representing 9,914,285 ordinary shares or approximately 5% of the ordinary share capital) for use only in connection with an acquisition or specified capital investments, in accordance with the Pre-Emption Group Statement of Principles as updated in March 2015.

Excluding any shares issued in connection with an acquisition or specified capital investment as described above, the Directors do not intend to issue more than 7.5% of the issued share capital on a non- pre-emptive basis in any rolling three-year period.

### *Purchase of own shares by the Company*

A special resolution was passed at the AGM held on 25 May 2016 granting the Directors the authority to make market purchases up to 19,926,034 ordinary shares with a total nominal value of £19,926.03, representing approximately 10% of the Company's issued ordinary share capital.

During the year the Company purchased 1,000,000 of its £0.001 ordinary shares for a total of £2.9m to satisfy awards made under the Company's Sharesave Plan and other share option schemes which are due to mature in 2017. The Company holds these shares in treasury. The purchased shares represent a percentage of 0.5% of the called up share capital.

The authority to make market purchases will expire at the Company's AGM to be held on 24 May 2017 and the Directors will be seeking a new authority to make market purchases up to 14.99% of the Company's issued ordinary share capital, which will only be exercised if the market and financial conditions make it advantageous to do so. The Company intends to hold these shares in treasury to satisfy share option awards in the future. Further details are set out in the explanatory notes on pages 6 to 8 of the Notice convening the AGM.

Particulars of treasury share purchases are also disclosed in Note 23 to the Group's consolidated financial statements.

### *Rights attaching to shares*

The rights attaching to the ordinary shares are summarised as:

- The ordinary shares rank equally for voting purposes;
- On a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- Each ordinary share ranks equally for any dividend declared;
- Each ordinary share ranks equally for any distributions made on a winding up of the Company;
- Each ordinary share ranks equally in the right to receive a relative proportion of shares on the event of a capitalisation of reserves;
- The ordinary shares are freely transferable; and
- No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.

## AMENDMENT TO THE COMPANY'S ARTICLES

The Company may alter its Articles by special resolution passed at a general meeting of the Company.

## POLITICAL DONATIONS

The Group made no political donations during the year.

# DIRECTORS' REPORT

## GREENHOUSE GAS EMISSIONS

Information on the Group's greenhouse gas emissions is set out in the Corporate Responsibility Statement on pages 34 to 35 and forms part of this report by reference.

## FUTURE DEVELOPMENTS WITHIN THE GROUP

The Strategic Report contains details of likely future developments within the Group. The Group's research and development costs are disclosed in Note 6 to the Group's consolidated financial statements on page 90.

## OVERSEAS OPERATIONS

As explained in the Strategic Report, the Group operates in the UK, France, Italy and the UAE.

## POST BALANCE SHEET EVENTS

There have been no material post balance sheet events to report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board have carried out a robust assessment of our current key risks and these are summarised in the Principal Risks and Uncertainties section of the Strategic Report on pages 30 to 33.

## RESULTS AND DIVIDENDS

An interim dividend totalling 3.1 pence per share was paid on 23 September 2016, reflecting the continued strong cash generation of the Group. The Board recommends a final dividend of 7.0 pence per share. Shareholders will be asked to approve the final dividend at the AGM on 24 May 2017, for payment on 2 June 2017 to shareholders whose names appear on the register on 28 April 2017.

Total ordinary dividends paid and proposed for the year amount to 10.1 pence per share or a total return to shareholders of £20.0m in total.

## EMPLOYEES

The Company's policies in relation to the employment of disabled persons and gender breakdown and employee involvement are included in the Corporate Responsibility Statement – Employment on page 34.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016 and 24 March 2017 the Company was aware of the following interests in voting rights representing 3% or more of the issued ordinary share capital of the Company. This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Name of Shareholder	As at 31 December 2016		As at 24 March 2017	
	Ordinary Shares	% Voting Rights	Ordinary Shares	% Voting Rights
Standard Life Investments (Holdings) Limited	29,405,461	14.83 <sup>(1)</sup>	26,830,905	13.53 <sup>(1)</sup>
BlackRock, Inc.	–	–	10,031,297	5.06 <sup>(1)</sup>
Schroders plc	11,007,168	5.55 <sup>(1)</sup>	9,889,770	4.99 <sup>(1)</sup>
Norges Bank	6,546,793	3.30	6,546,793	3.30

<sup>(1)</sup> Held indirect.

## AUDITOR

A resolution to re-appoint Ernst and Young LLP as the Company's external auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the 2017 AGM.

## DIRECTORS' STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors has confirmed that as at the date of this report:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- The Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## REQUIREMENTS OF THE LISTING RULES

Apart from the details of any long-term incentive scheme as required by Listing Rule 9.4.3.R, which is disclosed in the Directors' Remuneration Report on pages 53 to 61, disclosure of the information listed in Listing Rule 9.8.4R is not applicable.

## ANNUAL GENERAL MEETING

The 2017 AGM will be held on 24 May 2017 at the Holiday Inn, High Road, Doncaster, DN4 9UX. A full description of the business to be conducted at the meeting will be set out in the separate Notice of AGM.

By order of the Board.

**Capita Company Secretarial Services Limited**  
Company Secretary  
30 March 2017

# DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group's consolidated financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Group's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group's consolidated financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report, the Strategic Report, the Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the Group's consolidated financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board.

**D G Hall**  
Chief Executive Officer  
30 March 2017

**M K Payne**  
Chief Financial Officer  
30 March 2017



OUR SOLUTIONS

## COUNTRY MANSION GOES GREEN WITH POLYPIPE UNDERFLOOR HEATING

Renewable energy specialists, Worcester Renewable Energy Ltd., enlisted the help of Polypipe to provide Burrows Lea Farmhouse with environmentally friendly heating.



Smarter Thinking  
Better Solutions



Enabling Sustainable  
Building Technology