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# ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

“Our Remuneration Policy is designed to encourage achievement of our strategic goals and priorities by rewarding in line with performance and encouraging appropriate leadership behaviour”

**Moni Mannings**

Chair of the remuneration committee  
for the year ended 31 December 2018



## DEAR SHAREHOLDER,

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018. The report is split into two sections in line with legislative reporting regulations:

- Remuneration Policy – contains details of the various components of the Remuneration Policy, which was approved by shareholders at our 2018 Annual General Meeting (AGM) and is included for information only.
- The Annual Report on Remuneration – contains details of remuneration received by Directors in 2018 and also contains full details of how we intend to implement the approved Remuneration Policy during 2019. The Annual Report on Remuneration will be subject to an advisory vote at the 2019 AGM. Further details are set out on pages 95 to 103.

This Directors' Remuneration 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 the Companies Act 2006 and is consistent with the UK Corporate Governance Code 2016 (the Code).

## ALIGNING REMUNERATION WITH COMPANY STRATEGY

The Remuneration Policy is designed to encourage achievement of our strategic goals and priorities, details of which are set out on pages 18 to 21, by rewarding in line with underlying Company performance while encouraging leadership behaviour which carries an appropriate level of risk. This is achieved by an annual bonus arrangement which is linked to achieving profit targets, working capital targets and personal objectives and a long-term incentive plan which only rewards for shareholder value creation and delivery of long-term earnings growth.

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

## PERFORMANCE IN 2018

The financial and operating performance of the Group in 2018 is set out on pages 114 to 156. The Company has continued to deliver sustainable returns and growth for its shareholders during 2018, achieving underlying operating profit of £74.0m, up 1.9% from 2017, and increasing underlying basic earnings per share from continuing operations by 4.4% to 28.4 pence per share.

Based on the Company's strong financial performance during the year and fulfilment of their individual objectives, the Committee determined that, in respect of 2018 performance, the Executive Directors each earned 48.9% of the maximum potential annual bonus, which in the case of Paul James, Chief Financial Officer (CFO), was prorated to reflect the amount of time served in his role during the year. In accordance with the approved Remuneration Policy, 25% of this bonus will be deferred into shares.

### APPOINTMENT OF PAUL JAMES

The Committee approved the pay arrangements for Paul James, who joined the Company as CFO on 5 March 2018. Full details of those arrangements were set out on pages 65 to 66 of the 2017 Annual Report and Accounts.

### LTIP AWARDS

In May 2018, the Committee approved the grant of LTIP awards to the Executive Directors and other senior management. Award levels were 125% of salary for Martin Payne, and 100% of annual salary for Paul James and Glen Sabin. These award levels are significantly below the maximum of 200% of annual salary permitted under the current Remuneration Policy.

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

### KEY REMUNERATION DECISIONS FOR 2019

The proposed implementation of the Remuneration Policy for our Executive Directors for 2019 is outlined on pages 95 to 97. Key decisions made by the Committee in relation to 2019 include:

- The award of a 4.4% salary increase for Martin Payne, which is consistent with the proposal of the Committee set out in the 2017 remuneration report to increase Martin Payne's salary over time to the same level as that of his predecessor, David Hall.
- The award of a 2.5% salary increase for Paul James and Glen Sabin, which is consistent with the average increase awarded to the Group's UK workforce for 2019.
- Maximum bonus potential and LTIP award levels for Martin Payne in 2019 will be the same as in previous years (125% of salary for each element). Maximum bonus potential and LTIP award levels for the other Executive Directors will be 100% of salary for each element (unchanged from 2018). The Committee believes that these levels of award are appropriate to ensure that the Executive Directors' interests are fully aligned with the interests of other shareholders.
- No changes to the performance measures to be used to assess Company performance in 2019. 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 provides a fair and rounded assessment of short-term and longer-term Company performance.
- The introduction of a post-vesting holding period for LTIP awards granted from 2019 onwards.
- Cumulative EPS targets equivalent to 4% to 10% per annum growth have been set for 2019 LTIP awards. In the context of the challenging business environment discussed in the Chief Executive Officer's Review, these targets are regarded by the Committee as being equivalently challenging to targets applied to previous awards.

I will be available to answer questions on the Remuneration Policy and the Annual Report on Remuneration at the AGM on 23 May 2019. 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 for the year ended 31 December 2018**  
19 March 2019

# REMUNERATION POLICY

This part of the report sets out the Directors' Remuneration Policy (Remuneration Policy) which was approved by shareholders at the 2018 AGM and applies to payments made from that date. The information provided in this section of the Directors' Remuneration Report is not subject to audit.

## POLICY TABLE

The following table sets out details of each component of the Executive Director remuneration package. Our aim is to provide pay packages that will:

- Promote the long-term success of the Company.
- Encourage and support a high performance culture.
- Reward delivery of the Company's business plan and our key strategic and operational goals.
- Motivate and retain our industry leading employees.
- Attract high quality individuals to join the Company.
- Align our employees' interests with the interests of shareholders and other external stakeholders.
- Performance-related pay, based on stretching targets, will form a significant part of remuneration packages.
- There will be an appropriate balance between rewards for delivery of short-term and longer-term performance targets taking into account, where relevant, existing shareholdings.

Consistent with these aims, the Committee has agreed a remuneration policy for Executive Directors, whereby:

- Salaries will be set at competitive, but not excessive, levels compared to peers and other companies of an equivalent size and complexity.



EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions and provisions for recovery of sums paid <sup>(1)</sup>
<b>Fixed pay</b>			
<p><b>Base salary</b></p> <p>To appropriately recognise skills, experience and responsibilities and attract and retain talent by ensuring salaries are market competitive.</p>	<p>Generally reviewed annually with any increase normally taking effect from 1 January although the Committee may award increases at other times of the year if it considers it appropriate.</p> <p>The review takes into consideration a number of factors, including (but not limited to):</p> <ul style="list-style-type: none"> <li>• The individual Director's role, experience and performance.</li> <li>• Business performance.</li> <li>• Market data for comparable roles in appropriate pay comparators.</li> <li>• Pay and conditions elsewhere in the Group.</li> </ul>	<p>No absolute maximum has been set for Executive Director base salaries. Current Executive Director salaries are set out in the Annual Report on Remuneration section of this Remuneration Report.</p> <p>Any annual increase in salaries is at the discretion of the Committee taking into account the factors stated in this table and the following principles:</p> <ul style="list-style-type: none"> <li>• Salaries would typically be increased at a rate consistent with the average salary increase for UK employees.</li> <li>• Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group).</li> <li>• Larger increases may also be considered appropriate if a Director has been initially appointed to their position on the Board at a lower than typical salary.</li> </ul>	<p>No performance conditions.</p> <p>Malus and clawback provisions do not apply.</p>

 [Read about our Strategy on pages 18 to 21](#)

# REMUNERATION POLICY

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions and provisions for recovery of sums paid <sup>(1)</sup>
<b>Fixed pay</b>			
<p><b>Benefits</b></p> <p>To provide market-competitive benefits.</p>	<p>Benefits currently include company car (or car allowance), income protection insurance, private family medical insurance, permanent health insurance and life assurance of four times annual salary. The Committee has discretion to add to or remove benefits provided to Executive Directors.</p> <p>Executive Directors are entitled to reimbursement of reasonable expenses. Executive Directors also have the benefit of a qualifying third party indemnity from the Company as well as Directors' and Officers' liability insurance.</p>	<p>There is no overall maximum as the level of benefits depends on the annual cost of providing individual items in the relevant local market and the individual's specific role.</p>	<p>No performance conditions.</p> <p>Malus and clawback provisions do not apply.</p>
<p><b>Pension</b></p> <p>To provide market-competitive retirement benefits.</p>	<p>Current policy is for the Company to contribute to the Group Pension Plan, a personal pension scheme and/ or provide a cash allowance in lieu of pension.</p>	<p>Executive Directors receive a pension-related contribution of up to 15% of salary, reduced from 20% under the previous policy.</p>	<p>No performance conditions.</p> <p>Malus and clawback provisions do not apply.</p>

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions and provisions for recovery of sums paid <sup>(1)</sup>
<b>Variable pay</b>			
<p><b>Annual bonus</b> <sup>(2), (3)</sup></p> <p>To link reward to key financial and operational targets for the forthcoming year.</p> <p>Additional alignment with shareholders' interests through the operation of bonus deferral.</p>	<p>The Executive Directors are participants in the annual bonus plan which is reviewed annually to ensure that bonus opportunity, performance measures and targets are appropriate and supportive of the business plan.</p> <p>No more than 75% of an Executive Director's annual bonus is delivered in cash following the release of audited results and the remaining amount is deferred into an award over Company shares under the Deferred Share Bonus Plan.</p> <ul style="list-style-type: none"> <li>• Deferred awards are usually granted in the form of conditional share awards or nil-cost options (and may also be settled in cash).</li> <li>• Deferred awards usually vest in two equal tranches two and three years after award although may vest early on leaving employment or on a change of control (see later sections).</li> <li>• An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).</li> </ul>	<p>The maximum award that can be made to an Executive Director under the annual bonus plan is 125% of salary.</p>	<p>The bonus is based on performance assessed over one year using appropriate financial, operational and individual performance measures.</p> <p>The majority of the bonus will be determined by measures of Group financial performance.</p> <p>A sliding scale of targets is set for each Group financial measure with payout at no more than 25% for threshold financial performance increasing to 100% for maximum performance.</p> <p>The remainder of the bonus will be based on financial, strategic or operational measures appropriate to the individual Executive Director.</p> <p>Details of the bonus measures operating each year will be included in the relevant Annual Report on Remuneration. Any bonus payout is ultimately at the discretion of the Committee.</p> <p>The cash bonus will be subject to recovery and/or deferred shares will be subject to withholding at the Committee's discretion in exceptional circumstances where, within three years of the bonus determination or before the vesting of each tranche of deferred shares, a material misstatement or miscalculation 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.</p>

# REMUNERATION POLICY

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions and provisions for recovery of sums paid <sup>(1)</sup>
<b>Variable pay</b>			
<p><b>Long-Term Incentive Plan (LTIP)</b> <sup>(3), (4)</sup></p> <p>To link reward to key strategic and business targets for the longer term and to align Executive Directors' interests with shareholders' interests.</p>	<p>Awards are usually granted annually under the LTIP to selected senior executives.</p> <p>Individual award levels and performance conditions on which vesting will be dependent are reviewed annually by the Committee.</p> <p>Awards may be granted as conditional awards of shares, nil-cost options (or, if appropriate, as cash-settled equivalents).</p> <p>Awards normally vest or become exercisable at the end of a period of at least three years following grant although may vest early on leaving employment or on a change of control (see later sections). The Committee has flexibility at its discretion to add an additional holding period after a performance period before awards vest.</p> <p>An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).</p>	<p>The maximum annual award permitted under the LTIP is shares with a market value (as determined by the Committee) of 200% of salary.</p> <p>Each year the Committee determines the actual award level for individual senior executives within this limit.</p>	<p>All LTIP awards granted to Executive Directors must be subject to a performance condition.</p> <p>Vesting of Executive Directors' LTIP awards would be dependent on measures which could include Group earnings, return on capital employed and total shareholder return with the precise measures and weighting of the measures determined by the Committee ahead of each award.</p> <p>Performance will usually be measured over a performance period of at least three years. For achieving a 'threshold' level of performance against a performance measure, no more than 25% of the portion of the LTIP award determined by that measure will vest. Vesting then increases on a sliding scale to 100% for achieving a maximum performance target.</p> <p>LTIP awards will be subject to withholding or recovery at the Committee's discretion in exceptional circumstances where, before the later of the vesting of an award and the second anniversary of the end of the performance period, a material misstatement or miscalculation comes to light or if evidence comes to light of material misconduct by an individual or if evidence emerges of a material health and safety breach.</p>
<p><b>Sharesave Plan</b> <sup>(3)</sup></p> <p>To create staff alignment with the Group and promote a sense of ownership.</p>	<p>UK tax-approved monthly savings scheme facilitating the purchase of shares through share options at a discounted exercise price by all eligible UK employees.</p> <p>Executive Directors are eligible to participate on the same basis as other UK employees.</p>	<p>Monthly savings limit of £500 (or such other limit as may be approved from time to time by HMRC) under all savings contracts held by an individual.</p>	<p>The Sharesave Plan is structured in accordance with HMRC requirements so has no performance conditions but requires participants to make regular contributions into a savings contract.</p> <p>Malus and clawback provisions do not apply.</p>
<p><b>Share Ownership Guidelines</b></p> <p>To create alignment between the long-term interests of Executive Directors and shareholders.</p>	<p>Executive Directors have been required to build and maintain a shareholding as a percentage of salary in the form of shares in the Company since Admission.</p> <p>Executive Directors are expected to achieve the shareholding requirement within five years of an individual becoming subject to the requirement.</p>	<p>Following a review by the Committee in 2017, the required level was increased from 100% to 200% of salary with effect from 2018.</p>	<p>Not applicable.</p>

## Notes to table:

- The Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Committee may also adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Directors' Remuneration Report.
- Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Committee based on a range of relevant reference points, including, for Group financial targets, the Group's business plan and are designed to be appropriately stretching.
- The Committee may: (a) in the event of a variation of the Company's share capital, demerger, special dividend or dividend in specie or any other corporate event which it reasonably determines justifies such an adjustment, adjust; and (b) amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans. Share awards may be settled by the issue of new shares or by the transfer of existing shares. In line with prevailing best practice at the time this Remuneration Policy is approved, any issuance of new shares is limited to 5% of share capital over a rolling ten-year period in relation to discretionary employee share schemes and 10% of share capital over a rolling ten-year period in relation to all employee share schemes.
- Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Use of earnings and return on capital employed measures would reward management for delivery of key financial measures of Company success that should result in sustainable value creation. Use of a total shareholder return measure would align management's interests with the interests of our shareholders. Targets are considered ahead of each grant of LTIP awards by the Committee, taking into account relevant external and internal reference points and are designed to be appropriately stretching.
- The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the 2015 AGM (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder approved Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
- The Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

## NON-EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Maximum opportunity
<p><b>Non-Executive Director (NED) fees</b></p> <p>To appropriately recognise responsibilities, skills and experience by ensuring fees are market competitive.</p>	<p>NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as:</p> <ul style="list-style-type: none"> <li>● Senior Independent Director</li> <li>● Chair of Audit Committee</li> <li>● Chair of Remuneration Committee</li> </ul> <p>The Chairman of the Board receives an all-inclusive fee.</p> <p>No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive the grossed-up costs of travel as a benefit. NEDs are entitled to reimbursement of reasonable expenses.</p> <p>Fees are reviewed annually.</p> <p>NEDs also have the benefit of a qualifying third party indemnity from the Company and Directors' and Officers' liability insurance.</p>	<p>Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles.</p> <p>No absolute maximum has been set for individual NED fees. Current fee levels are set out in the Annual Report on Remuneration section of this Remuneration Report.</p> <p>The Company's Articles of Association provide that the total aggregate fees paid to the Chairman and NEDs will not exceed £600,000 per annum.</p>

# REMUNERATION POLICY

## ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

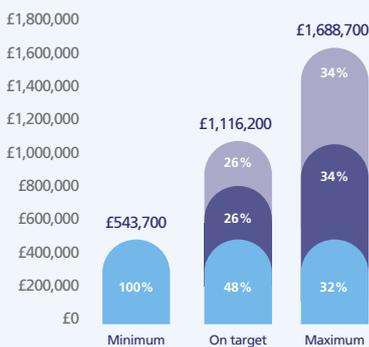
The *Implementation of Remuneration Policy in 2019* section of the Annual Report on Remuneration details how the Committee intends to implement the Remuneration Policy during 2019.

The charts below illustrate, in three assumed performance scenarios, the total value of the remuneration package potentially receivable by Martin Payne, Paul James and Glen Sabin in relation to 2019. This comprises salary and benefits plus an annual bonus of up to a maximum of 125% of salary for Martin Payne and 100% of salary for Glen Sabin and Paul James and an LTIP award of 125% of salary for Martin Payne and 100% of salary for Glen Sabin and Paul James.

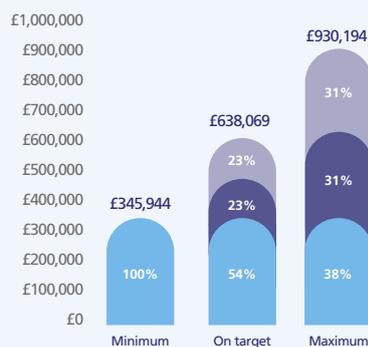
The charts are for illustrative purposes only and actual outcomes may differ from that shown. LTIP awards have been shown at face value, with no share price growth or discount rate assumptions. All-employee share plans have been excluded. The totals shown in the charts relate to the potential value receivable by the current Executive Directors in relation to 2019.

## POTENTIAL REMUNERATION OUTCOMES FOR THE EXECUTIVE DIRECTORS

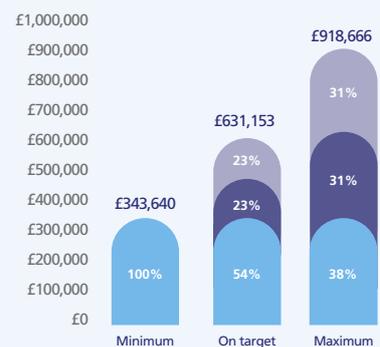
### MARTIN PAYNE



### PAUL JAMES



### GLEN SABIN



■ Fixed Pay ■ Annual Bonus ■ Long-Term Incentive Plan

Assumed performance	Assumptions used
All performance scenarios (Fixed pay) Consists of total fixed pay, including base salary, benefits and pension	<ul style="list-style-type: none"> <li>● Base salary – salary effective as at 1 January 2019</li> <li>● Benefits – the value of benefits received in 2018 have been included</li> <li>● Pension – 15% of salary</li> </ul>
Minimum performance (Variable pay)	<ul style="list-style-type: none"> <li>● No pay-out under the annual bonus</li> <li>● No vesting under the LTIP</li> </ul>
Performance in line with expectations (Variable pay)	<ul style="list-style-type: none"> <li>● 50% of the maximum pay-out under the annual bonus</li> <li>● 50% vesting under the LTIP</li> </ul>
Maximum performance (Variable pay)	<ul style="list-style-type: none"> <li>● 100% of the maximum pay-out under the annual bonus</li> <li>● 100% vesting under the LTIP</li> </ul>

## APPROACH TO RECRUITMENT REMUNERATION

### Principles

In determining remuneration arrangements for new appointments to the Board (including internal promotions), the Committee will apply the following principles:

- The Committee will take into consideration all relevant factors, including the experience of the individual, market data and existing arrangements for other Executive Directors, with a view that any arrangements should be in the best interests of both the Company and our shareholders, without paying more than is necessary.
- Typically, the new appointment will have (or be transitioned onto) the same remuneration structure as the other Executive Directors, in line with the Remuneration Policy.
- Upon appointment, the Committee may consider it appropriate to offer additional remuneration arrangements in order to secure the appointment. In particular, the Committee may consider it appropriate to 'buy out' terms or remuneration arrangements forfeited on leaving a previous employer (discussed below).
- The Committee may provide costs and support if the recruitment requires relocation of the individual.
- Where an Executive Director is an internal promotion, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

### Maximum level of variable pay

The maximum level of variable remuneration which may be granted to new Executive Directors in respect of recruitment shall be limited to the maximum permitted under the Remuneration Policy, namely 325% of their annual salary. This limit excludes any payments or awards that may be made to buy out the Executive Director for terms, awards or other compensation forfeited from their previous employer (discussed below).

### Buyouts

To facilitate recruitment, the Committee may make a one-off award to buy out compensation arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting/performance period remaining and the form of the award (e.g. cash or shares). The overriding principle will be that any buyout award should be of comparable commercial value to the compensation which has been forfeited. However, such buyout awards would only be considered where there is a strong commercial rationale to do so.

### Components and approach

The remuneration package offered to new appointments may include any element within the Remuneration Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders, subject to the limits on variable pay set out above.

In considering which elements to include, and in determining the approach for all relevant elements, the Committee will take into account a number of different factors, including (but not limited to) market practice, existing arrangements for other Executive Directors and internal relativities. If appropriate, different measures and targets may be applied to a new appointee's annual bonus in their year of joining.

The Committee would seek to structure buyout and variable pay awards on recruitment to be in line with the Company's remuneration framework so far as practical but, if necessary, the Committee may also grant such awards outside of that framework as permitted under Listing Rule 9.4.2 subject to the limits on variable pay set out above. The exact terms of any such awards (e.g. the form of the award, time frame, performance conditions, and leaver provisions) would vary depending upon the specific commercial circumstances.

### Recruitment of Non-Executive Directors

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will normally be in line with the Remuneration Policy for Non-Executive Directors. However, the Committee (or the Board as appropriate) may include any element within the Remuneration Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders. In particular, if the Chairman or a Non-Executive Director takes on an executive function on a short-term basis, they would be able to receive any of the standard elements of Executive Director pay.

# REMUNERATION POLICY

## SERVICE CONTRACTS

Key terms of the current Executive Directors' service agreements and Non-Executive Directors' letters of appointment are summarised in the table below. It is envisaged that any future appointments would have equivalent contractual arrangements unless otherwise stated in this Report.

Provision	Policy
<b>Notice period</b>	Executive Directors – 12 months' notice by either the Company or the Executive Director.  Non-Executive Directors – at the Company's discretion, Non-Executive Directors may have a notice period of up to three months. The Non-Executive Directors do not have a notice period in their letters of appointment.
<b>Termination payment</b>	Following the serving of notice by either party, the Company may terminate employment of an Executive Director with immediate effect by paying a sum equal to salary. Executive Directors are not contractually entitled to any bonus for the period of service in the year in which their employment ends.  Non-Executive Directors are only entitled to receive any fee accruing in respect of the period up to termination.
<b>Expiry date</b>	Executive Directors have rolling 12-month notice periods so have no fixed expiry date.  Non-Executive Directors' letters of appointment have no fixed expiry date.

In accordance with the Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office at Broomhouse Lane, Edlington, Doncaster, South Yorkshire, DN12 1ES.

### POLICY ON PAYMENT FOR LOSS OF OFFICE

In relation to payments under non-contractual incentive schemes, the Committee would take the following factors into account:

- The Committee may determine that the Executive Director is eligible to receive a bonus in respect of the financial year in which they cease employment. This bonus would usually be time apportioned and may be settled wholly in cash. In determining the level of bonus to be paid, the Committee may,

at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Committee.

- The treatment of outstanding share awards is governed by the relevant share plan rules as summarised below.

#### Deferred Share Bonus Plan

- On cessation of employment, unvested shares will vest in full unless the Committee determines otherwise.
- On a change of control, unvested shares will vest in full.
- If other corporate events occur such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested shares should vest.

#### LTIP

- On cessation of employment, unvested awards will lapse unless cessation is as a result of death, ill health, injury, disability, transfer of employing company or business to which an individual's employment relates out of the Group or any other scenario in which the Committee determines at its discretion that good leaver treatment is appropriate (other than circumstances justifying summary dismissal). In these scenarios, unvested awards will usually continue until the normal vesting date unless the Committee determines that the award should vest earlier and will vest to an extent that takes into account the performance condition assessed at the date of vesting and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and cessation of employment.

- On a change of control, unvested LTIP awards will vest immediately to an extent that takes into account the performance condition assessed at the change of control and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the change of control. If other corporate events occur such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested LTIP awards should vest. If they do vest, they will vest immediately to an extent that takes into account the performance condition assessed at the date of the event and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the date of the event.

#### Sharesave Plan

- Options become exercisable immediately on death, ceasing employment due to injury, disability, retirement, redundancy, sale of the employing company or business to which an individual's employment relates out of the Group or on a change of control/voluntary winding-up of the Company.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment.

#### CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

The Committee does not formally consult with employees when determining Executive Director pay. However, the Committee is kept informed of general management decisions made in relation to employee pay and is conscious of the importance of ensuring that its pay decisions for Executive Directors and the senior management team are regarded as fair and reasonable within the business. As outlined in the Remuneration Policy table, pay and conditions in the Group are one of the specific considerations taken into account when the Committee is considering changes in salaries for the Executive Directors and the senior management team.

#### DIFFERENCES IN POLICY FROM BROADER EMPLOYEE POPULATION

A greater proportion of Executive Directors' potential wealth is 'at risk', either through their existing shareholding or through LTIP awards than for our employees generally and a greater proportion determined by performance than for our employees generally. However, common principles underlie the pay policy throughout the Company including for the Executive Directors. In particular, we place great emphasis throughout the Company on reward being linked to performance (either Group performance or performance of an individual's business unit) and on encouraging share ownership (through participation in the LTIP or an all-employee share scheme).

#### CONSIDERATION OF SHAREHOLDERS' VIEWS

The Company is mindful of general investor views on certain aspects of remuneration, and continues to take these views into account, where appropriate, when setting Executive Director remuneration. The Committee Chair is available to meet with any shareholders who wish to discuss any aspect of the Company's remuneration policy in more detail. The last formal consultation with the top 20 shareholders and the shareholder advisory bodies was carried out in 2017 and the feedback received from those that responded was generally supportive. Following the change in Chairmanship of the Committee during 2019, it is our intention to offer shareholders the opportunity to meet with the new Chair during 2019.

# REMUNERATION COMMITTEE



## MONI MANNINGS

Chair of the Remuneration Committee for the year ended 31 December 2018

### 2018 KEY ACHIEVEMENTS

- Approval of the updated Remuneration Policy by shareholders at the 2018 AGM
- Review and approval of the remuneration arrangements for the new CFO
- Review and approval of annual bonus targets following the sale of the French business and the acquisition of Permavoid and Manthorpe
- Review of the impact of the new UK Corporate Governance Code and approval of amendments to the Committee's terms of reference as well as appropriate policies and procedures
- Introduction of a post-vesting holding period for awards under the LTIP

### AREAS OF FOCUS IN 2019

- Review of performance targets for awards under the LTIP to ensure they remain appropriate
- Embed updated policies and procedures following changes to Committee scope under the UK Corporate Governance Code

### COMMITTEE MEMBERSHIP AND MEETINGS

The Committee comprises all of the Non-Executive Directors, all of whom are considered to be independent, and their attendance at meetings during the year is set out in the table on page 64. The CEO, Martin Payne, was also present at those meetings by invitation. The Committee meets at least three times a year and thereafter as required, and in 2018, the Committee met five times. With effect from 1 February 2019, Louise Hardy was appointed as Chair of the Committee in place of Moni Mannings, who stepped down as Chair with effect from 31 January 2019.

### ROLE OF THE COMMITTEE

The role of the Committee is set out in its Terms of Reference which are reviewed annually and were last updated in November 2018. These can be found on the Company's website at [www.polypipe.com](http://www.polypipe.com).

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.

### EXTERNAL ADVISERS

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 and updates and benchmarking, for which Deloitte LLP was paid £18,950 (2017: £8,920) 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 2018, 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.

# ANNUAL REPORT ON REMUNERATION

## UNAUDITED INFORMATION IMPLEMENTATION OF REMUNERATION POLICY IN 2019

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2019 for the Executive Directors.

### Base annual salary

As described in the Annual Statement from the Chair of the Remuneration Committee, an annual salary review has been carried out by the Committee. The Committee approved a 2.5% increase in the CFO and COO's salaries effective from 1 January 2019. This increase is consistent with the average annual salary increase awarded to the Company's UK workforce for 2019. The Committee also approved a 4.4% increase in the CEO's salary, which, as stated in the 2017 remuneration report, formed part of the proposal agreed by the Committee to adopt a staged approach to bring his salary up to the same level as his predecessor.

	Salary 1 January 2019	Salary 1 January 2018	% increase
Martin Payne (CEO)	<b>£458,000</b>	£438,600	4.4
Paul James (CFO)*	<b>£292,125</b>	£285,000	2.5
Glen Sabin (COO)	<b>£287,513</b>	£280,500	2.5

\* Appointed to the Board on 5 March 2018

### Pension

In 2019, the Executive Directors will receive a Company contribution worth 15% of annual salary to the Group Pension Plan, a personal pension scheme, or as a cash allowance. This was reduced in 2018 from 20%, the level of contribution under the previous Remuneration Policy.

### Other benefits

In 2019, the Executive Directors will receive a standard package of other benefits consistent with those received in 2018.

### Annual bonus

The annual bonus plan for 2019 will be broadly consistent with the bonus plan operated in 2018. Key features of the plan for 2019 are:

- There will be a maximum bonus opportunity of 125% of annual salary for Martin Payne and 100% of annual salary for Glen Sabin and Paul James.
- 25% of any bonus earned will be deferred into shares under the Deferred Share Bonus Plan (DSBP). Half of these shares will vest two years post grant and the remaining half 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 Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the annual bonus plan.

# ANNUAL REPORT ON REMUNERATION

The annual bonus for 2019 for Executive Directors will be determined as detailed below:

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

The targets for these performance measures in relation to the 2019 financial year are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Directors' Remuneration Report to the extent that they do not remain commercially sensitive at that time.

## LTIP

The Executive Directors will receive an award under the LTIP during 2019. Key terms of this award will be:

- Martin Payne will receive an award over shares worth 125% of annual salary at grant and Glen Sabin and Paul James 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 results 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.
- The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP.
- Awards will be subject to a two-year post-vesting holding requirement.
- 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)

	Three-year cumulative underlying diluted EPS	% of overall award vesting
Below threshold	<91.2 pence per share	0%
Threshold	91.2 pence per share	18.75%
Maximum	102.3 pence per share	75%

*Threshold three-year cumulative underlying diluted EPS will be calculated using a 4% per annum growth on 2018 underlying diluted EPS. Maximum three-year cumulative underlying diluted EPS will be calculated using a 10% per annum growth on 2018 underlying diluted EPS. Vesting for performance between Threshold and Maximum will be calculated pro rata on a straight-line basis.*

### TSR performance condition (25% of award)

	Ranking in TSR comparator group	% of overall award vesting
Below median	Below median	0%
Median	Median	6.25%
Upper quartile	Upper quartile	25%

*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 have been issued annually over the last three years. The Board is proposing to issue invitations to join the Plan on an annual basis, and all eligible UK employees will therefore be invited to join the Plan in 2019.

### Non-Executive Director remuneration

During the year, Non-Executive Director fees were reviewed, following which it was agreed to increase the Non-Executive Director's base fee by 2.5% and the Chairman's fee by 2.5%. The table below shows the fee structure for Non-Executive Directors for 2019. Non-Executive Director fees are determined by the full Board except for the fee for the Chairman of the Board, which is determined by the Committee.

	<b>2019 fees</b>
Chairman of the Board all-inclusive fee	<b>£146,370</b>
Basic Non-Executive Director fee	<b>£47,048</b>
Senior Independent Director additional fee	<b>£10,000</b>
Chair of Audit Committee additional fee	<b>£8,000</b>
Chair of Remuneration Committee additional fee	<b>£8,000</b>

### AUDITED INFORMATION

The information provided in this section of the Remuneration Report up until the 'Unaudited information' heading on page 102 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 2018 with comparative figures for 2017.

All figures shown in £'000	2018							2017				
	Salary and fees <sup>(1)</sup>	Benefits <sup>(2)</sup>	Annual bonus <sup>(3)</sup>	Pension <sup>(4)</sup>	LTIP <sup>(5)</sup>	Other <sup>(6)</sup>	Total	Salary and fees <sup>(1)</sup>	Benefits <sup>(2)</sup>	Annual bonus <sup>(3)</sup>	Pension <sup>(4)</sup>	Total
<b>Executive Directors</b>												
Martin Payne	439	17	268	66	185	–	975	327	14	236	60	637
Paul James <sup>(7)</sup>	236	10	116	35	–	127	524	–	–	–	–	–
Glen Sabin	281	13	137	42	97	–	570	69	5	45	10	129
<b>Non-Executive Directors</b>												
Ron Marsh	143	–	–	–	–	–	143	140	–	–	–	140
Paul Dean	64	–	–	–	–	–	64	63	–	–	–	63
Moni Mannings	54	–	–	–	–	–	54	53	–	–	–	53
Mark Hammond	46	–	–	–	–	–	46	45	–	–	–	45
Louise Hardy <sup>(8)</sup>	24	–	–	–	–	–	24	–	–	–	–	–

#### Notes to the table – methodology

- Salary and fees – CFO and COO salaries were increased by 2.0% effective 1 January 2018 consistent with the average increases awarded to the Company's UK workforce. In 2018, the Non-Executive Director base fee and the Chairman's fee were also increased by 2.0%.
- Benefits – this represents the taxable value of all benefits. Executive Directors receive benefits including car allowance, private family medical insurance and life assurance of four times annual salary.
- Annual bonus – the bonus is paid 75% in cash and 25% deferred into shares under the DSBP. Further details on the 2018 annual bonus are set out on page 98.
- Pension – the pension provision for all Executive Directors is 15%.
- LTIP - for 2018, this relates to the estimated value of the proportion of the award granted in 2016 under the LTIP which is subject to an EPS performance target over the three-year period ending on 31 December 2018. This has been calculated using actual EPS performance and the Company's average share price for Q4 2018.
- Other – for 2018, this column comprises £121,328, being the value of 30,755 shares held by Paul James which, as discussed in last year's annual report, were awarded in partial compensation for long-term incentive awards forfeited when he left his previous employer Dixons Carphone plc. The shares have been valued at the share price when the award was granted of £3.945. The award granted in compensation for his forfeited bonus of 54,890 shares lapsed in September 2018 when the Committee determined that no bonus was payable by Dixons Carphone plc and therefore there was no bonus forfeit payable. This also includes £5,557, being the value of the grant of options to Paul James under the Sharesave Plan during 2018. The grant has been valued at 24.7% of the face value of shares under option, which is the IFRS 2 valuation for this award.
- Paul James was appointed to the Board as CFO on 5 March 2018.
- Louise Hardy was appointed to the Board as NED on 25 June 2018.
- Total remuneration paid to Directors in respect of 2018 is £2,400,000 (2017: £1,784,000, including £717,000 paid to David Hall who retired during the year).

# ANNUAL REPORT ON REMUNERATION

## Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2018 was as follows:

- 125% of annual salary for Martin Payne.
- 100% of annual salary for Glen Sabin and 100% of salary for Paul James for the period from 5 March 2018, when he was appointed to the Board, to 31 December 2018.

For all Executive Directors, 75% of the bonus earned will be paid in cash and 25% will be deferred into shares under the DSBP. Half of these shares will vest two years post grant and half after three years post grant. Malus and clawback provisions apply to the bonuses of all of the aforementioned Directors.

Performance measures and targets applying to the 2018 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%	£73.3m 17.5% of total bonus payable	£77.2m 35% of total bonus payable	£88.8m 70% of total bonus payable	£74.0m	20.6%
Working Capital	20%	Net working capital position assessed at the end of each month relative to target. Maximum performance requires the monthly target to be met at the end of all 12 months.			Target achieved in 11 of 12 months	18.3%
Individual objectives	10%	Martin Payne: objectives linked to progression of the Group's M&A agenda, including disposal of the French business and progression of the Group's strategy.			Fully achieved	10.0%
		Paul James: objectives linked to satisfactory transition into the CFO role, including management of key relationships and year-end leverage.			Fully achieved	10.0%
		Glen Sabin: objectives linked to successful implementation of an alternative agile manufacturing strategy in the Middle East and the completion of a succession planning and talent management programme for key employees.			Fully achieved	10.0%

	Total bonus payable % of maximum	Total bonus payable £'000 and % of annual salary
Martin Payne	48.9%	268 (61.1% of salary earned)
Paul James	48.9%	116 (48.9% of salary earned from 5 March 2018 to 31 December 2018)
Glen Sabin	48.9%	137 (48.9% of salary earned)

## LTIP

The LTIP award granted in May 2016 vests in May 2019 based 25% on relative TSR performance over three years to May 2019 and 75% on EPS growth over the three financial years ending on 31 December 2018. As the EPS performance condition is complete, the vested value of this portion of the award is required to be included in the 2018 single figure table. The vested value of the TSR element of this award will be included in the 2019 single figure table.

Performance measure	Threshold	Maximum	Actual performance	% of award vesting (max 75%)	Vested shares	Estimated value of vested shares*
Three-year cumulative underlying diluted EPS	71.92 pence per share 18.75% of award vests	82.11 pence per share 75% of award vests	80.82 pence per share	67.9%	Martin Payne – 52,777 Glen Sabin – 27,655	Martin Payne – £184,931 Glen Sabin – £96,903

\* Estimated value based on average share price in Q4 of 2018 of £3.504

## SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR

## LTIP awards

An award was granted under the LTIP to selected senior executives, including the Executive Directors, in May 2018. This award is subject to the performance conditions described below and will become exercisable in May 2021.

	Type of award	Date of grant	Maximum number of shares	Face value (£)*	Threshold vesting (% of award)	End of performance period
Martin Payne		2 May 2018	143,671	£548,249		EPS element – December 2020
Paul James†	Nil cost option	2 May 2018	70,536	£269,165	25% of award	
Glen Sabin		2 May 2018	73,506	£280,499		TSR element – December 2020

\* The maximum number of shares that could be awarded has been calculated using the share price of £3.816 (average closing share price for 27 April – 1 May 2018) and is stated before the impact of reinvestment of the dividends paid since grant.

† Awards granted to Paul James, who was appointed on 5 March 2018, have been time prorated from the date of appointment.

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 group
Below threshold	<89.0 pence per share	0%	Below median	0%
Threshold	89.0 pence per share	18.75%	Median	6.25%
Maximum	101.7 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 2017 underlying diluted EPS. Maximum three-year cumulative underlying diluted EPS is calculated using a 12% per annum growth on 2017 underlying diluted EPS. 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 31 December 2020. 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 2 May 2018, the Executive Directors received an award of shares under the Deferred Share Bonus Plan relating to the 2017 annual bonus. The value of these shares was included in the annual bonus figure in the 2017 single total figure of remuneration. No further performance conditions apply to these shares.

	Type of award	Maximum number of shares	Face value (£)*	Vesting date
Martin Payne	Deferred shares	15,476	£59,095	50% vests in each of May 2020 and May 2021
Glen Sabin	Deferred shares	2,964	£11,311	

\* The maximum number of shares awarded was calculated using the average closing share price for the three dealing days prior to grant of £3.816 per share.

# ANNUAL REPORT ON REMUNERATION

## Deferred Share Award

On 21 March 2018, Paul James was granted an award of shares to partially compensate him for bonus and long-term incentive awards that were forfeited when he left his previous employer, Dixons Carphone plc. Details of the awards granted are set out below and full details of the award terms are set out on page 66 of the 2017 Annual Report and Accounts. The value of the share award outstanding as at 31 December 2018 has been included in the single total figure of remuneration table on page 97. No further performance conditions apply to these shares as they were compensation for awards which similarly were not subject to further performance conditions.

	Type of award	Maximum number of shares	Face value (£)*	Vesting date
Paul James	Deferred shares	27,445	£108,271	5 March 2020**
	Deferred shares	27,445	£108,271	5 March 2021**
	Deferred shares	30,755	£121,328	30 June 2020

\* The maximum number of shares awarded was calculated using the average closing share price for the three dealing days prior to grant of £3.945 per share.

\*\* These awards, granted in compensation for forfeited bonus, lapsed in September 2018 when the Committee determined that no bonus was payable and therefore there was no bonus forfeit payable.

## Sharesave Plan

Paul James was granted options on 4 October 2018 under the Sharesave Plan on the same terms as other UK employees. Details of the Executive Directors' SAYE options are set out below. No performance conditions apply to these options.

	Type of award	Number of shares under option (year of grant)	Number of shares exercised	Option price (£)	Options exercisable from	Market price on date of exercise (£)	Notional gain on exercise (£)
Martin Payne	Share Option	8,144 (2016)	–	£2.21	November 2019	–	–
Glen Sabin	Share Option	2,322 (2017)	–	£3.10	November 2020	–	–
Paul James	Share Option	6,040 (2018)	–	£2.98	November 2021	–	–

The option price represents a 20% discount to the average closing price of a share on the three dealing days prior to the relevant invitation date. The notional gain is the difference between the option price and the market price of the shares on the date of exercise.

## PAYMENTS TO PAST DIRECTORS

David Hall, the former CEO, retired from the Company on 2 October 2017. As discussed in the 2017 Annual Report and Accounts, the Committee determined that David Hall should be entitled to receive a time prorated bonus for 2017 based on the Company's full-year performance (as outlined on page 70 of the 2017 Annual Report). A bonus payment of £286,764 was paid to David Hall in March 2018 and was included in the 2017 single figure of remuneration table on page 67 of the 2017 Annual Report and Accounts.

## PAYMENTS FOR LOSS OF OFFICE

There were no payments for loss of office during the year.

## STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

Executive Directors are expected to achieve the shareholding requirement of 200% of salary 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. Martin Payne commenced employment with the Company during 2016, and his salary was increased in October 2017, when he became CEO, and he is continuing to build up his shareholding on this basis in line with the aforementioned five-year timescale. Paul James commenced employment with the Company during 2018 and will build up his shareholding in line with the aforementioned five-year timescale. Glen Sabin met this requirement as at 31 December 2018.

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

Director	Shares owned outright	Number of shares at 31 December 2018			
		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>
Martin Payne <sup>(5)</sup>	115,575 (82.6% of salary)	294,628	23,717	10,449	8,144
Paul James <sup>(5)</sup>	–	70,536	–	30,755	6,040
Glen Sabin <sup>(5)</sup>	892,932 (1,016.8% of salary)	144,300	2,964	–	2,322
Ron Marsh	275,000	–	–	–	–
Paul Dean	5,000	–	–	–	–
Moni Mannings	–	–	–	–	–
Mark Hammond	15,000	–	–	–	–
Louise Hardy	–	–	–	–	–

### Notes to the table

1. This relates to shares awarded under the LTIP.
2. This relates to shares awarded under the DSBP.
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. Full details are set out on pages 55 to 57 of the 2016 Annual Report on Remuneration. A further 11,035 shares (including 586 dividend shares) vested during 2018 and are included, net of shares sold to satisfy the related personal tax liability, in the 'Shares owned outright' column. This also relates to shares awarded to Paul James in partial compensation for bonus and long-term incentive awards forfeited when he left his previous employer. Full details are set out on pages 65 to 66 of the 2017 Annual Report on Remuneration and on page 100 of this report.
4. This relates to shares awarded under the Sharesave Plan.
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 2018 has been used (£3.274 per share).

Between 31 December 2018 and the date of this report, there were no changes in the shareholdings of current Directors outlined in the above table.

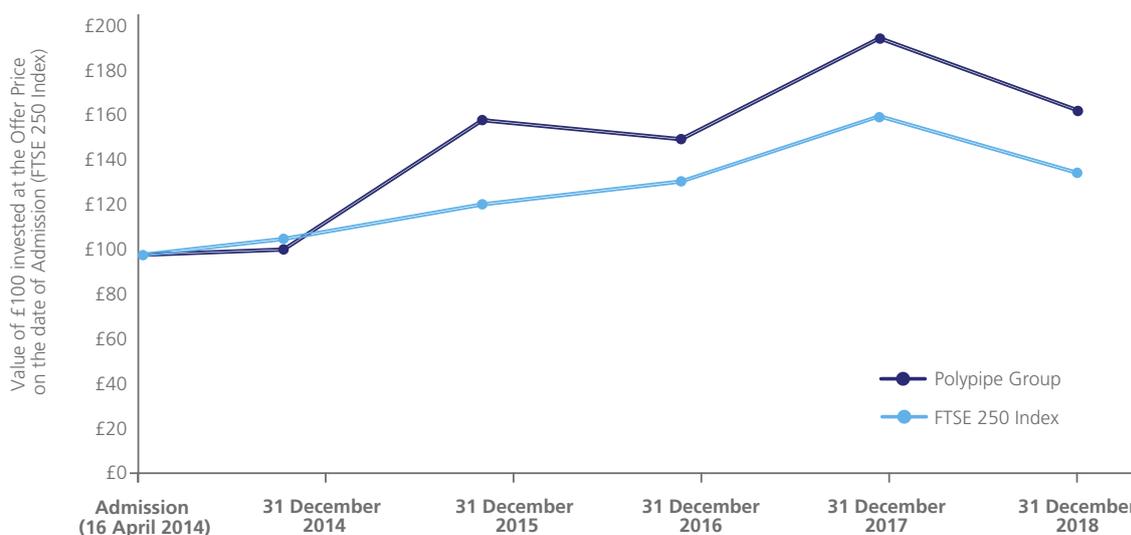
# ANNUAL REPORT ON REMUNERATION

## UNAUDITED INFORMATION

The information provided in this section of the Directors' 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 2018 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 summarises the CEO single figure for total remuneration, annual bonus payouts and long-term incentive vesting levels as a percentage of maximum opportunity over this period.

	2014	2015	2016	2017 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018
CEO single figure of remuneration £'000	955	919	948	717	218	<b>975</b>
Annual bonus payout (as a % of maximum opportunity)	88.7%	68.2%	69.4%	66.8%	66.8%	<b>48.9%</b>
LTIP vesting out-turn (as a % of maximum opportunity)	n/a (no award vested in 2014)	n/a (no award vested in 2015)	n/a (no award vested in 2016)	n/a (no award vested in 2017)	n/a (no award vested in 2017)	<b>n/a (no award vested in 2018)</b>

<sup>1</sup> This reflects the remuneration received by David Hall, CEO for the period from 1 January 2017 to 1 October 2017.

<sup>2</sup> This reflects the remuneration received by Martin Payne who was appointed as CEO on 2 October 2017 following the retirement of David Hall.

## PERCENTAGE CHANGE IN REMUNERATION OF THE CEO

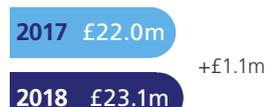
The table below illustrates the percentage change in annual salary, benefits and bonus between 2017 and 2018 for the CEO and the average for all Company UK employees. The CEO is a UK-based employee so the Committee feels that a comparator based on all UK employees is appropriate for the purposes of this analysis.

	Salary change (2017 to 2018)	Benefits change (2017 to 2018)	Annual bonus change (2017 to 2018)
CEO <sup>(1)</sup>	+ 4.4%	–	-28.9%
Average for all UK employees	+ 2.5%	–	-21.4%

<sup>1</sup> This table reflects the fact that David Hall was CEO until 2 October 2017 and Martin Payne was appointed as CEO on 2 October 2017. Martin Payne's salary on appointment was lower than David Hall's CEO salary, and, as set out in the Annual Statement by the Chair of Remuneration Committee on page 83 of this report, the Committee has over time increased Mr Payne's salary to the same level as was received by David Hall.

**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.



Dividends

**SHAREHOLDER VOTING ON REMUNERATION RESOLUTIONS**

Details of the votes cast in relation to our remuneration resolutions in 2018 are summarised below:

	Votes for	Votes against	Votes withheld
Approval of the Remuneration Policy 2018 AGM	127,934,229 (87.62%)	18,067,599 (12.38%)	6,537,337
Approval of the Annual Report on Remuneration 2018 AGM	143,258,256 (96.43%)	5,285,135 (3.57%)	3,989,773

**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. None of the current Executive Directors currently holds any such appointment.

**ANNUAL GENERAL MEETING**

This Annual Report on Remuneration will be subject to an advisory shareholder vote at our AGM to be held on 23 May 2019.

By order of the Board.

**Moni Mannings**

Chair of the Remuneration Committee for the year ended 31 December 2018

19 March 2019

# CASE STUDY

Location:  
**Graven Hill Bicester**

Client: **Careys Civil Engineering**

Application: **SuDS**

Product: **Polysewer, Ridgisewer, Ridgistorm-XL and Polystorm-R**

## The Project

### Polypipe delivers vital infrastructure for UK's largest self-build community

Polypipe has supplied a wide range of its thermoplastic pipe products for foul water management, delivering vital infrastructure to the innovative Graven Hill project site in Bicester, Oxfordshire.

The Graven Hill project is set to become the UK's largest self-build community, offering plots for 1,900 homes across the site, with planning for further developments including a primary school, pubs and convenience shops accepted.

The 188-hectare site will provide purchasers with the chance to build their own home, with a focus on energy efficient materials, modular construction methods, and contemporary design. Following previous positive experiences with Polypipe, contractor Careys Civil Engineering recommended that the original clay and concrete design specification be changed to a more durable and cost-effective thermoplastic solution, incorporating Polysewer and Ridgisewer. The structured wall pipes offer ring stiffness and strength, while ensuring flexibility to allow for ground movement and differential settlement.

They can also be manufactured to exact specifications and delivered at precise times, reducing labour time on-site. To capture, store and control surface water run-off, over 220m of Ridgistorm-XL large diameter pipes were supplied in a stiffness class of SN2 to suit the site's ground conditions, together with two tanks manufactured using Polystorm-R cells.

Polypipe's Polystorm-R cells have a 95% void ratio, with a load-bearing capacity of up to 61 tonnes per square metre, making them ideally suited for trafficked and loaded applications at greater depths. The two tanks will provide over 336m of water storage, ensuring good resilience even in extreme weather events.

The solution included a system for foul water management using over 2,250m of Polypipe's Polysewer and 330m of Ridgisewer structured wall pipes, along with the necessary associated bends and fittings required to fit the pipe runs.



***“We recommended ... a thermoplastic solution, as we knew it would be safer, easier and quicker for our groundworkers to install, while offering the robust infrastructure required for this large-scale project.”***

– Mick McCaul, Construction Manager  
at Careys Civil Engineering