

Remuneration policy

This report sets out the Company's policy on the remuneration of its executive and non-executive directors, and will be proposed for approval by shareholders at the AGM on 23 June 2020. It will take effect from the day following the AGM and may operate for up to three years.

Policy overview

The Company's remuneration policy is to provide executive remuneration packages that attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, to deliver outstanding operational performance, to deliver excellent financial performance and to enhance shareholder value. To achieve this policy the packages must:

- be competitive;
- encourage a focus on long-term, sustained performance;
- be fair and transparent;
- be consistent across the Group; and
- be aligned to shareholders' interests.

The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration packages is undertaken by the Remuneration Committee.

There are five elements of the current remuneration package for executive directors and senior management:

- base annual salary;
- benefits-in-kind;
- annual bonus payments;
- long-term incentives; and
- pension arrangements.

It should be noted that there will not be an annual bonus scheme or a long-term incentive award in 2020.

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee takes into account the general pay and employment conditions of other employees of the Group when determining executive directors' remuneration for the relevant financial year. This includes taking account of the levels of base salary increase for employees below executive level when reviewing executive base salaries and ensuring that the same principles apply in setting performance targets for executives' incentives as for other employees of the Group.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year at the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

Executive directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	To provide competitive fixed remuneration.	In deciding appropriate remuneration levels, the Remuneration Committee considers the Group as a whole and relies on objective research which gives up-to-date information on a comparator group of listed companies of similar size and complexity. Base salaries are reviewed by the Remuneration Committee annually prior to the start of the salary year and on the occasion when an individual changes position or responsibility.	The Remuneration Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, a change in the scale, scope or responsibility of the role. Current salary levels are set out on page 19.	Individual and business performance is considered in determining base salary levels.
Benefits-in-kind	To provide competitive benefits-in-kind to ensure overall package is competitive. To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.	Provision of a range of benefits including some or all of: <ul style="list-style-type: none"> • a company car or car allowance; • private medical insurance; • income protection insurance; and • life assurance. Other benefits may be payable where appropriate.	Benefits may include those currently provided as disclosed on page 20; however, the Remuneration Committee reserves the right to provide such level of benefits as it considers appropriate to support the ongoing business strategy.	Not performance related.

Directors' remuneration report continued

Remuneration policy continued

Executive directors continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Annual bonus scheme	<p>Rewards annual achievement of performance targets in order to deliver the business strategy.</p> <p>Compulsory deferral into the Company's shares provides a link to the creation of long-term shareholder value and also a retention element.</p>	<p>Measures and targets are set annually and pay-out levels are determined by the Remuneration Committee after the year end based on performance in the financial year against those targets.</p> <p>Half of each bonus will be payable in cash on the date of payment.</p> <p>The other half of each bonus will be deferred and payable in shares under the Executive Directors' Deferred Share Plan which will vest three years after the award date.</p> <p>Shall not be payable unless the executive director is employed on the date of payment.</p> <p>The annual bonus is not pensionable and there are no claw back or withholding arrangements.</p>	<p>Maximum bonus only payable for achieving demanding targets.</p> <p>A maximum bonus of 100% of base salary.</p>	<p>Set annually by the Remuneration Committee based on various performance metrics (which will be determined by the Remuneration Committee) measured over the relevant financial year.</p> <p>Pay-out levels are based on:</p> <ul style="list-style-type: none"> • a threshold performance level (the minimum level of performance that results in any payment), of 20% of maximum pay-out; • a mid-performance level, of 60% of maximum pay-out; and • a maximum performance level, of 100% of maximum pay-out.
Long-term incentive – Performance Share Plan (“PSP”)	<p>Rewards sustained performance against challenging long-term targets which are critical to the realisation of the business strategy.</p> <p>Designed to attract, retain and incentivise executive management over the longer term.</p> <p>To provide an appropriate motivational framework and to align more closely the interests of the executive management with the performance of the business and the interests of shareholders.</p>	<p>The current Performance Share Plan was approved at the 2012 AGM and is governed by the rules of the plan. A summary of the key features is set out below:</p> <ul style="list-style-type: none"> • Conditional share awards or options over a fixed number of shares are granted based on the relevant percentage of a director's base salary and the closing share price on the date of the award. • Vesting of awards will be subject to a three-year performance period. • The awards will lapse if the participant leaves employment before vesting unless in specific “good leaver” circumstances. • Award levels and performance conditions will be determined each year by the Remuneration Committee. 	<p>Maximum value of awards made to participants in any financial year will not exceed 200% of their remuneration at the relevant date of award.</p> <p>If there are exceptional circumstances, however, that the Remuneration Committee considers justifies making awards in excess of this limit, participants may receive awards with a value of up to 400% of their remuneration at the relevant date of award.</p> <p>The last awards were made in 2011 to the Chief Executive Officer of 125% and to other executive directors of 100% of base salary.</p>	<p>The performance targets are set annually by the Remuneration Committee. Previously these were based on achievement of growth in both total shareholder return and earnings per share over at least a three-year performance period. The pay-out would be based on a matrix with pay-outs from 0% to 100% of maximum.</p> <p>The Remuneration Committee may set different performance conditions for future awards having regard to the Company's strategic priorities, shareholder expectations and market conditions prevailing at that time.</p>
Pension	<p>To provide retirement benefits to ensure overall package is competitive.</p> <p>To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.</p>	<p>Defined contribution arrangements into the Crystalox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence.</p> <p>Current contribution levels 8% employer contributions into a defined contribution scheme.</p>	<p>Pension provision may include those currently provided which are 8%; however, the Remuneration Committee reserves the right to provide such level of pension provision as it considers appropriate to support the ongoing business strategy.</p>	<p>Not performance related.</p>

Notes

(1) A description of how the Company intends to implement the policy set out in this table for 2020 is set out in the Annual Report on Remuneration on pages 19 to 23.

(2) The following differences exist between the Company's policy for the remuneration of executive directors as set out above and its approach to the payment of employees generally:

- A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive director and certain senior managers.
- Benefits offered to other employees generally comprise the provision of income protection insurance, life assurance and healthcare where required for the role or to meet market norms.
- The majority of employees in the United Kingdom participate in local defined contribution pension arrangements. Employees in Germany do not participate in company pension schemes.
- Participation in the PSP is limited to the executive director and certain selected senior managers.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals and on arrangements in the countries where the Group has employees (United Kingdom and Germany). They also reflect the fact that, in the case of the executive director and senior managers, a greater emphasis tends to be placed on performance related pay.

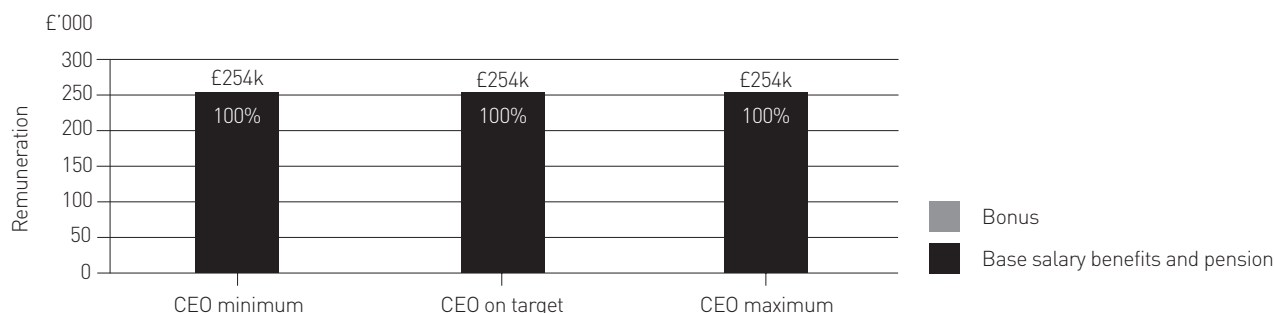
(3) The choice of the performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately challenging and tied to both shareholder value and specific individual objectives.

(4) The Remuneration Committee operates share plans in accordance with their respective rules and in accordance with the Listing Rules and HMRC where relevant. The Remuneration Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans.

(5) For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the Chief Executive Officer's remuneration package for 2020 varies at different levels of performance under the policy, both as a percentage of total remuneration opportunity and as a total value. No bonus scheme is in operation for 2020. The figures are in Sterling as this is the currency in which the director is paid.



Notes

- (1) The value of benefits receivable in 2020 is taken to be the value of benefits received in 2019 (as calculated under the directors' remuneration table, set out on page 20).
- (2) The value of pension is as presented under the directors' remuneration table.
- (3) The Remuneration Committee has decided that there will not be an annual bonus scheme in operation for 2020.
- (4) The Remuneration Committee has decided that there will not be an LTIP scheme in operation for 2020.
- (5) No share price appreciation has been assumed for the deferred bonus shares.

Service contracts for executive directors

The service agreements of the executive directors are not fixed term and are terminable by either the Company or the director on twelve months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary in lieu of twelve months' notice. Incidental expenses may also be payable where appropriate. In calculating the amount payable to a director on termination of employment, the Board would take into account the commercial interests of the Company. The Remuneration Committee reviews the contractual terms for new executive directors to ensure these reflect best practice.

The Company does not have a minimum shareholding guideline for executive directors as the current executive director has a shareholding many times in excess of his annual salary which aligns the executive's and shareholders' interests.

Provision	Detailed terms
Notice period	Twelve months
Termination payment	Up to twelve months' salary
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest
Change of control	No executive director's contract contains additional provisions in respect of change of control

Executive director's contracts of service, which include details of remuneration, are available for inspection at the Company's registered address and will be available for inspection at the AGM to be held on 23 June 2020.

Approach to recruitment and promotions

The remuneration package for a new executive director – i.e., base salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual. The Remuneration Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would where possible reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For an internal executive director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Remuneration Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Directors' remuneration report continued

Remuneration policy continued

Approach to leavers

At the discretion of the Remuneration Committee, an annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the PSP and the Executive Directors' Deferred Share Plan is that any outstanding awards lapse on cessation of employment.

However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Remuneration Committee, "good leaver" status may be applied. For good leavers, awards will normally vest on cessation, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating. The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain "good leaver" circumstances awards will normally vest in full on the date of cessation (unless the Remuneration Committee determines otherwise).

The executive directors may accept outside appointments, with prior Board approval, provided these opportunities do not negatively impact on the individual's ability to perform his duties at the Company. Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case by case basis.

Non-executive directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Non-executive directors' fees	<p>To reward individuals for fulfilling the relevant role.</p> <p>To reflect the time commitment and responsibilities of the roles of the individual non-executive directors.</p> <p>To attract, retain and motivate individuals with the necessary experience and ability to make a substantial contribution to the Group.</p>	<p>Cash fee paid.</p> <p>Fees are reviewed on an annual basis and are set by the Board.</p> <p>Expenses incurred by the non-executive director in the course of his employment are reimbursed in accordance with the Group's expenses guidelines.</p> <p>Fees are not subject to claw back or withholding arrangements</p>	<p>The Board is guided by the general increase in the non-executive director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role.</p> <p>Current fee levels are set out on page 19.</p>	<p>Not applicable.</p> <p>Non-executive directors do not participate in variable pay arrangements.</p>

Non-executive directors are appointed pursuant to a letter of appointment for an initial period of three years unless terminated earlier by either party giving six months notice. Continuation of each appointment is contingent on satisfactory performance and re-election at an AGM. Under the letter of appointment the director is subject to re-election every three years at the AGM. Since 2011 the Board agreed that each director would be subject to re-election at each AGM.

The non-executive directors' letters of appointment are available for inspection at the Company's registered address and will be available for inspection at the AGM to be held on 23 June 2020.

The information contained in this report is not subject to audit except where specified.

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Rule 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the AGM to be held on 23 June 2020.