

## Governance

# DIRECTORS' REMUNERATION REPORT

Statement by the Chairman

"We are focused on ensuring the group's Remuneration Policy is aligned with shareholders' interests and the company's strategic goals."



**Jon Pither**  
Chairman of the Remuneration Committee

## Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ending 30 June 2018. The overall approach of the Remuneration Committee (the "Committee" in this report) remains unchanged from prior years. We are focused on ensuring the group's Remuneration Policy is aligned with shareholders' interests and the company's strategic goals, whilst also enabling us to attract, retain and motivate high quality executive management.

In making remuneration decisions, the Committee considers the group's overall performance against its long-term goals. As described in the Strategic Report, the 2017/18 financial year was a strategically important one for Alumasc but more challenging than expected from a trading perspective.

The Committee met twice during the year. The topics under discussion included:

- Preparation of the new Long Term Incentive Plan (2018 LTIP) to be put to shareholders at the 2018 Annual General Meeting ("AGM");
- A review of the base salaries of the Executive Directors and group employees more generally;
- A review and establishment of the achievement of the bonus criteria for the Executive Directors;
- Decisions on the performance criteria to be applied to the current long term incentive plan ("LTIP") and executive share option scheme ("ESOS") awards to be made in October 2018; and
- Decisions on the achievement of the performance criteria in relation to the ESOS and LTIP awards maturing in November 2018 and December 2018 respectively.

## Summary of any discretion applied in the year

There was no discretion applied during the year to any part of the Directors' remuneration.

## 2018 LTIP

A summary of the proposed rules for the 2018 LTIP is contained in the Annual General Meeting notice. The full rules of the LTIP will be available for inspection at the office of Deloitte LLP as detailed in the AGM notice and will be put to a binding shareholder vote at the AGM in October this year. It will become effective following that meeting should the members vote in favour of it.

## Jon Pither

Chairman of the Remuneration Committee

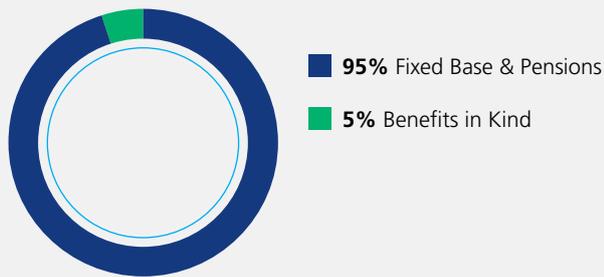
## Remuneration Committee membership

The Remuneration Committee members who served during the year were:

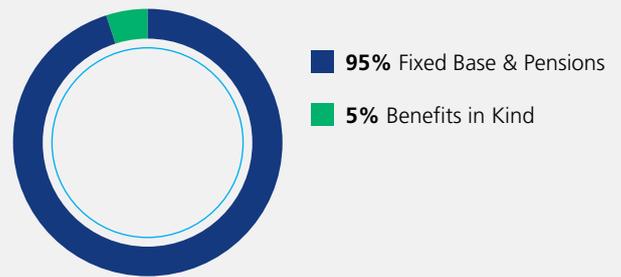
- Jon Pither (Chairman)
- Philip Gwyn
- Richard Saville
- David Armfield

## Remuneration Dashboard

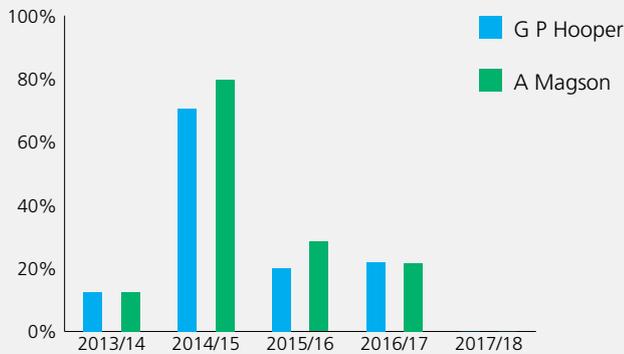
**Mix of Remuneration  
Executive Directors 2017/18**



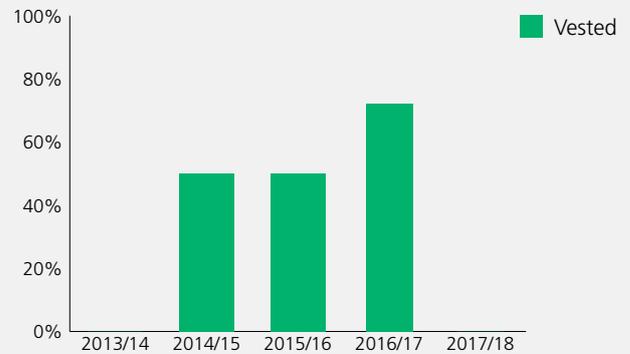
**Mix of Remuneration  
Chief Executive 2017/18**



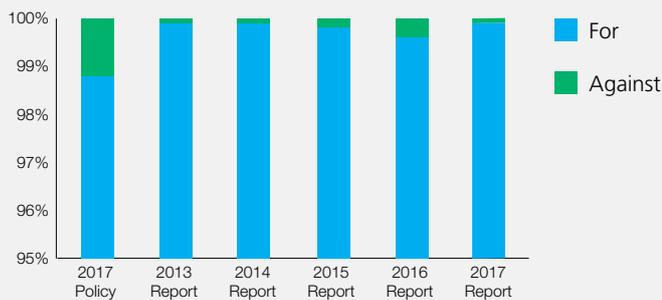
**Bonus Levels as a Percentage of Salary**



**Historical Vesting of LTIPs**



**AGM Votes on Directors' Remuneration  
Policy and Report**



This report is on the activities of the Remuneration Committee for the period to 30 June 2018.

It has been prepared by the Remuneration Committee, in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. It will be subject to a shareholders' advisory vote at the forthcoming Annual General Meeting on 25 October 2018.

## Governance

## DIRECTORS' REMUNERATION REPORT continued

## Annual Report on Remuneration

The following sections show how the remuneration policy approved in 2017 was applied in the year ending 30 June 2018 and, where appropriate, will be applied in the following year. The information provided on pages 44 to 49 of the Directors' Remuneration Report is subject to audit.

## Single total figure of remuneration

The remuneration of the Non-Executive Directors for the years 2017/18 and 2016/17 is made up as follows:

Director	Base salaries/fees		Benefits in kind		Single figures of total remuneration	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
John McCall	100	100	4	4	104	104
Jon Pither	40	40	–	–	40	40
Philip Gwyn*	35	35	–	–	35	35
Richard Saville	40	40	–	–	40	40
David Armfield	35	35	–	–	35	35
<b>Total</b>	<b>250</b>	<b>250</b>	<b>4</b>	<b>4</b>	<b>254</b>	<b>254</b>

\* Retired 30 June 2018.

The Non-Executive Director fees were reviewed in 2018. No further increases are proposed for the 2018/19 year.

The remuneration of the Executive Directors for the years 2017/18 and 2016/17 is made up as follows:

Director	Base salaries/fees		Bonuses		Benefits in kind		Pension contributions or payments in lieu of pension contributions		Long-term incentives with performance period ending during the year		Single figure of total remuneration	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 <sup>^</sup> £000	2017/18 £000	2016/17 £000
Paul Hooper	265	257	–	56	16	17	51	51	–	129	332	510
Andrew Magson	186	181	–	39	13	12	27	27	–	60	226	319
<b>Total</b>	<b>451</b>	<b>438</b>	<b>–</b>	<b>95</b>	<b>29</b>	<b>29</b>	<b>78</b>	<b>78</b>	<b>–</b>	<b>189</b>	<b>558</b>	<b>829</b>

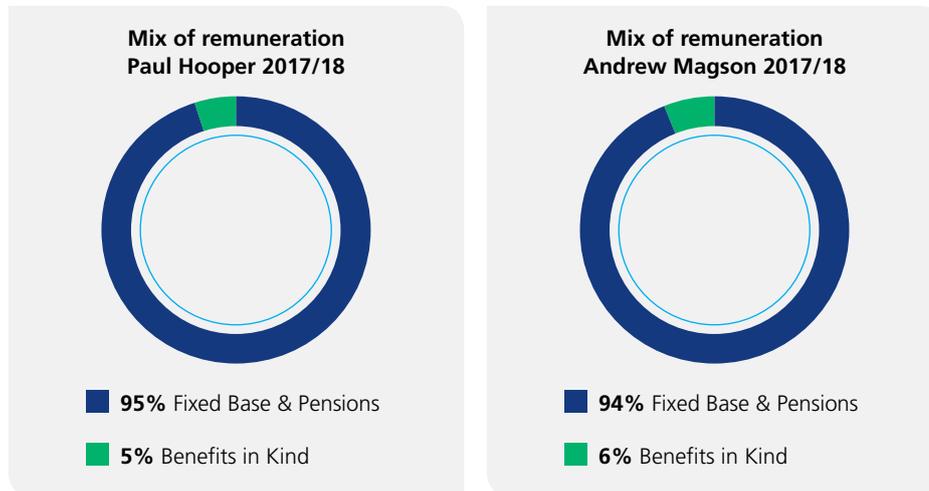
<sup>^</sup> Re-stated values based on the vesting of the 2015 LTIP award at a price of 128 pence on 13 March 2018.

For the year to 30 June 2018 the minimum level at which the annual bonus would become payable was set at underlying profit before tax ("PBT") of £8.3 million. On the basis of actual underlying PBT from all operations of £6.5 million, the target for the profit linked bonus was not met and therefore no annual bonus was awarded to Mr Hooper or Mr Magson.

The group operates a policy whereby Executive Directors are provided with health insurance, disability insurance and life cover, and are given a cash alternative to a company car and associated expenses.

The performance metrics used for the 2015 LTIP award, which has a performance period for the three financial years ending 30 June 2018, were set to incentivise significant further growth in the group's underlying EPS compared with the 2014/15 financial year. These metrics comprised an earnings target based on Basic EPS and a total shareholder return ("TSR") target.

In order for any part of the award to vest a threshold level of basic earnings per share of 15.8 pence had to be achieved in 2017/18, at which 25% of the award would be payable. Two thirds of the remaining 75% of the award was payable on a straight line basis if the group's basic EPS was between 15.8 and 19.4 pence per share, with the remaining 25% payable on a straight line basis if the TSR fell within the median and upper quartile. The group's basic EPS for the 2017/18 year was 12.0 pence per share, therefore the award lapsed and no shares have vested.



#### Total pension entitlements

The group's defined benefit pension schemes are closed to future accrual and neither Mr Hooper nor Mr Magson have benefits provided under these schemes. The group makes provision to pay 20% of Mr Hooper's base salary and 15% of Mr Magson's base salary into a defined contribution pension scheme of each executive's choosing or as a cash alternative.

#### Payments to past directors

There were no payments to past directors during the year (2016/17: £nil).

#### Payments for loss of office

There were no payments in relation to loss of office during the year (2016/17: £nil).

#### Scheme interests awarded during the year

LTIP awards were granted in October 2017 as detailed in the table below.

	Scheme	Basis of award granted	No. of shares awarded	Face value of award <sup>†</sup>	% vesting for threshold performance	Vesting and performance period
Paul Hooper	2008 LTIP	75% of base salary	115,425	£200,262	25%	3 years
Andrew Magson	2008 LTIP	50% of base salary	54,194	£94,027	25%	3 years

<sup>†</sup> Based on share price of 173.5 pence on the day of grant.

The performance measures for these awards over the three-year period will be benchmarked against the 2016/17 basic EPS from continuing operations in that year of 18.3 pence per share.

## Governance

## DIRECTORS' REMUNERATION REPORT continued

Threshold basic EPS growth (25% of award) is:	Vesting level
At least growth in RPI plus 2.5% per annum over the performance period	100%
Below growth in RPI plus 2.5% per annum over the performance period	0%

If above threshold performance is achieved, then the following tables explain how vesting levels above the threshold level will relate to performance achieved:

If basic EPS growth (50% of award) is:	Vesting level
Equal to or greater than the growth in retail prices index ("RPI") plus 10% per annum over the performance period	100%
Between RPI growth plus 2.5% and RPI growth plus 10% per annum over the performance period	Straight line between 0%-100%

If Total Shareholder Return (25% of award) is:	Vesting level
Top quartile performance relative to FTSE All Share Index.	100%
Between median and top quartile	Straight line between 0%-100%
Below median	0%

## Statement of Directors' shareholdings and share interests

## Directors' shareholdings

	At 30 June 2018	At 30 June 2017
John McCall	<b>4,359,668</b>	4,359,668
Jon Pither	<b>298,986</b>	280,736
Philip Gwyn*	<b>3,057,605</b>	3,057,605
Paul Hooper	<b>460,478</b>	330,237
Andrew Magson	<b>133,926</b>	100,103
Richard Saville	<b>83,000</b>	53,000
David Armfield	<b>69,400</b>	35,000

\* Retired 30 June 2018.

The Directors' shareholdings are beneficial with the exception of 434,000 shares (2017: 434,000) in which Mr McCall has a non-beneficial holding.

There is no requirement of Directors to hold a specific number of shares in the company.

At the year end the Employee Trust, established to hold shares in relation to the ESOS and the LTIP, held 161,411 ordinary shares. The market value of the shares held in trust as at 30 June 2018 was £217,905.

### Long Term Incentive Plans

The table below reconciles movements in LTIP awards during the year.

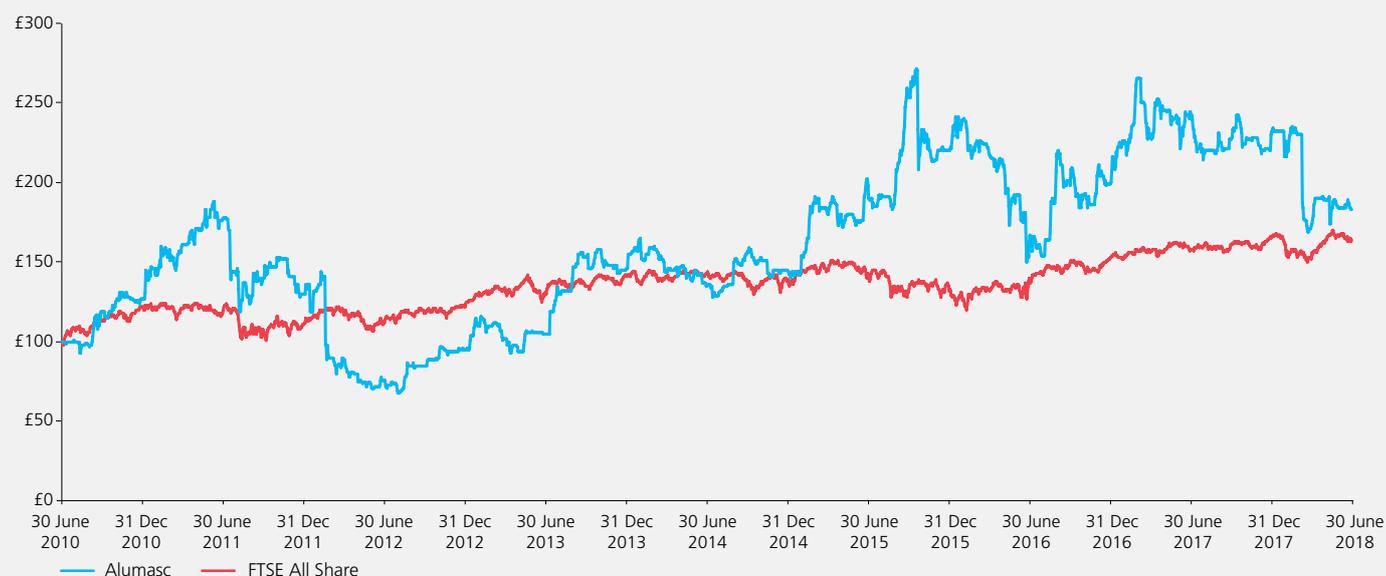
	Date of award	Market price at award date*	Earliest exercise date	Interest as at 1 July 2017	vested in year	exercised in year	were granted in year	of which lapsed in year	Interest as at 30 June 2018
<b>Paul Hooper</b>									
	Mar 2015	155.5p	Mar 2018	<b>140,154</b>	100,898	100,898	–	39,256	–
	Dec 2015	177.5p	Dec 2018	<b>99,734</b>	–	–	–	–	<b>99,734</b>
	Sept 2016	157.5p	Sept 2019	<b>122,510</b>	–	–	–	–	<b>122,510</b>
	Oct 2017	173.5p	Oct 2020	–	–	–	115,425	–	<b>115,425</b>
Total 2008 Plan				<b>362,398</b>	100,898	100,898	115,425	39,256	<b>337,669</b>
<b>Andrew Magson</b>									
	Mar 2015	155.5p	Mar 2018	<b>64,865</b>	46,696	46,696	–	18,169	–
	Dec 2015	177.5p	Dec 2018	<b>46,808</b>	–	–	–	–	<b>46,808</b>
	Sept 2016	157.5p	Sept 2019	<b>57,521</b>	–	–	–	–	<b>57,521</b>
	Oct 2017	173.5p	Oct 2020	–	–	–	54,194	–	<b>54,194</b>
Total 2008 Plan				<b>169,194</b>	46,696	46,696	54,194	18,169	<b>158,523</b>

\* The market price at the award date is based on the price on the day the Employee Trust or the company granted the award. This price can differ from the market value at the date the Remuneration Committee recommended the award to the Trust or company.

### Performance graph and Chief Executive remuneration table

The information included in this part of the Directors' Remuneration report is not subject to audit.

#### Historical total shareholder return performance



The graph shows the total shareholder return on a hypothetical holding of shares in the company compared with the FTSE All Share Index. This index has been selected as, in the opinion of the Directors, it provides a sounder comparison than any subset of the market.

## Governance

## DIRECTORS' REMUNERATION REPORT continued

The following table sets out the total remuneration and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) in each of the past five years for the Chief Executive.

Year	Chief Executive single figure of total remuneration £000	Annual bonus payout against maximum opportunity %†	Long-term incentive vesting rates against maximum opportunity %
<b>2017/18</b>	<b>332</b>	<b>0%</b>	<b>0%</b>
2016/17*	510	22%	72%*
2015/16	493	20%	50%
2014/15	633	71%	50%
2013/14	323	13%	0%

\* Adjusted to reflect actual figures following the vesting of the 2015 LTIP award in March 2018.

† For the purposes of this table, percentages relate to the remuneration policy maximum bonus of 100% rather than the current practice maximum of 50% of salary.

## Percentage change in Chief Executive's remuneration

The table below shows the percentage change in remuneration between the years ended 30 June 2017 and 30 June 2018 for the CEO and all group employees. Remuneration is defined for these purposes as wages and salaries (including variable remuneration) and pension costs. Whilst all employees in general received a 2 to 3% cost of living pay rise in 2017, changes in the mix of employees across the group have impacted the overall reported increase in salary per employee.

	CEO	Employees
Salary	3.1%	0.4%
Benefits	-3.5%	-
Bonus	-100.0%	-38.9%
<b>Total</b>	<b>-14.7%</b>	<b>-2.6%</b>

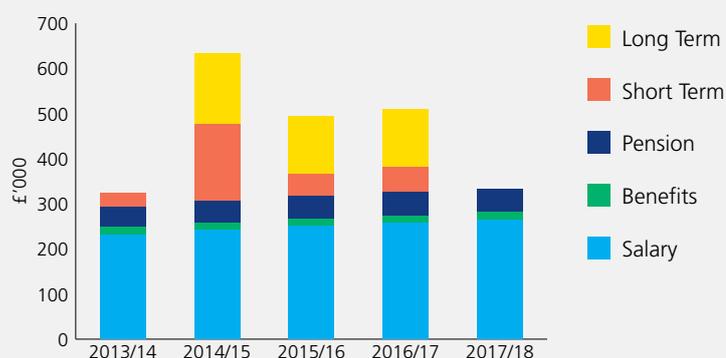
## Relative importance of spend on pay

	Total employee pay £000	Dividends £000
2016/17	21,574	2,368
<b>2017/18</b>	<b>21,747</b>	<b>2,594</b>

## Relative importance of spend on pay



## Chief Executive's remuneration 2013/14 – 2017/18



### Statement of implementation of Remuneration Policy in 2018/19

The following sections show how the Remuneration Policy will be applied in 2018/19.

#### Base salary

Neither the Chief Executive nor the Group Finance Director base salaries have been raised for the 2018/19 financial year. This will be reviewed later in the year.

#### Non-Executive Directors

The remuneration of the Non-Executive Directors is set by the Chairman and the Executive Directors. The policy of the Board is that the remuneration of the Non-Executive Directors should be consistent with the levels of remuneration paid by companies of a similar size and complexity. Non-Executive Directors receive an annual fee and are reimbursed expenses incurred in performing their duties. They do not receive any performance related remuneration or pension contributions. The non-executive fees were not increased during the year and there are no plans to make any increases in the 2018/19 financial year.

The Chairman and Non-Executive Directors do not have contracts of service but their terms are set out in letters of appointment.

#### Bonus

For 2018/19 the annual bonus for Executive Directors will be determined by growth in group underlying profit before tax relative to demanding targets set at the beginning of the financial year. The Board considers that these targets are commercially sensitive and therefore full details will not be disclosed until the 2018/19 report.

#### Long Term Incentive Plan

It is intended that awards under the 2008 LTIP will be made in October 2018 for the Chief Executive, to the extent of 75% of base salary, and to the Group Finance Director, to the extent of 50% of base salary.

The performance criteria for these awards over a three year period will be the growth in basic EPS above the 18.3 pence per share base level achieved in the 2016/17 financial year, in view of the reduction in earnings per share in 2017/18.

Threshold basic EPS growth (25% of award) is:	Vesting level
At least growth in RPI plus 2.5% per annum over the performance period	100%
Below growth in RPI plus 2.5% per annum over the performance period	0%

If threshold performance above achieved then:

Basic EPS growth (50% of award) is:	Vesting level
Equal to or greater than the growth in retail prices index ("RPI") plus 10% per annum over the performance period	100%
Between RPI growth plus 2.5% and RPI growth plus 10% per annum over the performance period	Straight line between 0%-100%

Total Shareholder Return (25% of award) is:	Vesting level
Top quartile performance relative to FTSE All Share Index.	100%
Between median and top quartile	Straight line between 0%-100%
Below median quartile	0%

## Governance

**DIRECTORS' REMUNERATION REPORT** continued**Consideration by the Directors of matters relating to directors remuneration**

During the year the Committee considered the remuneration of the Chairman and the Executive Directors.

Details of the Committee members who served during the year can be found on page 44. The Committee met twice during the year and a record of the meeting attendance by Committee members is set out on page 38. The Group Chairman generally attends meetings of the Committee but takes no part in deliberations relating to his own position. The Chief Executive and Group Finance Director can attend meetings of the Committee as requested but take no part in deliberations relating to their own position.

The increases in base salary for the Executive Directors in July 2017 were awarded within the range of salary increases granted to employees across the group. No external advice was taken on these matters.

Neither of the Executive Directors has any external paid directorships. Executive Directors may be permitted to accept external Board or committee appointments provided they do not interfere with their obligations to the company. The Board will decide at the time of appointment whether the Executive Director may retain the fees for such appointments.

**Statement of voting at general meeting**

At last year's AGM (2017) the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes cast	% of votes cast
For	20,729,189	99.9
Against	13,979	0.1
Total votes cast (for and against)	20,743,168	100
Votes withheld*	249,000	n/a
Total votes cast (including withheld votes)	20,992,168	n/a

\* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' or 'Against' a resolution.

**Approval**

This report was approved by the Board of Directors on 11 September 2018 and signed on its behalf by:

**Jon Pither**

Chairman  
Remuneration Committee