Directors' Remuneration Report

Meeting attendance

Details of the Committee members who served during the year can be found below.

Members	Attended/ eligible to attend
Stephen Beechey (Chair)	3/3
Karen McInerney	3/3
Vijay Thakrar	3/3

Notes
- Additional attendees by invitation include the Chief Executive, the Group Finance Director, and Company Secretary; they take no part in discussions relating to their own remuneration
- The main duties of the Remuneration Committee are set out in the Committee's terms of reference, and these can be found at www.alumasc.co.uk
- External advice can be sought as required and was provided this year by FIT Remuneration Consultants LLP. This year, an additional unscheduled meeting was also held to discuss the updated Remuneration Policy

We have created a reward framework that will drive our ambitious growth strategy."

Stephen Beechey
Chair of the Remuneration Committee

Statement from the Chair of the Remuneration Committee

Dear Shareholders

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2023.

As an AIM listed entity, the Company is not required to apply the full Listing Rules of the Financial Conduct Authority or the requirements under SI 2008/410 schedule 8 and hence is not required to present a report on remuneration.

However, the Board considers it appropriate for the Company to provide shareholders with information in respect of executive remuneration that follows the 'spirit' of the regulations, given previous disclosures before the Company relisted on AIM.

This Remuneration Report comprises three sections:

- This Annual Statement, which summarises the work of the Remuneration Committee (the Committee) in the year and sets out the context in which pay decisions were made;
- The Annual Report on Remuneration, which provides (i) details of the remuneration earned by Directors and the link between Company performance and pay for the year ended 30 June 2023 and (ii) how we intend to implement the Policy in 2024; and
- The Directors' Remuneration Policy (the Policy), which is subject to approval by shareholders at the 2023 AGM and sets the parameters within which Directors are remunerated. An updated policy is being put forward for shareholder approval as the previous policy, which was approved in 2020, has reached the end of its three-year life.

Communications with Investors

In September 2022, we wrote to our major shareholders to consult on proposed changes to the remuneration arrangements in the year, in order to:

- Align incentives with our growth strategy;
- Ensure that the incentives were appropriate for the Executive team; and
- Align our remuneration policies with best practice and governance requirements.

There were no changes to the Remuneration Policy structure; however, a small number of changes were proposed as follows:

- The CEO's pension provision was reduced from 20% to 10% of salary, in line with the other Directors and workforce generally. This change reflects shareholders' views and good practice in this area and took effect on 1 January 2023.
- The bonus opportunity for Executive Directors in 2022/23 would be 100% of salary, which is in line with our shareholder-approved Directors' Remuneration Policy. 90% of the bonus would be based on underlying PBIT and 10% on ESG objectives. It was further recommended that potential rewards would be implemented in the wider management team, who are responsible for day-to-day management.

- The ESG objectives were aligned to reducing greenhouse gas (GHG) emissions and reducing Health & Safety lost time incidents, in line with our commitment to people and our planet.
- The Executive Directors, Gilbert Jackson and Michael Leaf, had their bonus targets based 25% on Group-wide performance and 75% on divisional performance.
- The contribution of the Group Chief Executive in the performance during and after the pandemic was recognised. In order to remain competitive, align with market levels, to reflect his strong contribution to the business and his experience and calibre, his salary was increased by 13% to £318,000. The other Directors had a pay increase last year of 4.5%, in line with the workforce. In future years, it is anticipated that salary increases would be in line with the workforce unless there were changes in roles and responsibilities.

Following shareholder consultation and with support from all those who responded, the changes were implemented. I would like to thank shareholders for their engagement and input.

Performance and remuneration outcomes for the year ended 30 June 2023

The performance of The Alumasc Group plc has been resilient and momentum has been maintained, in spite of challenging trading conditions. The focus of health, safety and wellbeing of our workforce, our customers and our communities was a key driver in the year along with our drive to improve ESG performance and our net zero planning. Our incentives are designed to promote the delivery of the Group's strategic objectives and to promote long-term value and creation.

We discussed rewards in view of the impact of the geopolitical situation and inflation. The rewards for the workforce were also considered.

Despite the difficult trading environment, the Group achieved the following results for the financial year:

- Group revenues from continuing operations were maintained at £89.1m (2021/22: £89.4m) despite challenging conditions.
- Underlying profit before tax of £11.2m (2021/22: £12.7m), in accordance with market expectations.
- Building Envelope and Housebuilding Products grew their revenues by 18% and 19% respectively, but Water Management revenues declined by 16%, reflecting significant export orders in the prior year and deferment of a large order into 2024.
- Underlying earnings per share from continuing operations of 25.0p per share (2021/22: 28.6p).
- The Group's greenhouse gas emission intensity reduced to 19.4 tCO_2e / £m revenue (2021/22: 20.3 tCO_2e / £m), and the number of days lost to accidents reduced to 65 (2021/22: 89).

Annual bonus targets were based on UPBT (90% of award) and ESG targets (10% of award). The Group Chief Executive and Group Finance Director's targets were based on Group performance; targets for the Divisional Executive Directors (Gilbert Jackson and Michael Leaf) were based on both Group (25%) and divisional (75%) targets. The performance in the year merited the following bonus awards, expressed as a percentage of salary:

	Group		Divisional		
% of Salary	Profit	ESG	Profit	ESG	Total
Paul Hooper	17.0%	–	–	–	17.0%
Simon Dray	17.0%	–	–	–	17.0%
Gilbert Jackson	–	–	60.8%	7.5%	68.3%
Michael Leaf	–	–	67.5%	7.5%	75.0%

Group UPBT did not reach the level required for payment of a Group ESG bonus, or for payment of a Group profit bonus for the two Divisional Executive Directors (Gilbert Jackson and Michael Leaf).

Vesting of the LTIP awards made to the Group Chief Executive in October 2020 is subject to Group UPBT growth over the period to June 2023 (87% of the award), and TSR performance in the period to October 2023 (13% of the award). Vesting of the awards made to the two Divisional Executive Directors were based wholly on divisional profit growth. The percentage of the award expected to vest in October 2023 is as follows:

	Group		Divisional	
% of Award	UPBT	TSR	Profit	Total
Paul Hooper	69.9%	13.3%	–	83.2%
Gilbert Jackson	–	–	51.8%	51.8%
Michael Leaf	–	–	100.0%	100.0%

The TSR measure will be assessed in October 2023; anticipated vestings above are based on provisional estimates.

Further details of the bonus and LTIP performance targets and outcomes are given on pages 80 to 83.

The Remuneration Committee believes the incentive outcomes reflect the performance of the business during this challenging period. The Remuneration Committee has not applied its discretion during the year to any part of Directors' remuneration.

2023 Directors' Remuneration Policy

An objective of the Remuneration Committee has been to put in place a clear set of arrangements that provide strong alignment with our shareholders and other stakeholders. As covered in our strategic report we are aiming to grow our business. Following consultation with our major shareholders, the updated Policy as set out in this report reflects both our strategy and commitment to the manufacture and sale of sustainable products and also reflects our ESG commitments.

Having reviewed our current policy, we believe the existing structure – comprising base salary, benefits, pension contribution, annual bonus and Long Term Incentive Plans (LTIPs) remains appropriate. The bonus and LTIP maximum limits contained in our 2020 policy remain appropriate and therefore are unchanged. We have, however, taken the opportunity to update our policy to include emerging and current good practice in the policy for the following:

- the introduction of shareholding guidelines for Executive Directors to further align our senior leaders with shareholders
- updating and strengthening the malus and clawback provisions attached to our annual bonus and LTIP schemes to align with good practice in this area; and
- alignment of Executive Director pension contribution rates with the workforce contribution rate (which was applied from 1 January 2023).

Directors' Remuneration Report continued

The current policy was reviewed with guidance from FIT Remuneration Consultants LLP, the Committee's executive remuneration advisers.

I would like to thank those shareholders who responded as part of the shareholder consultation exercise for their time and valuable input into the design of our new policy. I look forward to your support at the forthcoming AGM.

2023/24 implementation

Salaries of the general workforce have been increased by 6% with effect from 1 July 2023 and Executive and Non-executive Directors' base salaries and fees have also been increased by 6%.

A maximum bonus opportunity of 100% of salary will apply for Executive Directors. The metrics selected for the 2023/24 annual bonus are 90% in relation to Underlying Profit Before Tax (UPBT) and 10% for ESG metrics specifically relating to reducing greenhouse gas emissions and for reducing the incidence of, and days lost, due to accidents. This is consistent with Alumasc's commitment to our people and our planet.

Consistent with the prior year, our two Divisional Executive Directors will have 25% of their bonus opportunity based on Group performance and the remainder on divisional performance. This is still considered to achieve an appropriate balance between their responsibilities as both Group Directors and Divisional Managing Directors. As the Chief Executive, Paul Hooper, continues to be responsible for the Water Management division, 40% of his bonus opportunity will be based on divisional performance and 60% on Group performance.

An LTIP award will be granted in 2023 and this award will vest after three years subject to UPBT and TSR performance metrics. Details of the measures and targets are provided on pages 85 and 86.

The Committee considers that the overall remuneration is fair, balanced, and reasonable and takes into account the interests of all stakeholders. It is also focused on our long-term growth strategy.

Key decisions

During the year, there were three formal meetings and one unscheduled meeting and the following topics were discussed:

- review of base salaries of the Group Executive Directors;
- review of the 2023 Remuneration Policy for adoption at the AGM;
- variable pay, in particular Long Term Incentive Plan (LTIP) targets for the award made during the year;
- gender pay gap and related actions;
- consideration of a Group-wide salary increase;
- the review of performance criteria for the current LTIP;
- the outcome of the shareholder consultations on proposed changes to remuneration arrangements in the year;
- ESG metrics for bonus targets were considered and agreed; and
- the 2022/2023 bonus scheme and future operation of this to encourage growth and to implement the stretch targets.

If you have any questions on this report or our approach to remuneration more generally, please feel free to contact me via the Company Secretary. I would be pleased if you would support both the binding Directors' Remuneration Policy vote and the advisory vote for the Remuneration Report at the forthcoming AGM.

Stephen Beechey
Chair of the Remuneration Committee
5 September 2023

Annual Report on Remuneration

The following sections show how the Remuneration Policy approved in 2020 was applied in the year ending 30 June 2023.

Single total figure of remuneration

The remuneration of the Non-executive Directors for the years 2022/23 and preceding year is as follows:

	Base salaries/fees		Benefits in kind		Single figure of total	Remuneration
Director	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Vijay Thakrar	**104**	73	**4**[1]	2	**108**	75
Stephen Beechey	**47**	43	**–**	–	**47**	43
Karen McInerney	**47**	23	**–**	–	**47**	23
Total	**198**	139	**4**	2	**202**	141

1 Benefits in kind related to car insurance and medical insurance.

The remuneration of the Executive Directors for the years 2022/23 and 2021/22 was as follows:

	Base salaries/fees		Bonus		Benefits in kind[2]		Pension contributions or payments in lieu of pension contributions		Long-term incentives with performance period ending during the year		Single figure of total remuneration	
Director	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Paul Hooper	**307**[1]	282	**50**	96	**7**	19	**39**[3]	56	**206**[4]	251	**609**	704
Gilbert Jackson	**216**	204	**147**	–	**4**	8	**19**	18	**47**	97	**433**	327
Michael Leaf	**201**	192	**150**	96	**1**	11	**20**	20	**83**	87	**455**	406
Simon Dray	**183**	173	**31**	60	**12**	12	**16**	15	**–**	–	**242**	260
Total	**907**	851	**378**	252	**24**	50	**94**	109	**336**	435	**1,739**	1,697

1 Mr Paul Hooper's salary was increased from £294,982 to £318,000 pa with effect from 1 January 2023.
2 Benefits in kind includes car allowance, health benefits, life cover and a disability insurance policy.
3 On 1 January 2023, Mr Paul Hooper's pension payment was reduced to 10% of salary in line with the workforce rate.
4 The three month average price of the shares to 30 June 2023 was 158.1p.

Mr Paul Hooper was appointed a director of Titon Holdings plc on 1 April 2022 and retains the fees from that appointment. Subject to Nomination Committee approval, Executive Directors are permitted to accept external board or committee appointments provided they do not interfere with their obligations to the Company.

Directors' Remuneration Report continued

Benefits

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

Annual bonus outcome for 2022/23

For the year ended 30 June 2023, the maximum bonus opportunity for Executive Directors was 100% of base salary.

Paul Hooper, Group Chief Executive, and Simon Dray, Group Finance Director

The Group Chief Executive and Group Finance Director were set targets based on Group underlying profit before taxation (UPBT) and ESG performance, based on reductions in the Group's greenhouse gas emission intensity (Scope 1, 2 and 3 market-based emissions, expressed as tonnes of CO_2e per £m of Group revenue), the number of lost time accidents (LTAs), and the number of days lost to LTAs. The ESG bonuses were only payable subject to achievement of a minimum Group profit hurdle. The individual targets and performance against them are set out in the tables below.

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	% of bonus payable
Group UPBT	90.0%	£10.8m 0% earned	£11.4m 30% earned	£12.8m 90% earned	£11.2m	17.0%
ESG: GHG reduction	5.0%	<19.46t CO_2e/£m revenue 5% earned			19.45t CO_2e/£m	0.0%
ESG: number of LTAs	2.5%	<=2 LTAs 2.5% earned			2 LTAs	0.0%
ESG: LTA days lost	2.5%	<60d lost 2.5% earned			65 days lost	0.0%
Total	100.0%					17.0%

As the target profit level of £11.4m was not achieved, the ESG bonuses were not payable. Based on the above, Paul Hooper and Simon Dray were awarded bonuses of 17% of salary each.

Divisional Executive Directors

The two Divisional Executive Directors were set targets based on divisional UPBT and ESG performance, to a maximum of 75% of award, with the remaining 25% based on Group UPBT and ESG performance. Group and divisional ESG bonuses were also subject to minimum Group and divisional profit hurdles.

The performance against their targets is shown below, although the individual target and performance levels are considered commercially sensitive and have not been disclosed.

Gilbert Jackson, Building Envelope

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	% of bonus payable
Divisional UPBT	67.5%	0% earned	30% earned	67.5% earned	60.8%
Divisional ESG	7.5%	7.5% earned			7.5%
Group UPBT	22.5%	0% earned	0% earned	22.5% earned	0.0%
Group ESG	2.5%	2.5% earned			0.0%
Total	100.0%				68.3%

Michael Leaf, Housebuilding Products

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	% of bonus payable
Divisional UPBT	67.5%	0% earned	30% earned	67.5% earned	67.5%
Divisional ESG	7.5%	7.5% earned			7.5%
Group UPBT	22.5%	0% earned	0% earned	22.5% earned	0.0%
Group ESG	2.5%	2.5% earned			0.0%
Total	100.0%				75.0%

As the breakthrough Group profit level of £12.8m was not achieved, the Group ESG bonuses were not payable. Based on the above, Gilbert Jackson and Michael Leaf were awarded bonuses of 68.3% and 75.0% of salary respectively.

2020 LTIP outturn

Awards were made to Paul Hooper under the LTIP in October 2020. These were subject to UPBT and TSR performance criteria. The minimum UPBT target required growth of above RPI +2.5% per annum using a base UPBT figure. This target was met (subject to TSR confirmation), and awards are expected to vest at 83.2% of the award as per the table below.

Awards were also made to Gilbert Jackson and Michael Leaf under the LTIP in October 2020. These were subject to divisional profit growth. The awards will vest at 51.8% of the award for Gilbert Jackson and 100.0% of the award for Michael Leaf as per the table on page 84.

The Committee exercised no discretion in determining the vesting and considered that the formulaic outcome reflected the underlying performance of the Group.

2020 Long Term Incentive Plans vesting after the year end

Director	Date of vesting[1]	Percentage of award vesting	Number of shares expected to vest in October 2023
Paul Hooper	Oct 2023	83.2%	130,251
Gilbert Jackson	Oct 2023	51.8%	29,510
Michael Leaf	Oct 2023	100%	52,308

1 The outturn of the 2020 LTIP has been provided in the table above. The vesting outturn for the CEO is subject to confirmation of TSR.

The 2019 LTIPs were exercised on 26 July 2023 and the information is included in the table on page 83.

Directors' Remuneration Report continued

Pensions

The Group makes provision to pay into a defined contribution pension scheme of each Executive's choosing or a cash alternative (after deduction for employer's national insurance contributions).

Pension contributions are as follows:

Director	Pension contribution as at 30 June 2023 (% of base salary)
Paul Hooper	10%[1]
Gilbert Jackson	10%
Michael Leaf	10%
Simon Dray	10%

1 As agreed Paul Hooper's pension contribution was adjusted to align with the workforce rate of 10% for pensions with effect from 1 January 2023. Prior to this date the contribution rate had been at 20%.

Payments in compensation to past Directors for loss of office

As set out in last year's report, Mr Andrew Magson resigned as a Director and left the business on 30 September 2020. As a good leaver, he continued to have an interest in the 2019 LTIP awards, and the 22,175 LTIPs vested on 21 October 2022. He has no remaining interests.

Scheme interests awarded during the year

LTIP awards were granted on 31 October 2022 as detailed in the table below.

	Scheme	Basis of award granted	No. of shares awarded	Face value of award[1]	% vesting for threshold performance	Vesting and performance period
Paul Hooper	2022 LTIP	75% of base salary at a price of 150p	147,491	£207,962	25%	3 years
Simon Dray	2022 LTIP	40% of base salary at a price of 150p	48,767	£68,733	25%	3 years
Gilbert Jackson	2022 LTIP	40% of base salary at a price of 150p	57,541	£81,132	25%	3 years
Michael Leaf	2022 LTIP	40% of base salary at a price of 150p	53,467	£75,388	25%	3 years

1 Based on share price of 150p in accordance with the Scheme rules.

These awards will vest on 31 October 2025 and are subject to two measures and an underpin. The underpin requires UPBT of at least £10.5 million to be delivered (in the year ending 30 June 2025) below which no award would vest. However, if this is achieved, 65% out of the 75% of salary award granted to the Chief Executive and 30% of the 40% salary award granted to the other Directors is based on UPBT growth targets (threshold of RPI+ 2.5% p.a. growth and maximum of RPI + 10% p.a.) and the remaining 10% for all Directors is based on relative Total Shareholder Return (TSR) performance against the constituents of the FTSE All Share Index.

Statement of Directors' shareholdings and share interests

Directors' shareholdings

	At the date of this report	At 30 June 2022
Vijay Thakrar	50,000	50,000
Paul Hooper	1,059,486	896,577
Simon Dray	20,000	20,000
Gilbert Jackson	22,950	22,950
Michael Leaf[1]	60,621	50,621
Stephen Beechey	27,418	27,418
Karen McInerney	Nil	Nil

1 Michael Leaf holds shares in part via his PCA.

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 2022	of which vested in year	exercised in year	were granted in year	lapsed in year	Interest as at 30 June 2023
Paul Hooper	Oct 2019	83.5p	Oct 2022	148,186	148,186	–	–	–	**148,186[2]**
	Oct 2020	79.0p	Oct 2023	156,529[1]	–	–	–	–	**156,529**
	Oct 2021	240.0p	Oct 2024	90,823	–	–	–	–	**90,823**
	Oct 2022	150.0p	Oct 2025	–	–	–	147,491	–	**147,491**
Total				395,538	148,186	–	147,491	–	**543,029**
Gilbert Jackson	Oct 2020	79.0p	Oct 2023	56,923[1]	–	–	–	–	**56,923**
	Oct 2021	240.0p	Oct 2024	44,503	–	–	–	–	**44,503**
	Oct 2022	150.0p	Oct 2025	–	–	–	57,541	–	**57,541**
Total				101,426	–	–	57,541	–	**158,967**
Michael Leaf	Oct 2020	79.0p	Oct 2023	52,308[1]	–	–	–	–	**52,308**
	Oct 2021	240.0p	Oct 2024	41,156	–	–	–	–	**41,156**
	Oct 2022	150.0p	Oct 2025	–	–	–	53,467	–	**53,467**
Total				93,464	–	–	53,467	–	**146,931**
Simon Dray	Oct 2021	240.0p	Oct 2024	37,538	–	–	–	–	**37,538**
	Oct 2022	150.0p	Oct 2025	–	–	–	48,767	–	**48,767**
Total				37,538	–	–	48,767	–	**86,305**

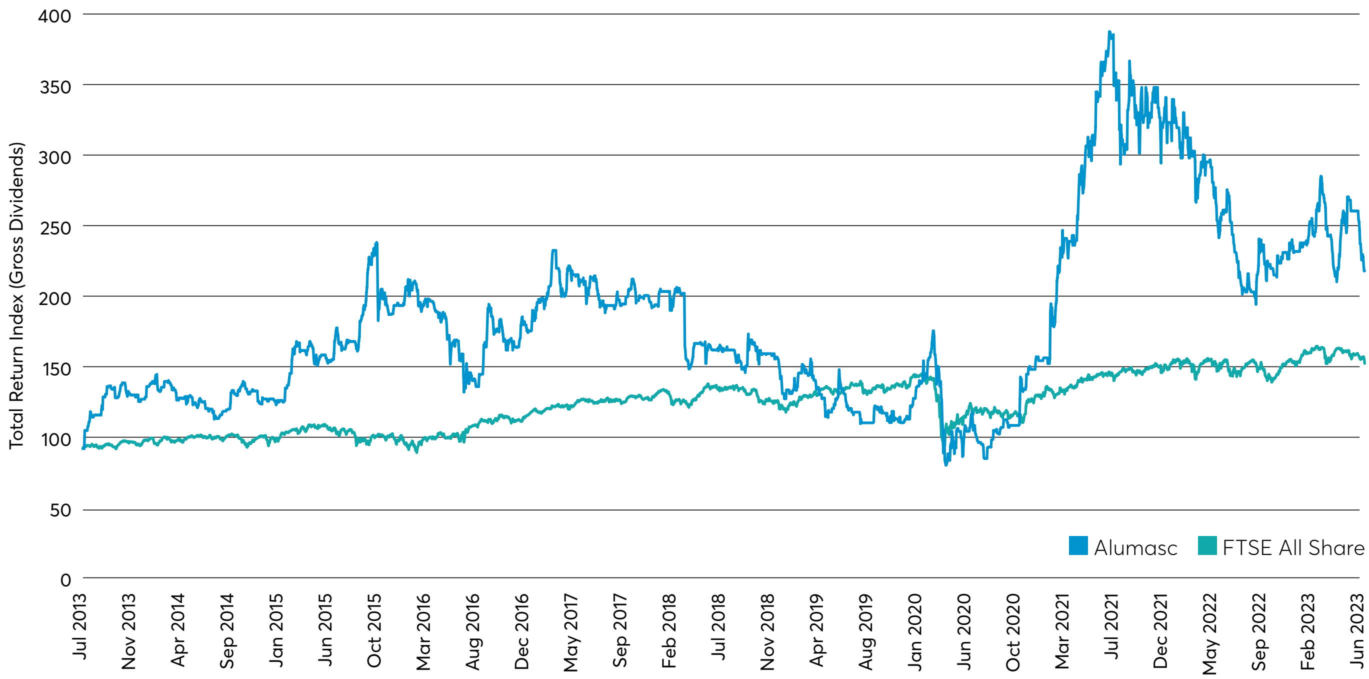
* The market price at the award date is based on the price on the day the Employee Trust or the Company granted the award. This price can differ from the market value at the date the Remuneration Committee recommended the award to the Trust or Company.

1 This award was based on a notional share price of 130p.

2 Exercised after year end on 26 July 2023.

Performance graph

The graph shows the total shareholder return (TSR) on an equivalent holding in the Company compared with the FTSE All Share Index.



Directors' Remuneration Report continued

Non-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 Chair and Non-executive Directors have letters of appointment and details of their terms can be seen in the Appendix to Schedule 1 published on our website.

Chief Executive's remuneration

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 pay-out against maximum opportunity %	Long-term incentive vesting against maximum opportunity %
2022/2023	609	17%	83.2%[2]
2021/22	704	68%	99.4%
2020/21	565	100%	75%
2019/20	352	3.7%[1]	0%
2018/19	343	3.8%	0%
2017/18	332	0%	0%
2016/17	510	22%	72%[3]
2015/16	493	20%	50%
2014/15	633	71%	50%
2013/14	323	13%	0%
2012/13	355	63%	0%

1 This represents a bonus relating to 2019 in respect of the sale of the Façades business.
2 This is based on an assumption TSR will be achieved in October 2023.
3 Adjusted to reflect actual figures following the vesting of the 2015 LTIP award in March 2018.

Percentage change in Chief Executive's remuneration

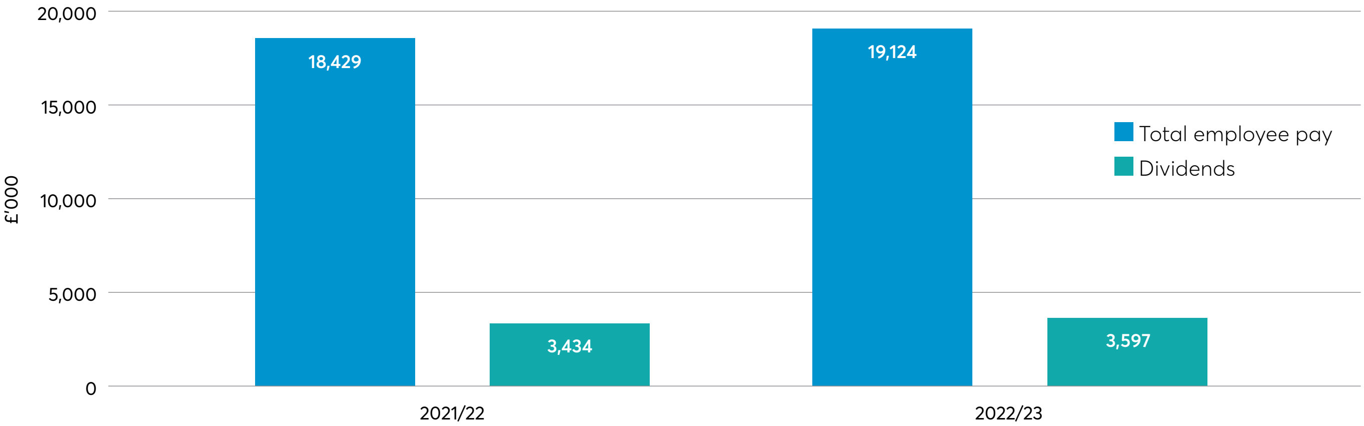
The table below shows the percentage change in remuneration (excluding LTIPs) between the years ended 30 June 2022 and 30 June 2023 for the Chief Executive and all Group employees. All employees in general received 6% on 1 July 2023.

	CEO	Employees
Salary	8.9%	(0.6)%[1]
Benefits	(63.2)%	1.1%
Bonus	(47.9)%	(2.9)%
Total	(8.3)%	1.1%

1 This reflects periodic role vacancies and some churn in higher paid roles.

Relative importance of spend on pay

	Total employee pay	Dividends
2021/22	18,429	3,434
2022/23	19,124	3,597
Percentage increase	3.77%	4.80%



Implementation of the Directors' Remuneration Policy for the financial year 2023/24

The information below sets out how the Company intends to implement the Directors' Remuneration Policy for the year in 2023/24.

Base salary

The salaries of the Executive Directors have been reviewed and increased in line with the workforce average from 1 July 2023 at the rate of 6%. The provision of benefits will remain unchanged.

Non-executive Directors

The Board's policy 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 for expenses incurred in performing their duties. It was agreed that they would be awarded a 6% pay rise in line with the business as a whole.

2023/24 bonus

Targets for the annual 2023/24 bonus for the Executive Directors will be determined by performance against a sliding scale of demanding Underlying Profit Before Tax targets set at the beginning of the financial year and ESG targets related to GHG emissions and Health & Safety/accident improvements.

The targets themselves are commercially sensitive and will be disclosed for the Group Chief Executive and Group Finance Director in next year's Annual Report when reporting on the actual bonus outcomes.

Directors' Remuneration Report continued

Long Term Incentive Plan

It is intended that the awards under the 2023 LTIP will be made to the Executive Directors in October 2023.

For any of the 2023 LTIP awards to vest, a Group UPBT underpin will need to be met. That UPBT underpin will be a base of £11.2m, adjusted if necessary to include a contribution from the acquisition of ARP Group, plus RPI + 2.5% p.a. in the three years to 30 June 2026.

Subject to achieving the UPBT growth underpin, the awards will vest depending on growth in UPBT and TSR.

Underlying PBT

65% out of the 75% of salary award for the Chief Executive and 30% out of the 40% of salary awards for the other Executive Directors will be dependent on Group UPBT growth.

Awards will vest depending on growth achieved using a notional base UPBT figure of £11.2 million plus a contribution, as required, from the acquisition of ARP Group. Performance is based on the third year of the performance period, being the financial year ending 30 June 2026.

Awards will vest according to the following targets:

UPBT growth (from a base of £11.2 million)	Proportion of the award that vests
Less than RPI + 2.5% p.a.	0.0%
Between RPI + 2.5% p.a. and RPI + 10% p.a.	25% to 100% on a straight-line basis
RPI + 10% p.a. or higher	100%

Total shareholder return

10% out of the 75% of salary award for the Chief Executive and 10% out of the 40% for the other Executive Directors is subject to a relative TSR measure.

If the Company's TSR is below the FTSE All Share index, no part of this award will vest. If performance is at median/index, then 25% will vest. For performance at upper quartile or higher, this part of the award will vest in full. For performance between median/index and upper quartile, vesting will be on a straight-line basis.

Statement of voting – 2022 AGM

At the 2022 AGM the Directors' Remuneration Report received the following vote from shareholders:

	Total number of votes cast	% of votes cast
For	18,951,013	99.40%
Against	113,154	0.59%
Total votes cast (for and against)	19,064,167	99.99%
Voted withheld	1,000	0.01%
Total votes cast (including withheld votes)	19,065,167	100%

At the year end, the Employee Benefit Trust, established to hold shares in relation to the ESOS and the LTIP, held 327,495 ordinary shares with a late transfer of 5,074 shares on 5 July 2023, making the balance. The market value of the shares held in trust as at 30 June 2023 was £483,055 and at 5 July 2023, was £475,571.

This Report was approved by the Board of Directors on 5 September 2023 and signed on its behalf by the Remuneration Committee Chair.

Stephen Beechey
Chair of the Remuneration Committee
5 September 2023

Directors' Remuneration Policy 2023

Our Directors' Remuneration Policy (Policy) was approved by shareholders at the Company's AGM on 22 October 2020. The Policy has a three-year life and a new Directors' Remuneration Policy is proposed. This Policy, subject to shareholder approval, shall take effect from the close of the Company's 2023 AGM.

The Remuneration Committee, having reviewed that policy, and taking into account shareholder comments since the last policy vote and good practice developments in the market, concluded that, in substance, it remains fit for purpose to support the implementation of the Group's strategy over the next three-year period.

The key changes in the 2023 policy from the 2020 policy are summarised below:

- Pension – the policy for current and future Executive Directors is to provide a pension contribution no higher than the workforce contribution rate
- Benefits – to include potential participation for Executive Directors in tax-approved all-employee share schemes
- Malus and clawback – additional triggers have been added to the recovery and withholding provisions applying to the annual bonus and LTIP schemes
- Incentive scheme override – consistent with good practice, the Committee retains discretion to adjust LTIP vesting levels in exceptional circumstances
- Judgement and discretions – inclusion of situations where the Committee may apply judgement and discretion in the operation of incentive schemes
- Shareholding guideline – introduction of a shareholding guideline for Executive Directors

Remuneration Policy table

Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum
Fixed salary	Provides fixed remuneration for the Executive Directors, which reflects the individual's experience and the size and scope of the executive's responsibilities.	Set on appointment and normally reviewed annually in July. Salaries are determined by the Remuneration Committee, taking into account a range of factors, including, but not restricted to, remuneration practices and general salary ranges within the Group, changes in scope or responsibility, market rates and the experience of the relevant Director.	While there is no maximum salary, ordinarily salary increases will not exceed the range of salary increases (in percentage terms) awarded to other employees in the Group. However, salary increases may be above this level in certain circumstances, for example: • Increase in scope or responsibility; • Performance in role; • An Executive Director's remuneration being aligned with changing market rates; • An Executive Director being appointed on a below-market salary with a view to moving to the desired positioning over time.
Retirement benefits	To provide competitive post-retirement benefits and reward sustained contribution.	Generally, payment may be made into a pension plan or as a separate cash allowance in lieu. Group contributions are determined as a percentage of base salary; for new appointees as a percentage of pay aligned to the pension contributions of employees.	The maximum company contribution for current and new Executive Directors is aligned with the contribution rate applying to the wider workforce. The wider workforce rate is currently 10% of base salary.
Benefits	Ensures the overall package is competitive in order to help recruit and retain Executive Directors.	Executive Directors are entitled to a range of benefits, including, but not limited to, membership of the Group's healthcare scheme, disability and life insurance, and car (or car allowance) and other associated expenses. Other benefits may be provided depending on individual circumstances, for example relocation expenses. Executive Directors will be eligible to participate in any tax-approved all-employee share plan operated by the Company, on the same terms as other eligible employees.	While the Committee has not set a maximum on the level of benefits Executive Directors receive, it is based on the value of benefits, set at a level that the Remuneration Committee considers is appropriate, taking into account companies of a similar size (and complexity) in the relevant market. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.

Directors' Remuneration Report continued

Directors' Remuneration Policy 2023 continued

Variable performance-linked remuneration				
Element	**Purpose and link to strategy**	**Operation**	**Maximum**	**Performance conditions**
Annual bonus	Rewards the achievement of financial and/or strategic business objectives.	Performance conditions and targets are reviewed and set each year by the Remuneration Committee. These targets will be challenging and will reflect both short-term expectations and longer-term strategic goals. The bonus will be based on the achievement of financial and/or non-financial targets related to key business objectives. Other performance metrics that the Remuneration Committee considers appropriate from time to time, including personal objectives, may also be used. Bonus payout is determined by the Remuneration Committee after the relevant year end, following an assessment of performance against the targets. Bonuses are discretionary, including that the Committee retains discretion to amend the payout should any formulaic output not reflect the Committee's assessment of overall business performance. Malus and clawback provisions apply. Bonus may be recovered in cases of serious misconduct, corporate failure, reputational damage, error in calculation of a bonus and material misstatement of financial results.	The Policy allows for up to 100% of base salary to be earned.	Either all or the majority of, the available bonus will be based on achievement of pre-determined profit targets. In 2022/23, ESG bonus targets were introduced. It is intended that these will also be applied in future years, with targets designed to incentivise ongoing improvements in ESG. A straight-line bonus entitlement will usually apply between the minimum threshold and the maximum performance target. Typically, bonus will begin to accrue from 0% for achieving threshold performance. The Remuneration Committee retains flexibility to apply different performance measures and weightings for each year covered by the Remuneration Policy.
Long Term Incentive provision	Incentivises and rewards Executive Directors and other key executives to achieve higher returns for shareholders over a longer time frame. Encourages a long-term shareholding in the Company and strengthens alignment between the interests of Executive Directors, other key executives and those of shareholders.	Awards will be granted under the most recent Alumasc Group Long Term Incentive Plan (LTIP), or under any new Long Term Incentive Plan approved by shareholders in due course. The Remuneration Committee may grant awards in the form of conditional share awards, nil cost share options or such other form as has the same economic effect. Awards are typically granted annually, and vesting is subject to achievement of performance measures. The vesting and performance period will normally be at least three years. Malus and clawback provisions apply in the event of serious misconduct, corporate failure, reputational damage, error in calculation or material misstatement of financial result. The Committee retains discretion to adjust vesting levels in exceptional circumstances, including, but not limited to, regard of the overall performance of the Company or the grantee's personal performance.	The maximum level of award under the LTIP is up to 100% of base salary. This is in line with the LTIP approved by shareholders at the 2018 AGM.	Awards vest subject to the achievement of performance conditions which may be financial, non-financial (including Sustainability objectives) and/or market-based performance measures assessed over not less than three financial years. The performance conditions and targets for each set of awards are reviewed annually to ensure they remain relevant and aligned to the Group's strategy. The measures and their weightings are determined by the Committee in advance of each grant. Performance measures may be based on growth in earnings per share (EPS) or underlying profit before tax (UPBT) and total shareholder return (TSR). A minimum threshold of profit must be reached before any part of the award vests. Up to 25% of the maximum award opportunity will vest for achieving the threshold level of growth. Each element of the award will vest between threshold and maximum, usually on a straight-line basis.

Recovery provisions

LTIP

LTIP awards are subject to malus and clawback provisions such that, at the discretion of the Remuneration Committee, unvested awards may lapse in the event of serious misconduct, corporate failure, reputational damage, error in calculation or material misstatement of financial results.

Following the vesting of an LTIP award and up until the fifth anniversary of its grant, the Committee may reduce the award if not already satisfied or require repayment of some or all of the value delivered to the participant by means of a cash payment or the transfer of shares or the reduction of subsisting share awards in the event of serious misconduct, corporate failure, reputational damage, error in calculation or material misstatement of financial results.

Bonus

A malus provision exists which enables the Committee to cancel or reduce the bonus, before payment in the event of serious misconduct, corporate failure, reputational damage, error in calculation or material misstatement of financial results.

For up to two years following the payment of an annual bonus the Committee may require repayment of some or all of the bonus by means of a cash payment or the reduction of subsisting share awards in the event of serious misconduct, corporate failure, reputational damage, error in calculation or material misstatement of financial results.

Explanation of performance metrics

Performance metrics for the annual bonus and LTIP are selected to reflect the Group's strategic priorities. Stretching performance targets are set, taking into account a number of different factors.

The Committee retains the discretion to change the performance measures and targets and the weightings attached to the performance measures and targets part way through a performance period if there is a significant event which causes the Committee to believe the original measures, weightings and/or targets are no longer appropriate and/or if the Committee believes that the remuneration outcomes would otherwise not fairly reflect business performance. Any adjustments or discretion applied will be fully disclosed in the following year's Remuneration Report.

Flexibility, discretion and judgement

The Remuneration Committee operates the annual bonus and LTIP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments;
- determining the extent of vesting;
- treatment of awards and/or payments on a change of control or restructuring of the Group;
- whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s);
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or special dividends);
- what the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year;
- the Committee also retains the ability, within the policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted LTIP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards with, in the case of LTIP awards held by Executive Directors, adjusted performance conditions being not materially less difficult to satisfy than the original conditions would have been but for the relevant event(s); and
- the ability to override formulaic outcomes in line with policy.

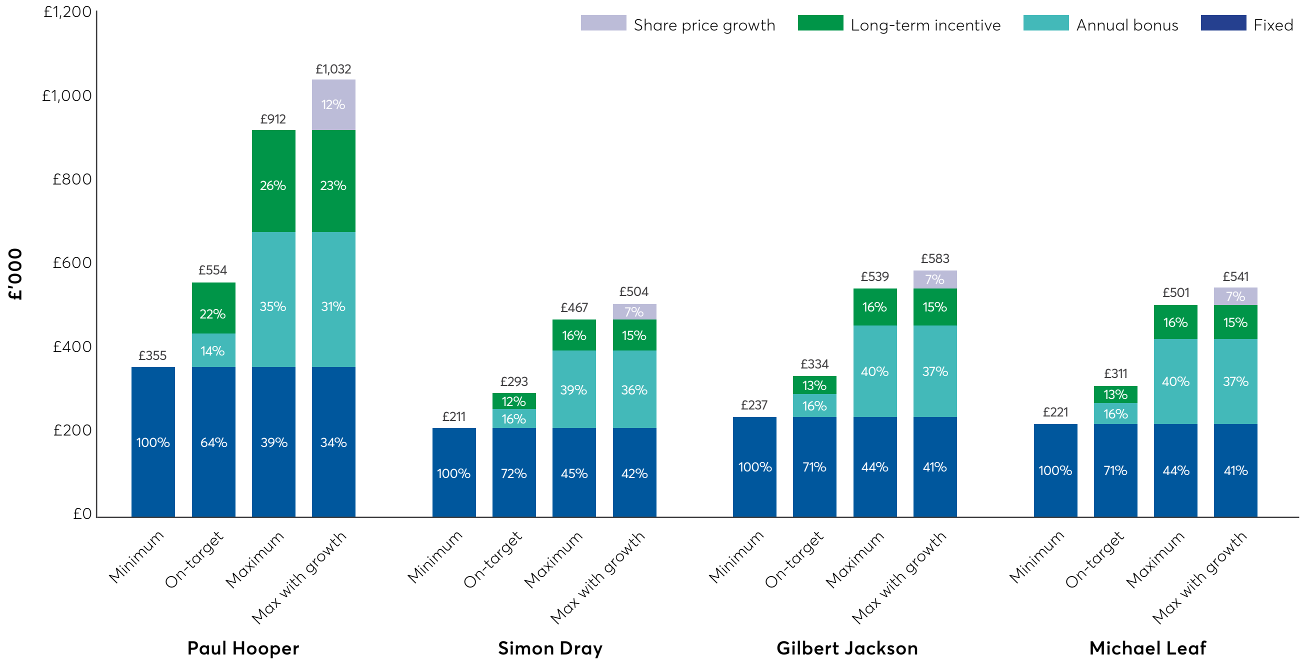
All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this Policy. Any discretion exercised (and the rationale) will be disclosed.

Directors' Remuneration Report continued

Directors' Remuneration Policy 2023 continued

Illustration of remuneration scenarios

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The charts below illustrate how the Policy would function for minimum, on target and maximum performance in 2023/24.



Assumptions for the chart above:

- Minimum: comprises fixed pay for the year made up of base salary levels (applying from 1 July 2023, the value of pension at 10% of annual basic salary and the estimated value of benefits (using 2023 values))
- On-target: bonus achieved at 25% of the maximum opportunity, i.e. 25% of salary and with the on-target level of vesting under the LTIP taken to be 50% of the face value of the award at grant, i.e. 37.5% of salary for the CEO and 20% of salary for other Executive Directors
- Maximum: full bonus achieved and LTIP vesting in full, i.e. 100% of salary bonus payout and LTIP awards to the value of 75 % of salary for the CEO and 40% of salary for other Executive Directors
- Share price appreciation of 50% has been assumed for the LTIP awards under the final 'Max with growth' scenario

Shareholding requirement

Executive Directors should build up and maintain an in-employment shareholding worth 100% of salary over a reasonable period of time in accordance with the shareholding guidelines. Executive Directors should retain at least 50% of their net of tax vested awards until the shareholding guideline is met.

Nil cost options which have vested but are yet to be exercised may be considered to count towards the shareholding on a notional post-tax basis.

Change of control policy

LTIP

Awards may vest early on a change of control (or other relevant event) subject to the satisfaction of performance conditions at the change of control date and pro-rating for the proportion of the three financial years served, although the Remuneration Committee retains discretion to determine otherwise.

Bonus

Awards may vest only to the extent that performance conditions have been satisfied or are reasonably expected to be satisfied up to the change of control date and pro-rated for the proportion of the financial year served, although the Remuneration Committee retains discretion to determine otherwise.

Policy for Non-executive Chairman and Directors' fees

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	The sole element of Non-executive Director remuneration is fees, set at a level that reflects market conditions and sufficient to attract individuals with appropriate knowledge and experience.	Fees are reviewed periodically and are determined by the Chairman and the Executive Directors in the case of the Non-executive Directors and the Remuneration Committee in respect of the Chairman. The Chairman is paid a single consolidated fee and receives reasonable benefits in kind as agreed by the Company. This includes private medical cover and participation in an electric vehicle scheme by 'salary sacrifice'. The Non-executive Directors are paid a basic fee plus additional fees for chairmanship of a Committee, or for any additional work undertaken on behalf of the Company. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any pension contributions. Non-executive Directors may be eligible to benefits/expenses such as the use of secretarial support, travel costs or other benefits that may be appropriate.	Fees are subject to an overall cap as set out in the Company's articles of association from time to time. Fees are appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.

How the Executive Directors' remuneration policy relates to the wider Group

Both executives, and employees below executive level, have their base pay reviewed each year taking into account wage and general inflation, affordability to the Group/relevant operating company, performance/development of the individual in their role and general market rates for specific skills. Employees below executive level have lower proportions of their total remuneration subject to incentive-based rewards. Long term incentives are reserved for those judged as having the greatest potential to influence the Group's earnings growth and share price performance.

Recruitment policy for Directors

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and taking into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be set at the level required to attract the most appropriate candidate. It may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. Under the terms of this policy, the annual bonus potential for executives is limited to 100% of salary, and the maximum value of awards under a long-term incentive scheme is limited to 100% of salary. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions. Other elements of remuneration may be included in the following circumstances:

- an interim appointment being made to fill an executive role on a short-term basis;
- if exceptional circumstances require that the Chairman or a Non-executive Director takes on an executive function on a short-term basis;
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out above, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

The Committee may also alter the performance measures, performance period and vesting period of the annual bonus or LTIP, subject to the rules of the LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.

Directors' Remuneration Report continued

Directors' Remuneration Policy 2023 continued

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, adjusted as relevant to consider the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the Company will meet certain relocation and other incidental expenses as appropriate.

The fees for a new Chairman or Non-executive Director will be reflective of experience, time commitment, responsibility and scope of the role, and will be consistent with the approved Remuneration Policy at the time.

Policy on payment for loss of office

The Committee's policy on service contracts for Executive Directors is that they should provide for termination of employment by either side giving 12 months' notice. The Group's policy going forward will be that no Executive Director should be entitled to a notice period or payments in excess of their contractual arrangements.

Provision	Terms
Notice period	12 months
Termination payment	Base salary plus pension contributions and benefits accrued to date of cessation. A payment in respect of bonus may also be made at the discretion of the Committee, taking into account the circumstances of the departure, the extent to which performance conditions are satisfied and the contribution of the Executive to the business during the bonus period in question. Any bonus would typically be pro-rated for time in service to termination and paid at the usual time, although the Committee retains discretion to pay the bonus earlier in appropriate circumstances.
LTIP	If a participant ceases employment due to death, redundancy, retirement, injury, disability or any other reason at the discretion of the Committee any unvested award the participant holds shall continue and be released at the normal release date to the extent the performance condition is satisfied and, unless the Committee determines otherwise, reduced to reflect the proportion of the performance period for which the participant was in service, although the Committee will retain discretion to release the award sooner. If a participant ceases employment for any other reason, any unvested award they hold will lapse on cessation. If a participant ceases employment for any other reason, any award they hold under the Company's current LTIP shall lapse on cessation.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday and outplacement and legal fees. The Committee reserves the right to make additional exit payments where such 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 settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.
Payments in lieu of notice	The Committee reserves the right to make a payment in lieu of some or all of the notice period. Such a payment would consist of salary for the notice period (or remaining portion of the notice period) and may also include a payment in respect of benefits (including pension contributions or cash allowance) for the applicable period.

How employees' pay is taken into account

Pay and employment conditions elsewhere in the Group continue to be considered in relation to the implementation of this policy.

How shareholders' views are taken into account

The Committee considers shareholder feedback received in relation to the AGM each year. This, plus other feedback received during the year, is then considered as part of the Group's annual review of remuneration policy. The Committee will continue to review the Remuneration Policy to ensure it takes due account of best remuneration practice and that it remains aligned with the interests of shareholders.

Legacy remuneration arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of payments were agreed:

(i) before the 2023 Policy came into effect; or
(ii) 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 satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted.