

Remuneration Report

Annual Statement by Caroline Thomson,
Chairman of the Remuneration Committee



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Vitec’s remuneration policy is structured to be aligned with shareholder interests and drive growth in the Company.

Caroline Thomson
Chairman of the
Remuneration Committee

Dear Shareholder

I am pleased to present Vitec’s Remuneration Report for 2018 in three separate sections:

- Section 1 – my annual statement setting out the work of the Remuneration Committee in 2018 and priorities for 2019.
- Section 2 – a summary of the Remuneration Policy Report (“the Policy”) that was approved by over 99% of shareholders voting at the 2017 Annual General Meeting. The Policy sets out the Company’s policy on Directors’ remuneration until May 2020.
- Section 3 – the 2018 Annual Report on Remuneration that sets out the remuneration paid to Directors in 2018 as well as details of how the Committee intends to implement our remuneration policy for 2019. Shareholders will have the opportunity for an advisory vote on this report at the AGM to be held on 21 May 2019.

2018 performance

Vitec achieved record performance in revenue, adjusted profit before tax* and EPS in 2018. This included a favourable impact on profit from foreign exchange and a benefit from acquisitions including JOBY and Lowepro, which have been fully integrated. The Group delivered underlying growth in sales and adjusted profit* despite disruption at the SmallHD business early in the year and challenging market conditions for the Imaging Solutions Division. Management made significant progress on strategy, with organic growth, improved margins and three acquisitions during the year. The Group’s Return on Capital Employed (“ROCE”) also grew in 2018. The Group delivered a strong cash performance and is well positioned for future growth with a robust balance sheet.

Committee activities in 2018

The Remuneration Committee in 2018 dealt with the following matters:

- The Committee approved an increase in the Group Chief Executive’s, Group Finance Director’s and Group Business Development Director’s salaries with effect from 1 January 2019 of 2.5%, reflecting pay increases within the Group’s workforce and current market conditions. The Group Business Development Director’s salary was increased by an additional 6.5% with effect from the same date making the total increase 9%. This increase was deemed appropriate to reflect the increased importance of Martin Green’s contribution to the work of the Board since he was appointed a Director in January 2017, in particular his role in acquisition strategy and implementation. The Committee believed he met the first three criteria set out in the Policy Report table on page 74.
- Fees paid to the Non-Executive Directors have also been increased with effect from 1 January 2019 as detailed on page 97 of this report. The increase was deemed appropriate, reflecting that: the market capitalisation of the Company grew from £270 million to £510 million in two years; the Company announced its best financial results for 2018 in the Company’s history; that market data provided by Mercer shows that Non-Executive Directors’ fees were at the lower end of the market range; and that the time commitment of the Non-Executive Directors over the last 18 months increased, with several short notice Board meetings to deal with M&A activity and development of the Company’s strategy.

- Bonus payments for 2018 were 66.9%, 63.7% and 66.9% respectively of the maximum potential award for the Group Chief Executive, Group Finance Director and Group Business Development Director. The 2018 Annual Bonus Plan paid out against the profit and operating cash* performance measures at 50.6% and 81.5% respectively as well as an individual assessment against personal objectives for each Executive Director. In determining the operating cash measure, the Committee exercised its discretion taking the Company's operating cash performance at the half year and full year into account rather than the quarterly basis previously disclosed. The Committee felt this approach aligned with shareholders' interests and expectations around operating cash performance at these two measurement points, providing consistency with the approach taken in Divisional plans, and also rewarded the Directors for an excellent cash performance in 2018. Executive Directors are required to defer half of their earned 2018 bonus into the Deferred Bonus Plan ("DBP") held in the form of the Company's shares for three years ensuring focus on long-term growth for the Group.
- LTIP awards made in 2016 to Executive Directors fully achieved their performance conditions based upon TSR and adjusted basic Earnings Per Share* growth. Note that for LTIP purposes, the 2018 EPS has been normalised for volatility in the Effective Tax Rate. 100% of the 2016 LTIP will vest to Executive Directors (and other participants) on the third anniversary of the award on 1 March 2019. Awards vesting to Stephen Bird will be subject to a further two year holding period. Since Martin Green's award pre-dated his appointment as an Executive Director, his award will not be subject to this additional two-year holding period.
- The Committee made LTIP awards to Executive Directors and senior managers on 2 March 2018 with performance conditions based on TSR and EPS growth (with a discretionary ROCE underpin). Share awards made to Executive Directors under the LTIP are subject to a further two-year holding period following a three-year performance period.
- The 2018 AGM approved the Company's 2017 Annual Report on Remuneration with over 99.9% of shareholders voting in favour of the report, which was in accordance with the Policy approved by shareholders in 2017.
- The Remuneration Committee approved the structure of the 2019 Annual Bonus Plan to ensure that it motivates Executive Directors to deliver against challenging targets for 2019. Its structure is the same combination of both financial targets (Group adjusted profit before tax* and operating cash flow* generation) and personal objectives as was used in 2018 with operating cash performance measured at the half year and full year. Financial targets for the 2019 Annual Bonus Plan, against which actual performance will be measured, will be disclosed in the 2019 Remuneration Report.
- The Committee considered forthcoming changes around reporting requirements for Directors' remuneration introduced through the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018.

Committee priorities for 2019

The Committee in 2019 will focus on the following matters:

- Securing shareholder approval at the 2019 AGM for the Annual Report on Remuneration.
- Granting LTIP awards in 2019 with appropriately stretching performance conditions based on the Company's EPS and TSR performance and with a ROCE underpin.
- Ensuring that the 2019 Annual Bonus Plan drives performance and rewards growth in the Company.
- Preparation of a new Remuneration Policy Report in the second half of 2019 with the aim to submit that for approval to shareholders at the 2020 AGM. This new Policy Report will set out the scope and remit of Directors remuneration for a three-year period until the 2023 AGM.
- Implementing actions necessary under the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018, relating to Directors' remuneration and applying to for accounting periods beginning on or after 1 January 2019.

Annual General Meeting

The Annual Remuneration Report will be put to the Company's shareholders for an advisory vote at the 2019 AGM. I encourage all shareholders to vote in favour of this resolution and I look forward to the opportunity to meet with shareholders at the 2019 AGM.

Caroline Thomson
Chairman, Remuneration Committee
20 February 2019

* This report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to improve the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary on page 165.

Remuneration Report

Summary of the Remuneration Policy Report

Policy Report

The following is a summary of the Policy that covers remuneration for Directors of the Company for a three-year period from the Company's AGM on 17 May 2017 until the 2020 AGM. The full Policy, as approved by shareholders, is available on the Company's website and is contained in the 2016 Annual Report. Should there be any need to change the Company's Policy ahead of the 2020 AGM, shareholders will be asked to approve a revised Policy.

This Report contains further information required under the Listing Rules and the UK Corporate Governance Code as published in April 2016.

Remuneration policy table for Executive Directors

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Base salary is set at a level to secure the services of talented Executive Directors with the ability to develop and deliver a growth strategy.	<p>Fixed contractual cash amount usually paid monthly in arrears.</p> <p>Normally reviewed annually, with any increases taking effect from 1 January each year, although the Committee may award increases at other times of the year if it considers it appropriate.</p> <p>This review is dependent on continued satisfactory performance in the role of an Executive Director. It also includes a number of other factors, including experience, development and delivery of Group strategy and Group profitability, as well as external market conditions and pay awards across the Company.</p>	<p>The Committee has not set a maximum level of salary and the Committee will usually award salary increases in line with average increases awarded across the Company.</p> <p>Larger increases may, in certain circumstances, be awarded where the Committee considers that there is a genuine commercial reason to do so, for example:</p> <ul style="list-style-type: none"> – where there is a significant increase in the Executive Director's role and duties; – where an Executive Director's salary falls significantly below market positioning; – where there is significant change in the profitability of the Company or material change in market conditions; and – where an Executive Director was recruited on a lower than market salary and is being transitioned to a more market standard package as he or she gains experience. 	Not applicable
Benefits	To provide Executive Directors with ancillary benefits to assist them in carrying out their duties effectively.	<p>Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance.</p> <p>Other ancillary benefits may also be provided where relevant, such as expatriate travel or accommodation allowances.</p> <p>Executive Directors are entitled to participate on the same terms as all UK employees in the Sharesave Plan or any other relevant all-employee share plan.</p>	<p>There is no maximum level of benefits set, given that the cost of certain benefits will depend on the individual's particular circumstances. However, benefits are set at an amount which the Committee considers to be appropriate, based on individual circumstances and local market practice.</p> <p>Executive Directors' participation in the UK all-employee Sharesave Plan is capped by the rules of the relevant all-employee share plan (currently £500 per month maximum).</p>	Not applicable

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	<p>To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable shareholder value.</p> <p>Half of any earned annual bonus (after tax) is deferred into the Deferred Bonus Plan and focuses the Executive Director on long-term value delivery and growth.</p>	<p>Paid annually based on performance in the relevant financial year. The amount is determined based on published full year results after the financial year end.</p> <p>Award levels and performance measures are reviewed annually. The Committee ensures that performance measures remain aligned to the Company's business objectives and strategic priorities for the year.</p> <p>Half of the annual bonus paid (after tax) is deferred into awards under the Deferred Bonus Plan for a period of three years on a mandatory basis unless the Committee determines an alternative deferral period is appropriate. Awards may be granted in the form of conditional awards, nil-cost options, forfeitable shares or similar rights. After a period of three years, the awards are paid out to Directors in the form of shares in the Company.</p> <p>The Committee retains full discretion to amend the bonus payout (upwards or downwards), if in its opinion any calculation of payout does not produce a fair result for either the individual or the Company, taking into account the overall business performance of the Company. Any such use of discretion will be clearly reported in the next published Remuneration Report.</p> <p>Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. Such dividends are paid out in the form of additional shares in the Company.</p> <p>In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise, the Committee may reduce, cancel or impose further conditions on awards.</p>	<p>An absolute maximum of 125% of base salary to be paid in each year.</p>	<p>Measures and targets for the annual bonus are set annually by the Committee.</p> <p>Currently, half of the annual bonus is based on the achievement of annual targets set against the Group's adjusted profit before tax*, with the remainder based on the achievement of annual personal objectives and achievement of annual targets set against the Group's operating cash flow* generated as a percentage of adjusted operating profit*.</p> <p>The Committee reserves the right to vary these proportions and also the measures annually to ensure the annual bonus remains appropriate and challenging.</p> <p>Targets are measured over a one-year period. Payments range between 0% and 125% of base salary for threshold and maximum performance.</p> <p>Awards granted under the Deferred Bonus Plan are not subject to any performance conditions.</p>

Remuneration Report

Summary of the Remuneration Policy Report continued

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ("LTIP")	To provide a long-term performance and retention incentive for the Executive Directors involving the Company's shares. To link long-term rewards to the creation of long-term sustainable shareholder value by way of delivering on the Group's agreed strategic objectives.	<p>Under the LTIP, awards are made over a fixed number of shares, which will vest based on the achievement of performance conditions over a performance period of, unless the Committee determines otherwise, at least three years. The performance conditions are set by the Committee at the start of the performance period. Awards can take the form of a conditional award of shares, a nil-cost option or similar rights.</p> <p>Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis.</p> <p>Awards made to Executive Directors are subject to a mandatory two-year holding period for any shares that vest.</p> <p>In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise the Committee may reduce or impose further conditions on awards.</p>	The maximum value of shares over which awards may be granted in respect of each year is 150% of base salary (although 200% is permitted in exceptional circumstances determined by the Committee). Awards to Executive Directors in 2019 will be at a level representing 125% of base salary.	<p>LTIP awards may be based on both financial and share price-based performance conditions as determined from time to time by the Committee. LTIP awards from 2017 onwards have 33% of the award subject to the Company's TSR compared to a comparator group measured over a three-year performance period and 67% of the award subject to targets set against growth (adjusted by the Committee as it considers appropriate) in the Company's adjusted basic Earnings Per Share* over the same performance period. However, the Committee reserves the right to change the balance of the measures as it deems appropriate, such that no measure accounts for less than 25% of the total award. For LTIP awards from 2017 onwards the Remuneration Committee has also adopted a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular, the Committee will assess the Group's ROCE performance when approving outcomes under the EPS element of awards.</p> <p>At threshold, 25% of the award will vest, increasing on a straight-line basis up to 100% for performance in line with maximum. Below threshold none of the award will vest.</p> <p>There is no retesting of any performance measure.</p>
Pension contribution	To provide a benefit comparable with market rates, helping with the recruitment and retention of talented Executive Directors able to deliver a long-term growth strategy.	<p>Usually paid monthly in arrears.</p> <p>Executive Directors may receive a contribution into the Company's Defined Contribution Plan, a personal pension arrangement and/or a payment as a cash allowance.</p>	<p>Executive Directors appointed before 2017 receive a pension contribution of 20% of base salary. Executive Directors appointed from 2017 onwards receive a pension contribution of 15% of base salary.</p> <p>Salary is the only pensionable element of Executive Director remuneration.</p>	Not applicable.

Notes to the remuneration policy table for Executive Directors

Under the Company's share plans the Committee may: (1) in the event of any variation of the Company's share capital, demerger, delisting, special dividend or other event which may affect the price of shares, adjust or amend awards in accordance with the terms of the plan; and (2) amend a performance condition if an event occurs which causes it to consider an amended condition would be more appropriate and not materially less difficult to satisfy.

Legacy plans

The Committee reserves the right to make any 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 the payment were agreed: (1) before the policy came into effect; or (2) 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 include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Performance measures

The Annual Bonus Plan is based on both personal and financial measures. Typically, the majority of the bonus will be based on financial measures such as Group adjusted profit before tax*. The measures have been chosen to provide a balance between incentivising the delivery of the Group's key financial priorities in any particular year and important individual strategic objectives. The Committee may vary the specific measures and targets year-on-year to ensure that they reflect the key financial and strategic priorities for the Company in any given year.

LTIP awards from 2017 onwards are based 67% on adjusted basic Earnings Per Share* growth and 33% on TSR performance against a specific comparator group. The Committee considers these to be important measures of performance for the Company over the longer term. While TSR links a portion of the LTIP to the creation of value for shareholders, adjusted basic Earnings Per Share* growth is a Key Performance Indicator for the Group with the combination providing an appropriate balance between growth and returns. For LTIP awards from 2017 onwards, the Committee adopted a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular, the Committee will assess the Group's ROCE performance when approving outcomes under the EPS element of awards. While we will not be disclosing a formulaic target in advance, the Committee will ensure that it provides full retrospective disclosure around our decision-making process, including a summary of the ROCE trajectory over the performance period. The Committee will measure ROCE using a standard definition of adjusted operating profit* divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings, calculated on an average monthly basis at constant currency. Any changes to these measures will be aligned with the long-term strategy of the Group.

Provisions for the withholding and recovery of sums from the Directors are as set out on page 96.

Remuneration Report

Summary of the Remuneration Policy Report continued

Remuneration policy table for the Chairman and Non-Executive Directors

The table below sets out a description of the Chairman and Non-Executive Directors' remuneration for the period through to the 2020 AGM.

Neither the Chairman nor the Non-Executive Directors participate in any annual bonus plan or the Company's share plans:

Role	Purpose	Operation
Chairman	To recruit and retain an independent Non-Executive Chairman reflecting the responsibilities and time commitment for the role. To lead an effective Board enabling delivery on the Group's growth strategy and creation of long-term sustainable shareholder value.	<p>While the Board has not set a maximum level of fee payable to the Chairman, the Board will review the level of fee paid usually on an annual basis and determine whether that is sufficient in terms of market conditions and also the time commitment for the role.</p> <p>The Chairman's fee is an all-inclusive consolidated amount. It is paid in cash, not shares, usually on a monthly basis in arrears.</p> <p>Fees are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role.</p> <p>The Chairman's remuneration also covers his chairmanship of the Nominations Committee.</p>
Non-Executive Director	To recruit and retain independent Non-Executive Directors reflecting the responsibilities and time commitment for the role to contribute to an effective Board and to deliver on the Group's growth strategy and creation of long-term sustainable shareholder value.	<p>Fees paid to Non-Executive Directors of the Company consist of the following:</p> <ul style="list-style-type: none"> – A base fee; – An additional fee for the role of the Senior Independent Director; and – An additional fee for chairing Board Committees. <p>Fees are usually reviewed annually and are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. All fees are paid in cash, not shares, usually on a monthly basis in arrears.</p> <p>Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role. The Board has not imposed a maximum level of fee payable.</p>
Benefits	To reimburse Non-Executive Directors for reasonable expenses incurred and bear any costs associated with tax, where relevant.	Expenses are reimbursed as and when incurred relating to the Company's business (including travel and hotel accommodation).

Illustrative remuneration performance scenarios

The following charts set out scenarios for the remuneration of Stephen Bird, Kath Kearney-Croft and Martin Green for 2019 in line with the Policy. This includes scenarios for full vesting of LTIP awards with one chart showing no share price appreciation and one chart showing a 50% appreciation in share price as required under the new reporting regulations:

Stephen Bird

Basic remuneration

Minimum base salary	£463,053
Benefits	£33,212
Pension (20% of salary)	£92,611
Total fixed pay (minimum)	£588,876

On target performance (no share price appreciation):

Fixed pay	£588,876
Annual bonus	£289,408
LTIP	£144,704
Total on target pay	£1,022,988

Maximum pay (no share price appreciation):

Fixed pay	£588,876
Annual bonus	£578,816
LTIP	£578,816
Total maximum pay	£1,746,508

Maximum pay (including 50% share price appreciation for LTIP award):

Fixed pay	£588,876
Annual bonus	£578,816
LTIP	£868,224
Total maximum pay	£2,035,916

Kath Kearney-Croft

Basic remuneration

Minimum base salary	£325,694
Benefits	£24,419
Pension (15% of salary)	£48,854
Total fixed pay (minimum)	£398,967

On target performance (no share price appreciation):

Fixed pay	£398,967
Annual bonus	£203,558
LTIP	£101,779
Total on target pay	£704,304

Maximum pay (no share price appreciation):

Fixed pay	£398,967
Annual bonus	£407,118
LTIP	£407,118
Total maximum pay	£1,213,203

Maximum pay (including 50% share price appreciation for LTIP award):

Fixed pay	£398,967
Annual bonus	£407,118
LTIP	£610,677
Total maximum pay	£1,416,762

Martin Green

Basic remuneration

Minimum base salary	£290,485
Benefits	£23,908
Pension (15% of salary)	£43,573
Total fixed pay (minimum)	£357,966

On target performance (no share price appreciation):

Fixed pay	£357,966
Annual bonus	£181,553
LTIP	£90,776
Total on target pay	£630,295

Maximum pay (no share price appreciation):

Fixed pay	£357,966
Annual bonus	£363,106
LTIP	£363,106
Total maximum pay	£1,084,178

Maximum pay (including 50% share price appreciation for LTIP award):

Fixed pay	£357,966
Annual bonus	£363,106
LTIP	£544,659
Total maximum pay	£1,265,731

The illustrations are based on the following assumptions:

- Fixed pay – base salary as at 1 January 2019.
- The total value of benefits received in the year ended 31 December 2018 which include car allowance, private healthcare, income protection and sharesave options granted during 2018.
- Pension contribution of 20% for Stephen Bird and 15% for Kath Kearney-Croft and Martin Green.
- Annual bonus
 - At minimum – nil.
 - On target – 50% of maximum payout (i.e. 62.5% of base salary).
 - At maximum – 100% of the maximum payout (i.e. 125% of base salary).
- LTIP
 - At minimum – nil.
 - On target – 25% vesting under the LTIP (i.e. 25% of base salary) and set out at face value, with no share price growth or dividend assumptions.
 - At maximum – 100% of the maximum payout (i.e. 125% of base salary) and set out at face value, with no share price growth or dividend assumptions.
 - At maximum – 100% of the maximum payout (i.e. 125% of base salary) and showing a 50% appreciation in the share price over the vesting period.

Remuneration Report

Summary of the Remuneration Policy Report continued

Consideration of employment conditions elsewhere in the Company

The Committee, when determining Executive Directors' remuneration, takes into account remuneration and employment terms and conditions, including levels of pay for all employees of the Company. The Committee is kept informed of:

- Salary increases for the general employee population
- Company-wide benefits including pensions, share incentives, bonus arrangements and other ancillary benefits
- Overall spend on annual bonus
- Participation levels and outcomes in the Annual Bonus Plan and the LTIP

When setting the remuneration of the Executive Directors, the Committee has regard to general employment terms and conditions within the Company as set out above. However, it is recognised that the roles and responsibilities of Executive Directors are such that different levels of remuneration apply, with a greater proportion of remuneration tied to the financial performance of the Company. The Committee did not consult with the Company's employees when drawing up the Directors' remuneration policy set out in this report.

Policy on outside appointments

The Committee believes it is beneficial both for the individual and the Company for an Executive Director to take up one external non-executive appointment. Remuneration received by an Executive Director in respect of such an external appointment would be retained by the Director. Stephen Bird is an independent non-executive director of Dialight plc. In this role he receives a basic fee of £42,000 per annum and an additional £5,100 per annum in the role of senior independent director. Under the terms of their service contracts, Kath Kearney-Croft and Martin Green, with the agreement of the Chairman and Group Chief Executive, may take up one external non-executive appointment of a listed company. As of the date of this report neither Executive Director had taken up any such external non-executive appointment.

Executive Directors' service contracts

The Executive Directors' service contracts are as follows:

	Date of Contract	Notice period from the Company to the Executive	Notice period from the Executive to the Company
Stephen Bird, Group Chief Executive – appointed on 14 April 2009	28 January 2009	12 months	6 months
Kath Kearney-Croft, Finance Director – appointed on 24 April 2017	21 February 2017	12 months	6 months
Martin Green, Group Business Development Director – appointed on 4 January 2017	3 January 2017	12 months	6 months

Details of the Committee's approach and policy on payment for loss of office are given in full in the 2016 Remuneration Policy Report and are available on the Company's website.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors do not have service contracts but serve under letters of appointment.

The initial period of their appointments is three years but their appointments may, by mutual consent and with the approval of the Nominations Committee and the Board, be extended for a further three years. Appointments may be extended beyond six years by mutual consent and with the approval of the Nominations Committee and the Board, if it is in the interest of the Company to do so. Under the letters of appointment notice can be given by either party upon one month's written notice. Apart from the disclosure under the remuneration policy table for the Chairman and Non-Executive Directors there are no further obligations which could give rise to a remuneration or loss of office payment under the letters of appointment. All the Non-Executive Directors and Chairman (as well as the Executive Directors) are subject to annual reappointment by the shareholders at the AGM.

Copies of the Executive Directors' service contracts, Chairman's and each Non-Executive Director's letters of appointment are available on our website.

Consideration of shareholder views

The Committee has continued to take into account the views of its shareholders concerning the policy on remuneration of Directors.

The Company received over 99% support for the 2016 Remuneration Policy Report at the 2017 AGM. A new Policy Report will be put to shareholders for approval at the 2020 AGM. The Company further received over 99% support for the 2017 Annual Report on Remuneration at the 2018 AGM, clearly indicating a strong level of support for the structure and implementation of Directors' remuneration.

The Committee would engage with shareholders ahead of any material change to the remuneration policy for the Company relating to its Directors and would also engage with shareholders should there be a material level of dissatisfaction from shareholders with Directors' remuneration. It is likely that in the second half of 2019 the Committee will engage with its major shareholders on Directors' remuneration as part of the process of preparing a new Policy to be considered at the 2020 AGM. A material level of dissatisfaction from shareholders would be more than 20% of shareholders voting against, or abstaining on, a vote related to Directors' remuneration.

Remuneration Report

Annual Report on Remuneration

This Annual Report on Remuneration will be put to an advisory vote at the AGM to be held on Tuesday, 21 May 2019.

Directors' single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 December 2018 and 2017:

	Base salary/fee		Benefits		Pensions		Annual bonus		Long-term incentives		Total	
	2018 £	2017 £	2018 ⁽¹⁾ £	2017 ⁽¹⁾ £	2018 ⁽²⁾ £	2017 ⁽²⁾ £	2018 ⁽³⁾ £	2017 £	2018 ⁽⁴⁾ £	2017 ⁽⁴⁾ £	2018 £	2017 £
Stephen Bird	451,758	440,740	33,212	28,286	90,352	88,148	377,925	486,771	1,383,287	552,269	2,336,534	1,596,214
Kath Kearney-Croft	317,750	213,125	24,419	15,426	47,663	31,969	252,909	235,043	–	–	642,741	495,563
Martin Green	266,500	260,000	23,908	22,200	39,975	39,000	222,944	287,155	579,059	283,037	1,132,386	891,392
Paul Hayes (left 28 April 2017)	–	98,534	–	7,542	–	19,707	–	–	–	–	–	125,783
John McDonough	153,750	150,000	–	–	–	–	–	–	–	–	153,750	150,000
Christopher Humphrey	59,755	54,152	–	–	–	–	–	–	–	–	59,755	54,152
Caroline Thomson	54,255	53,152	–	–	–	–	–	–	–	–	54,255	53,152
Mark Rollins (left 2 April 2018)	12,993	50,152	–	–	–	–	–	–	–	–	12,993	50,152
Lorraine Rienecker (left 1 September 2018)	30,170	44,152	–	–	–	–	–	–	–	–	30,170	44,152
Richard Tyson (appointed 2 April 2018)	33,941	–	–	–	–	–	–	–	–	–	33,941	–
Duncan Penny (appointed 1 September 2018)	15,085	–	–	–	–	–	–	–	–	–	15,085	–
TOTAL	1,395,957	1,364,007	81,539	73,454	177,990	178,824	853,778	1,008,969	1,962,346	835,306	4,471,610	3,460,560

Notes:

- (1) Taxable benefits include car allowance, healthcare cover and income protection. This also includes the grant of Sharesave options to Directors in 2018 and shows the value of the 20% discount on the options granted. Stephen Bird was granted 1,739 Sharesave options; Martin Green was granted 521 Sharesave options; and Kath Kearney-Croft was granted 521 Sharesave options. The discounted option price was £10.35 per share, compared to a market share price of £12.93.
- (2) Stephen Bird receives a pension contribution of 20% of base salary. Both Kath Kearney-Croft and Martin Green receive a pension contribution of 15% of base salary. Each Executive Director currently takes this contribution in the form of a cash payment.
- (3) For the Annual Bonus Plan 2018, Stephen Bird's, Kath Kearney-Croft's and Martin Green's bonus potential was 125% of base salary. Further details are set out in the "Further notes" section on the following page.
- (4) Long-term incentives comprise LTIP awards. Awards made in 2016 have fully achieved performance conditions based on TSR and growth in adjusted basic Earnings Per Share and will vest on 1 March 2019. Further details on the vesting of the 2016 LTIP awards are set out in the "Further notes" section on the following pages. A value for the 2016 LTIP has been calculated using the Q4 2018 average share price of £12.54 and associated dividend shares paid on shares vesting (84.3 pence per share). The 2019 Remuneration Report will reflect updated final values. Awards made in 2015 partly achieved their performance conditions also based on the same performance conditions with 67.5% of awards vesting on 9 April 2018. The value in the table above has been updated to reflect the actual value received by the Director in April 2018 in contrast to the estimated value given in the 2017 Remuneration Report. Each Director has confirmed in writing to the Company that the information in the single figure remuneration table is correct and that they have not received from the Company any other items of remuneration other than disclosed.

Further notes to the Directors' single figure of total remuneration table (audited)

(1) Base salary

The table below shows base salaries for 2018:

Executive Director	2018 Salary
Stephen Bird	£451,758
Kath Kearney-Croft	£317,750
Martin Green	£266,500

(2) Benefits

The single figure of total remuneration table sets out the total value of benefits received by each Executive Director in 2018. Details are as follows:

Executive Director	Car allowance	Healthcare cover	Income protection	Other (Sharesave)	Total
Stephen Bird	£22,582	£1,343	£4,800	£4,487	£33,212
Kath Kearney-Croft	£16,932	£1,343	£4,800	£1,344	£24,419
Martin Green	£16,932	£832	£4,800	£1,344	£23,908

(3) Pension allowance

The table below sets out the value of the cash payment in lieu of pension for each Executive Director in 2018:

Executive Director	Pension allowance
Stephen Bird	£90,352
Kath Kearney-Croft	£47,663
Martin Green	£39,975

(4) Annual bonus

In 2018, each Executive Director was entitled to receive, subject to performance, a maximum bonus of up to 125% of base salary, half of which is deferred into the Deferred Bonus Plan.

The financial elements of the Annual Bonus Plan for each Executive Director were based upon actual financial results achieved for Group adjusted profit before tax* and Group conversion of adjusted operating profit* into operating cash flow* (over a quarterly and full year average target) measured against financial targets set by the Board. The Group adjusted profit before tax* financial element represents 50% of the maximum bonus that could be earned and the Group conversion of adjusted operating profit* into operating cash flow* represents 25% of the maximum bonus that could be earned.

Under the rules of the Annual Bonus Plan there is a link between the two financial performance conditions so that the conversion of adjusted operating profit* into operating cash flow* element will only pay out if the Group adjusted profit before tax* element has at least achieved threshold performance.

The Remuneration Committee considered that these two financial performance conditions are key financial measures for the Group driving the right behaviour in terms of achieving profit* and operating cash flow* generation and had the most direct impact upon shareholder value for the year ended 31 December 2018.

The personal objective element of the 2018 Annual Bonus Plan for each Executive Director, representing 25% of the maximum bonus that could be earned, is based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee, as set out below:

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Remuneration continued****Stephen Bird – 2018 personal objectives**

- Continue to build a world class organisation: develop Divisional Chief Executives and succession plans around them as well as succession plans for the senior management team; clearly communicate Group strategy to wider workforce.
- Execution and refresh of growth strategy: improve the core business, focus on new markets and technologies, expansion in APAC, get closer to customers, hold a successful Blue Sky strategy session for the Board and successfully integrate JOBY/Lowe pro following acquisition in late 2017.
- Execute on synergy projects: while preserving decentralised organisation and entrepreneurial spirit, deliver on synergy projects including operational synergy savings, growth in APAC and growth in customers, particularly in ICC market.
- M&A funnel: develop M&A funnel in adjacent markets.
- Embed and develop Creative Solutions management structure following the creation of that Division at the start of 2018, retaining entrepreneurial spirit of component businesses.
- Investor Relations strategy: refresh IR strategy delivering increased liquidity and a wider shareholder base and secure readmittance to the FTSE SmallCap Index.

Kath Kearney-Croft – 2018 personal objectives

- Continue to build a world class finance team: develop talent and succession plans for global finance team; review and refresh senior finance team if necessary; foster global finance team communication and champion the finance function to be an effective business partner.
- Execution of growth strategy: support Group Chief Executive on growth strategy review including support on Blue Sky strategy session, active role in M&A opportunities and financial due diligence and ensuring that appropriate finance is in place to support growth strategy.
- Lead on synergy project focused on operations including sourcing, logistics, R&D collaboration and insource to Costa Rica.
- Investor Relations strategy: refresh IR strategy to drive improved liquidity and a wider shareholder base and secure readmittance to the FTSE SmallCap Index.
- Audit Partner: manage a successful audit tender process.
- Upgrade key financial processes: develop hedging strategy, support the Group Chief Executive with global R&D process, and review/improve Group capital expenditure and investment appraisal process.

Martin Green – 2018 personal objectives

- Execution and refresh of growth strategy: improve the core business, focus on new markets and technologies, expansion in APAC, get closer to customers and organise a Blue Sky strategy session for the Board.
- Talent development: support Group Chief Executive by improving the quality of succession plans and talent development across the Group; support Group Chief Executive and Divisional Heads in improving employee communication; and lead HR Directors at Divisional level to support execution of strategy.
- Corporate Development: refresh M&A funnel including opportunities in adjacent markets.
- Synergy project: execute on synergy project, notably expansion in APAC.

2018 annual bonus outcome

The table below sets out the annual bonus awards made to Executive Directors in respect of the year ended 31 December 2018 including the financial trigger points used in determining whether a bonus was payable.

Name	Bonus potential	Elements of bonus potential	Threshold	Target	Maximum	Actual Group performance/assessment of personal objective performance	Payout and % of maximum
Stephen Bird Group Chief Executive	125% of annual salary	50% Group PBT*	£44.2m	£49.2m	£54.2m	£49.3m**	£142,869 50.6%
		25% Group conversion of operating profit* into operating cash flow*	H1: 53% FY: 72%	59% 80%	64% 88%	H1: 75% FY: 82%	£115,057 81.5%
		25% Personal objectives				85%	£119,998
		TOTAL					£377,925 66.9%
Kath Kearney-Croft Group Finance Director	125% of annual salary	50% Group PBT*	£44.2m	£49.2m	£54.2m	£49.3m**	£100,488 50.6%
		25% Group conversion of operating profit* into operating cash flow*	H1: 53% FY: 72%	59% 80%	64% 88%	H1: 75% FY: 82%	£80,927 81.5%
		25% Personal objectives				72%	£71,494
		TOTAL					£252,909 63.7%
Martin Green Group Business Development Director	125% of annual salary	50% Group PBT*	£44.2m	£49.2m	£54.2m	£49.3m**	£84,281 50.6%
		25% Group conversion of operating profit* into operating cash flow*	H1: 53% FY: 72%	59% 80%	64% 88%	H1: 75% FY: 82%	£67,874 81.5%
		25% Personal objectives				85%	£70,789
		TOTAL					£222,944 66.9%

** The £49.3 million Group adjusted profit before tax* represents an average of:
 – £49.9 million being the reported Group adjusted profit before tax* after adjusting for integration costs relating to the acquisition of JOBY and Lowepro; and
 – £48.6 million being the Group adjusted profit before tax* adjusted for constant foreign exchange rates with those of 2017, after adjusting for integration costs relating to the acquisition of JOBY and Lowepro

A straight-line sliding scale operates between each of the above trigger points for both financial targets. The Remuneration Committee considered that these trigger points were appropriate and sufficiently stretching for 2018 given the uncertain macroeconomic environment, challenging markets that the Group faced and performance in the prior year.

Under the rules of the Annual Bonus Plan the Remuneration Committee retains full and absolute discretion as to whether a bonus is payable or not, and that discretion may only be used in exceptional circumstances, taking into account the overall financial performance of the Company. Any use of this discretion in connection with an Executive Director will be clearly explained in the Remuneration Report. For the 2018 Annual Bonus Plan, the Remuneration Committee exercised its discretion as follows:

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Group PBT element

- For the acquisition of Adeal, Rycote and Amimon, in line with previous practice, their actual results and base case financials for the acquisitions were included in the financial results from the dates of acquisition until 31 December 2018.
- JOBY and Loweapro integration costs for 2018 were included both in the target (£1.3 million assumed to be incurred in 2018) and in the actuals (£1.3 million).

Group conversion of operating profit into operating cash flow

- The cash conversion element of the Group Annual Bonus Plan (ratio of operating profit to operating cash flow) has traditionally been based on an average of; (a) the average of the four quarterly measurements; and (b) the full year. Divisional cash conversion methods for 2018 were based one-third on cash conversion on H1 2018 and two-thirds based on full year. The Committee recognised that in 2018 the Group cash conversion methodology led to an anomalous result as it led to 0% pay-out despite the strong overall Group cash conversion performance at half year and full year 2018. As a consequence, the Committee exercised its discretion for the cash conversion metric for the Group plan applying to Executive Directors and aligned the measure to match that operating at Divisional level resulting in a pay out of 82% of maximum for this element of the Group Bonus Plan. As mentioned later in this report, for 2019 the Group and Divisional cash conversion methodologies will be aligned to be based one-third on the first half and two thirds based on the full year.

Half of the 2018 annual bonus (after tax) will be deferred into the Deferred Bonus Plan. The 2018 deferred bonus will be used to purchase core award shares to be held in trust for a three-year period. No matching award shares can be earned under the Deferred Bonus Plan. After three years, the core award shares are released from the trust to the Executive Directors.

(5) Long-term incentives – Long Term Incentive Plan (“LTIP”) and Deferred Bonus Plan (“DBP”)

The long-term incentive awards value shown in the single figure of total remuneration table relate to the following awards:

Awards made in 2016 and vesting in respect of performance to 31 December 2018

These relate to awards made in 2016 under the LTIP. Awards are measured based 50% upon the Company’s TSR measured against a comparator group and 50% subject to growth in the Company’s adjusted basic Earnings Per Share*. Each performance condition is entirely independent from the other performance condition and there is no retesting of either performance condition. The detail of each performance condition for each award is set out below.

For that part of an award made in 2016 under the LTIP measured against TSR, if the Company’s TSR performance is at the median of the comparator group at the end of the three-year performance period, 25% of that element of an award may vest. The full element of an award may vest if the Company’s TSR performance is in the top 25% of the comparator group. There is a pro rata straight-line vesting between these two points. The comparator group comprises the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three-year performance period. The Remuneration Committee considered that this index has a greater level of complexity and internationality and was most comparable to Vitec’s business operations where approximately 90% of revenues are generated outside of the UK.

For that part of an award made in 2016 under the LTIP measured against EPS growth, if the percentage growth in the EPS of the Company exceeds 5% per annum (Compound Average Annual Growth Rate), 25% of that element of an award may vest. Full vesting of an award occurs if the growth in EPS over the performance period exceeds growth by 12% (Compound Average Annual Growth Rate) or greater. There is a pro rata straight-line vesting between these two points.

An award lapses if the lower point under both performance conditions is not achieved during the performance period.

The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting.

The adjusted Effective Tax Rate* for 2018 was 18% (2017: 27%) which had the effect of inflating the adjusted EPS to 93.2p. However, the Committee determined that this adjusted EPS rate was anomalous and did not reflect underlying performance as the adjusted Effective Tax Rate was expected to revert to more normal levels in 2019 of c.25%. As a result, the Committee has decided to calculate adjusted EPS for LTIP purposes based on an Effective Tax Rate of 25%. This resulted in a “normalised” Adjusted EPS for LTIP purposes of 85.2p instead of 93.2p. This remained above the maximum EPS level of 69.4p for 100% vesting of the 2016 LTIP awards.

Performance out-turn

The table below summarises the value of awards vesting for the 2016 award.

2016 awards	Actual performance	Vesting as a % of award
TSR	Vitec ranked in the 94th percentile of the comparator group with TSR performance of 124.9% over the three-year performance period.	(50%)
EPS	Adjusted “normalised” EPS of 85.2p compared to a base EPS point of 49.4 pence	(50%)
Total vesting		(100%)

TSR is calculated on the basis of growth in the Company's share price over a three-year performance period plus dividends paid during that period and is expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of a performance period to eliminate volatility that may result in anomalous outcomes. The TSR performance is independently verified by Mercer on behalf of the Committee and is ranked against the comparator group companies' TSR performance to determine the outcome.

EPS is determined in accordance with note 2.5 of the Financial Statements on page 127. The base point for the EPS performance condition was 49.4 pence per share, being the EPS figure for the year ended 31 December 2015.

The Remuneration Committee at its meeting on 18 February 2019 confirmed that 2016 awards will therefore vest at a level of 100% on the third anniversary of the awards on 1 March 2019. Indicative values for vesting awards for the Executive Directors are shown in the remuneration table on page 82. Stephen Bird will be required to hold his vesting 2016 award for a further two-year holding period.

Indicative values for vesting awards for the Executive Directors are shown in the Remuneration Table on page 82, calculated on the following basis:

Director	Number of awards held	Vesting %	Number of awards vesting ⁽¹⁾	Date of vesting	Assumed market price ⁽²⁾	Estimated value ^(1,2)	(of which, due to share price growth)
Stephen Bird	103,362	100%	110,310	1 March 2019	£12.54	£1,383,287	£809,675 (58.53% of total)
Martin Green	43,269		46,177			£579,059	£338,938 (58.53% of total)

(1) Includes estimated associated dividend shares payable in respect of shares vesting (84.3 pence per share)

(2) Based on average share price during the final quarter of 2018

A significant proportion of the value delivered to Directors is as a result of the Group's share price growth over the vesting period. The estimated values above include the impact of a 141.2% increase in the assumed market price compared to the share price at grant (£5.20). This is equivalent to £809,675 and £338,938 (in both cases 58.53% of the total estimated value) for Stephen Bird and Martin Green respectively.

Awards made in 2015 and vesting in respect of performance to 31 December 2017

These relate to awards made in 2015 under the LTIP. The performance conditions for these awards are the same as those made in 2016 and summarised above. The adjusted EPS growth targets were 6% growth per annum (Compound Average Annual Growth Rate) for 25% of that element of an award to vest and 12% or more growth per annum for full vesting respectively. The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting.

As disclosed in the 2017 Annual Report on Remuneration, both performance conditions were measured to 31 December 2017 and the final outcome resulted in 67.5% of the total LTIP award vesting (50% for TSR and 17.5% for EPS). As a consequence, 67.5% of the 2015 LTIP vested on 9 April 2018. The actual value of this vested award for each of the Executive Directors is shown in the Directors' single figure of total remuneration table on page 82.

Other outstanding awards made in 2017 and vesting in respect of performance to 31 December 2019

For awards made in 2017, 33% of an award is subject to TSR with the Company's TSR performance ranked against the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three-year performance period. Threshold performance for the TSR performance condition will be at the median point of the comparator group and will result in 25% of an award vesting. Full vesting for the TSR element will be at the upper quartile point of the comparator group. A straight-line sliding scale will operate between each of the above points. Below threshold performance none of the award will vest.

67% of the award will be subject to adjusted EPS growth over a three-year performance period. For awards made in 2017 the adjusted EPS* growth figures are set at 6% per annum for 25% vesting and 14% plus per annum for full vesting. A straight line sliding scale will operate between each of the above points and below 6% adjusted EPS* growth none of the award will vest. Subject to satisfaction of performance conditions to 31 December 2019, these awards will vest in May 2020.

Vesting will be underpinned by Remuneration Committee discretion that will take into account, in particular, Return on Capital Employed ("ROCE") performance over the performance period for the EPS element of the award.

Awards made in 2018 and vesting in respect of performance to 31 December 2020

The table below provides details of the awards made under the LTIP on 2 March 2018 to Stephen Bird, Kath Kearney-Croft and Martin Green. Performance for these awards is measured over the three financial years from 1 January 2018 to 31 December 2020. As reported to shareholders in the 2016 Annual Report, while the performance conditions of TSR and EPS growth targets remain, awards from 2017 and in the future have been re-balanced so that the split in performance conditions is changed to 33% / 67% split between TSR and EPS respectively. Vesting will be underpinned by Remuneration Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award.

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The performance required for threshold vesting (25% of this part of the award) is adjusted EPS* growth of 6% per annum. Full vesting of this part of the award required adjusted EPS* growth of 14% plus per annum, with a straight-line sliding scale between these two points. None of this part of the award will vest for adjusted EPS* absolute growth lower than 6% per annum.

Dividends that would have been paid on shares vesting under the LTIP during the performance period are reinvested in additional shares for each of the above awards. There is no retesting of any performance condition under any of the above awards.

TSR is calculated on the basis of growth in the Company's share price over a three-year performance period plus dividends paid during that period and is expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of a performance period to eliminate volatility that may result in anomalous outcomes. The TSR performance is independently verified by Mercer on behalf of the Committee and is ranked against the comparator group companies' TSR performance to determine the outcome.

Director	Type of award	Number of shares awarded	Face value ⁽¹⁾ (£)	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Stephen Bird	Performance shares	50,106	£564,695	125%			
Kath Kearney-Croft		35,242	£397,177	125%	25%	100%	31 December 2020
Martin Green		29,558	£333,119	125%			

(1) Face value has been calculated using the Company's share price at the date of the award of £11.27

Deferred Bonus Plan 2018 awards

The following table provides details of the awards made under the DBP on 9 April 2018 in respect of the 2017 Annual Bonus. There are no performance conditions or matching shares associated with these awards. The core shares are held in an Employee Trust on behalf of the Directors for three years and will be released to the individuals on 9 April 2021.

Director	Type of award	Number of core shares awarded	Face value ⁽¹⁾ (£)	End of holding period
Stephen Bird	Core award shares using deferred annual cash bonus	10,704	£128,983	9 April 2021
Kath Kearney-Croft		5,168	£62,274	8 April 2021
Martin Green		6,314	£76,084	8 April 2021

(1) Face value has been calculated using the Company's share price at the date of the award of £12.05

Payments to past Directors for loss of office (audited)

There were no payments in 2018 to past Directors of the Company for loss of office.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors were paid the following fees in 2018:

Role	2018 annual fee	Comment
Chairman	£153,750	Increased to £153,750 from £150,000 with effect from 1 January 2018
Non-Executive Director	£45,255	Base fee increased to £45,255 from £44,152 with effect from 1 January 2018
Chairman of Audit Committee	£10,000	Fee was last increased on 1 January 2014
Chairman of Remuneration Committee	£9,000	Fee was last increased on 1 January 2014
Senior Independent Director	£6,000	Fee was last increased on 1 January 2014

Fees for the Chairman, Non-Executive Directors, Committee Chairmen and Senior Independent Director roles are reviewed annually by the Board with the support of Mercer providing market data to ensure that fees remain appropriate given the size of the Company, time commitment and the need to attract the right experience for the role. The Chairman and Non-Executive Directors do not receive any other benefits from the Company.

Directors' shareholding requirements and share interests (audited)

The Board has determined that Executive Directors of the Company are required to build up, over a reasonable period of time, a substantial holding of shares in the Company of at least one times base salary. A reasonable period is considered to be the life of a performance period tied to an award vesting under the Company's LTIP or DBP. Stephen Bird and Martin Green satisfied this requirement throughout the whole of 2018 and up to the date of this report. Kath Kearney-Croft, having been appointed Group Finance Director on 24 April 2017, is building a shareholding towards this requirement. Other members of the Executive Management Board are encouraged to do the same up to a level of 50% of base salary.

The Chairman and Non-Executive Directors of the Company have no such requirement and have discretion as to whether to hold shares in the Company or not. The following tables set out the interests in the ordinary shares of the Company held by each Director (or connected persons) of the Company during the year ended 31 December 2018.

We note the requirement under the 2018 UK Corporate Governance Code for the Company to develop a post-employment shareholding policy, encompassing vested and unvested shares. This will be reviewed and developed for the financial year commencing 1 January 2019 and will be reported on in the 2019 Remuneration Report.

Executive Directors' shareholdings as at 31 December 2018 (audited)

Executive Director	Share ownership requirement (% of salary)	Number of shares owned outright (including connected persons)	Number of shares beneficially owned (DBP core award shares)	Number of shares unvested and subject to performance (LTIP shares)	Number of shares under option (Sharesave)	Ownership requirements met (based on shares owned outright and DBP core award shares)
Stephen Bird	100%	178,833	28,764	232,115	1,739	548%
Kath Kearney-Croft	100%	2,700	5,168	77,118	2,128	29.5%
Martin Green	100%	38,279	12,003	119,222	3,118	225%

Chairman and Non-Executive Directors' shareholdings as at 31 December 2018 (audited)

Director	1 January 2018*	31 December 2018**
John McDonough, Chairman	50,000	50,000
Christopher Humphrey	10,000	10,000
Duncan Penny (appointed 1 September 2018)	3,000	3,000
Lorraine Rienecker (resigned 1 September 2018)	3,248	3,248
Mark Rollins (resigned 2 April 2018)	10,000	10,000
Caroline Thomson	8,407	8,407
Richard Tyson (appointed 2 April 2018)	0	0

* Or on date of appointment if later

** Or date of leaving

- The closing mid-market share price on 31 December 2018 was £11.92 and the calculation of the percentage shareholding requirement achieved for the Executive Directors is based on this closing mid-market share price.
- The shares shown in the beneficial holdings table above were acquired by the Directors using their own funds and not through any share incentive scheme (or similar) with the exception of the following disclosures in notes 3, 4 and 5 below.
- Stephen Bird's share interests include 28,764 shares (at 31 December 2018) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group DBP. These shares will vest out of the DBP in 2019, 2020 and 2021 respectively. Neither these shares nor any of the other shares held by Stephen Bird have any performance conditions attached to them. During the year ended 31 December 2018 Stephen Bird had the following share dealings:
 - Acquired 24,700 ordinary shares on 9 April 2018 through the exercise of the 2015 LTIP award
 - Acquired 10,704 ordinary shares on 9 April 2018 through the DBP that are held in the Employee Benefit Trust

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- Sold 32,000 ordinary shares on 9 April 2018
- On 16 April 2018, exercised and retained core award shares under the DBP for 2015 over 9,240 ordinary shares and 602 dividend shares
- Acquired 2,560 ordinary shares on 12 November 2018 through the exercise of a 2015 Sharesave option

2,000 shares of Stephen Bird's holding are held by his spouse.

- Kath Kearney-Croft's share interests include 5,168 shares (at 31 December 2018) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group DBP. These shares will vest out of the DBP in 2020. Neither these shares nor any of the other shares held by Kath Kearney-Croft have any performance conditions attached to them.
- Martin Green's share interests include 12,003 shares (at 31 December 2018) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group DBP. These shares will vest out of the DBP in 2019, 2020 and 2021 respectively. Neither these shares nor any of the other shares held by Martin Green have any performance conditions attached to them. During the year ended 31 December 2018, Martin Green had the following share dealings:
 - Sold 2,400 ordinary shares on 15 March 2018
 - Acquired 10,785 ordinary shares on 9 April 2018 through the exercise of the 2015 LTIP award
 - Acquired 6,314 ordinary shares on 9 April 2018 through the DBP that are held in the Employee Benefit Trust
 - On 16 April 2018, exercised and retained core award shares under the DBP for 2015 over 2,777 ordinary shares and 180 dividend shares
- There has been no change to the Directors' shareholdings described in the table above in the period from 31 December 2018 to 20 February 2019.

Sharesave

The Group operates an all-employee savings-related share option scheme in the UK ("Sharesave") and a similar international plan in respect of overseas employees in certain countries (US, Italy, Costa Rica, Japan, France, Singapore, Hong Kong, Australia and Germany). The scheme and plan are open to all the Group's employees in those countries, including the Executive Directors, and approximately 1,000 of the Group's employees participate in this valuable benefit. As at 31 December 2018 Stephen Bird, Kath Kearney-Croft and Martin Green participate in the UK scheme and the details are shown below.

Director	Date of grant	At 1 January 2018 (shares)	Options exercised during the year	Options lapsed during the year	Options granted during the year	At 31 December 2018 (shares)	Exercise price (pence)	Market price at date of grant (pence)	Date from which exercisable ⁽⁵⁾	Expiry date
Stephen Bird	25 September 2015	2,560	2,560 ⁽⁶⁾	–	–	–	492	614 ⁽¹⁾	1 November 2018	30 April 2019
	26 September 2018	–	–	–	1,739	1,739	1035	1293 ⁽⁴⁾	1 November 2021	30 April 2022
Kath Kearney-Croft	9 October 2017	1,607	–	–	–	1,607	784	980 ⁽³⁾	1 November 2020	30 April 2021
	26 September 2018	–	–	–	521	521	1035	1293 ⁽⁴⁾	1 November 2021	30 April 2022
Martin Green	27 September 2016	2,597	–	–	–	2,597	485	606 ⁽²⁾	1 November 2019	30 April 2020
	26 September 2018	–	–	–	521	521	1035	1293 ⁽⁴⁾	1 November 2021	30 April 2022

(1) The market price for the grant of shares under option was calculated on the basis of a three-day average of the closing mid-market share price from 27 August 2015 to 1 September 2015 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan. Stephen Bird exercised this option on 12 November 2018 retaining all the shares.

(2) The market price for the grant of shares under option was calculated on the basis of a three-day average of the closing mid-market share price from 31 August 2016 to 2 September 2016 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

(3) The market price for the grant of shares under option was calculated on the basis of a three-day average of the closing mid-market share price from 11 September 2017 to 13 September 2017 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

(4) The market price for the grant of shares under option was calculated on the basis of a three-day average of the closing mid-market share price from 28 August 2018 to 30 August 2018 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

(5) There is no performance condition attached to the exercise of the Sharesave plan which is an all-employee plan.

(6) Stephen Bird exercised an option over 2,560 shares at an option price of £4.92 per share on 12 November 2018, retaining all of the shares. The closing mid-market share price on 12 November 2018 was £12.60 and therefore the notional gain was £19,661.

Long Term Incentive Plan

Each year the Executive Directors are made a conditional award of shares in the Company. Awards to Executive Directors are currently at a level representing 125% of annual base salary. The award is subject to satisfaction of performance conditions over a three-year performance period. The following table sets out the outstanding awards under the LTIP as at 31 December 2018 for the Executive Directors:

Director	Date of award	Awards at 1 January 2018	Award exercised during the year	Associated dividend shares with the exercised award	Awards lapsed during the year	Awards made during the year	At 31 December 2018	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold achieved	End of performance period
Stephen Bird	8 April 2015 ⁽¹⁾	64,838	43,765	2,840	21,073	–	–	647	1185	100% of annual salary	25%	31 December 2017
	1 March 2016 ⁽²⁾	103,362	–	–	–	–	103,362	520	–	125% of annual salary	25%	31 December 2018
	28 Feb 2017	78,647	–	–	–	–	78,647	700	–	125% of annual salary	25%	31 December 2019
	2 March 2018	–	–	–	–	50,106	50,106	1127	–	125% of annual salary	25%	31 December 2020
Total		246,847	43,765	2,840	21,073	50,106	232,115					
Kath Kearney-Croft	15 May 2017	41,876	–	–	–	–	41,876	925	–	125% of annual salary	25%	31 December 2019
	2 March 2018	–	–	–	–	35,242	35,242	1127	–	125% of annual salary	25%	31 December 2020
Total		41,876	–	–	–	35,242	77,118					
Martin Green ⁽³⁾	8 April 2015 ⁽¹⁾	33,230	22,430	1,455	10,800	–	–	647	1185	100% of annual salary	25%	31 December 2017
	1 March 2016 ⁽²⁾	43,269	–	–	–	–	43,269	520	–	125% of annual salary	25%	31 December 2018
	28 Feb 2017	46,395	–	–	–	–	46,395	700	–	125% of annual salary	25%	31 December 2019
	2 March 2018	–	–	–	–	29,558	29,558	1127	–	125% of annual salary	25%	31 December 2020
Total		122,894	22,430	1,455	10,800	29,558	119,222					

- (1) The LTIP award made on 8 April 2015 achieved 100% of the TSR performance condition and 35% of the EPS* growth performance condition, resulting in a blended level of vesting of 67.5%. As a consequence 67.5% of this award, plus associated dividend shares, vested on its third anniversary of 8 April 2018. Details of the actual associated value are shown in the remuneration table for the year ended 31 December 2018 on page 82.
- (2) The LTIP award made on 1 March 2016 achieved 100% of the TSR performance condition and 100% of the adjusted EPS growth performance condition, resulting in 100% of the award vesting. As a consequence 100% of this award, plus associated dividend shares, will vest on its third anniversary of 1 March 2019. Details of the estimated associated value are shown in the remuneration table for the year ended 31 December 2018 on page 82.
- (3) Martin Green's LTIP awards in 2015 and 2016 pre-date his appointment as an Executive Director of the Company. The awards are therefore not subject upon vesting to a two-year holding period. Awards from 2017 onwards however are subject to a two-year holding period post vesting.

Annual Report on Remuneration continued

Deferred Bonus Plan

Each year, Executive Directors are required to defer a proportion of their annual bonus into the DBP. No matching awards can be earned on deferred shares.

Director	Date of award	Awards at 1 January 2018 (shares)	Awards exercised during the year	Associated dividend shares with the exercised awards	Awards lapsed during the year	Awards made during the year	At 31 December 2018	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of performance period
Stephen Bird	16 April 2015 (core award) ⁽¹⁾	9,240	9,240	602	–	–	–	649	1180	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	11 April 2016 (core award) ⁽²⁾	4,716	–	–	–	–	4,716	589	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	5 April 2017 (core award)	13,344	–	–	–	–	13,344	831	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	9 April 2018 (core award)	–	–	–	–	10,704	10,704	1205	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
Total		27,300	9,240	602	–	10,704	28,764					
Kath Kearney-Croft	9 April 2018	–	–	–	–	5,168	5,168	1205	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	Total	–	–	–	–	5,168	5,168					
Martin Green ⁽³⁾	16 April 2015 (core) ⁽¹⁾	2,777	2,777	180	–	–	–	649	1180	30% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	11 April 2016 (core) ⁽²⁾	1,486	–	–	–	–	1,486	589	–	30% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	5 Apr 2017 (core)	4,203	–	–	–	–	4,203	831	–	30% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	9 April 2018	–	–	–	–	6,314	6,314	1205	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
Total		8,466	2,777	180	–	6,314	12,003					

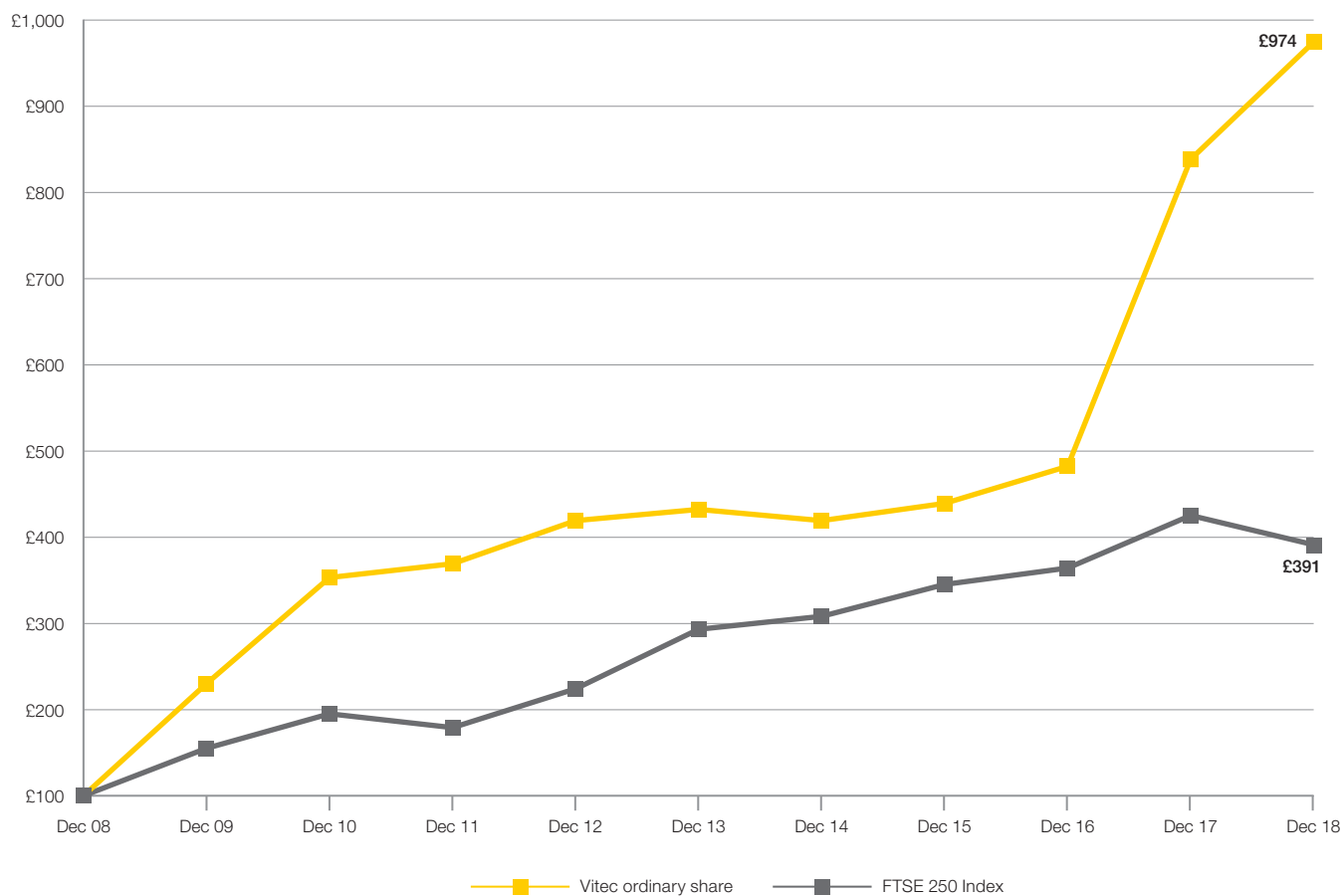
(1) The DBP core award made on 16 April 2015 vested on 16 April 2018. The core award plus associated dividend shares were paid out to the participants on 16 April 2018.

(2) The DBP core award made on 11 April 2016 will vest on its third anniversary of 11 April 2019. The core award plus associated dividend shares will be paid out to the participants on this anniversary.

(3) Martin Green's DBP awards for 2015, 2016 and 2017 relate to bonus periods prior to his appointment as an Executive Director of the Company.

Ten-year performance graph of the Company’s ordinary shares compared to comparator group

The Company is required to include a line graph showing the Company’s ordinary share performance compared to an appropriate index over a ten-year performance period ending 31 December 2018. The graph below illustrates the Company’s annual Total Shareholder Return (TSR) (share price growth plus dividends that have been declared, paid and reinvested in the Company’s shares) relative to the FTSE 250 for the preceding ten-year period ending 31 December 2018, assuming an initial investment of £100. This index has been chosen since it is the comparator group (excluding financial services companies and investment trusts) for one of the performance conditions tied to awards under the LTIP. The Committee notes that the FTSE 250 index is a recognised broad market equity index, relatively complex and international in nature and is comparable to the Company’s business operations where approximately 90% of revenues are generated outside the UK. Each point is a 30 trading day average of the indices. TSR data is taken from Datastream.



Remuneration Report

Annual Report on Remuneration continued

Performance table setting out the total remuneration of the Group Chief Executive

The following table sets out the single figure of total remuneration paid and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) to the Group Chief Executive for each of the ten years ended 31 December 2018.

Year (ended 31 December)	Group Chief Executive	CEO single figure of total remuneration	Annual bonus payout against maximum opportunity % (including actual amount paid)	Long-term incentive vesting rates against maximum opportunity %
2018	Stephen Bird	£2,336,534	66.9% £377,925	100%
2017	Stephen Bird	£1,596,214	88.4% (£486,771)	67.5%
2016	Stephen Bird	£962,299	77.9% (£418,450)	0%
2015	Stephen Bird	£636,374	20% (£104,876)	0%
2014	Stephen Bird	£745,388	44.25% (£226,378)	0%
2013	Stephen Bird	£1,057,407	71% (£355,616)	28.55% (£195,634)
2012	Stephen Bird	£1,697,841	79.4% (£386,434)	92.4% (£817,428)
2011	Stephen Bird	£2,053,828	87.3% (£323,816)	100%
2010	Stephen Bird	£812,946	98.75% (£355,994)	0%
2009	Stephen Bird (from 14 April 2009)	£487,087	68.7% (£172,069)	0%
2009	Alastair Hewgill (from 1 January 2009 to 14 April 2009)	£151,634	42% (£51,911)	0%

Percentage change in remuneration of the Group Chief Executive

The table below sets out a comparison of the following elements of remuneration paid to the Group Chief Executive, Stephen Bird, in the year ended 31 December 2018 compared to the year ended 31 December 2017 and compared to that of UK based employees: annual salary; taxable benefits; and annual bonus. The Remuneration Committee has selected this comparator group on the basis that the Group Chief Executive is UK based and this provides a local market reference, is a sizeable population and a fair representation of the Group's employee base. The Committee will report on The Companies (Miscellaneous Reporting) Regulations 2018 CEO pay ratio compared to full-time employees in the UK in the 2019 Remuneration Report to be published in March 2020 as the regulations apply to financial years commencing on 1 January 2019 and the Company needs to set in place appropriate processes to comply with the new regulations.

	Annual salary (% change in 2018 compared to 2017)	Taxable benefits (% change in 2018 compared to 2017)	Annual bonus (% change in 2018 compared to 2017)
Stephen Bird, Group Chief Executive	2.5%	2.5%	-22.3%
UK based employees	2.5%	2.5%	-1.0%

Relative importance of spend on pay

The following table sets out for the year ended 31 December 2018 compared to the year ended 31 December 2017 the actual expenditure of the Company in terms of remuneration paid to or receivable by all employees of the Group and distributions to shareholders by way of dividends. In March 2018, the Company acquired 60,000 ordinary shares that are held in treasury to cover Employer's National Insurance Contribution costs in relation to the Company's LTIP. There are currently 75,600 ordinary shares held in treasury. There have been no other significant distributions and payments required to be disclosed that would assist in understanding the relative importance of spend on pay.

	Year ended 31 December 2018	Year ended 31 December 2017	% change
Total remuneration paid to all Vitec Group employees	£99.9m	£91.1m	9.7%
Total dividends paid to shareholders	£14.1m	£12.4m	13.7%

Statement of Implementation of Remuneration Policy in the year ending 31 December 2019

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

(1) Base salary

The table sets out the 2019 base salary for each Executive Director, together with the percentage increase from 2018:

Executive Director	2019 Salary	Increase from 2018
Stephen Bird	£463,053	2.5%
Kath Kearney-Croft	£325,694	2.5%
Martin Green	£290,485	9%

In determining the increases for 2019, the Committee took into account a number of factors, including Company and individual performance, the executive's responsibilities and experience, pay increases for the Company's employees, market rates for Executive Director remuneration, the need for retention of a talented executive team and prevailing economic conditions. The Remuneration Committee decided the increase was deemed appropriate for Martin Green, reflecting the increased importance of his contribution to the work of the Board since he was appointed a Director in January 2017, in particular his role in acquisition strategy and implementation. Notably this was justified on account of the increase in Martin Green's role and duties and to address a shortfall in his salary compared to market positioning.

(2) Benefits

The car allowance taxable benefit has been increased in line with 2.5% base salary increases for 2019. The other taxable benefits of private healthcare and income protection are respectively premium and contractually based.

(3) Pension allowance

Pension allowances paid to Executive Directors are set out in the table below. Stephen Bird's allowance represents 20% of his base salary. For any Executive Director appointed since 1 January 2017 (Kath Kearney-Croft and Martin Green), the pension allowance has been set at 15% of base salary.

Executive Director	Pension allowance
Stephen Bird	£92,611
Kath Kearney-Croft	£48,854
Martin Green	£43,573

Remuneration Report

Annual Report on Remuneration continued

(4) Annual bonus

The maximum opportunity remains unchanged at 125% of base salary. Half of any net after tax annual bonus earned for the year ended 31 December 2019 will be deferred into the DBP for a period of three years and held in the form of shares in the Company. There will be no matching award that can be earned on this deferred bonus. The table below provides information on the performance measures against which performance for the 2019 Annual Bonus Plan will be measured:

Core measures for 2019 Annual Bonus Plan	Weighting (% of overall opportunity)
Group profit before tax*	50%
Group percentage of operating profit* converted to operating cash flow*	25%
Role-specific personal objectives set by the Board and Remuneration Committee for the Executive Director	25%

The performance measures selected reflect the strategic and operational objectives of the Group. As noted on page 86, in a slight change to previous years, the Group percentage of operating profit converted to operating cash metric for 2019 will be measured against targets set for H1 2019 performance and full year 2019 performance, with one-third for H1 and two-thirds for full year. The Committee considers that the specific targets and personal objectives for 2019 are commercially sensitive and therefore has not disclosed them. The Committee will disclose these targets and objectives once a bonus has been paid and subject to the Committee considering that they are no longer commercially sensitive.

(5) Long Term Incentive Plan

Stephen Bird, Kath Kearney-Croft and Martin Green will each receive an award of shares under the LTIP equivalent to 125% of base salary in 2019. These awards will be made in the 42-day period following the announcement of the full year results for the year ended 31 December 2018 that will be announced on 21 February 2019. The performance conditions for the LTIP awards to be granted in 2019 will be as follows: 67% of the award will be subject to adjusted basic Earnings Per Share* growth over a three-year performance period. The Remuneration Committee has determined that the adjusted EPS targets will be 6% and 14% per annum growth over the three year performance period. EPS growth will be measured from the adjusted "normalised" 2018 EPS of 85.2p used to determine vesting of the 2016 LTIP awards, as disclosed on page 86. The remaining 33% of the award will be subject to TSR with the Company's TSR performance ranked against the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three-year performance period. Vesting will be underpinned by Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award. Any awards vesting under the LTIP 2019, after deduction of taxes, will be subject to a further two-year holding period, thereby more closely aligning their interests with the long-term interests of shareholders.

(6) Chairman and Non-Executive Directors' remuneration

The fee structure for the Chairman and Non-Executive Directors for 2019 is set out in the following table:

Role	2019 fee	2018 fee
Chairman	£153,750 ⁽¹⁾	£153,750
Non-Executive Directors' base fee	£50,000 ⁽²⁾	£45,255
Chairman of Audit Committee	£10,000	£10,000
Chairman of Remuneration Committee	£10,000 ⁽³⁾	£9,000
Senior Independent Director	£8,000 ⁽³⁾	£6,000

(1) Upon Ian McHoul succeeding as Chairman on 21 May 2019, the Chairman's fee will increase to £170,000 per annum.

(2) Following a review of Non-Executive Directors' fees with the support of Mercer, it was concluded that an increase for 2019 was merited. This increase was justified on the basis that: the market capitalisation of the Company has significantly increased in recent years; the Company's continuing strong financial performance; a review of market data provided by Mercer showed that the Non-Executive Directors' base fee was at the lower end of the market range for companies with similar FTSE rankings; and that the time commitment for Non-Executive Directors has increased over recent years involving several short notice Board meetings.

(3) The Chairman of the Remuneration Committee and Senior Independent Director fees were reviewed with the support of Mercer and agreed to be increased to account for the nature of each role, the time commitment, performance of the respective individuals, market rates for the complexity of the roles and the calibre of individuals. The Audit Committee Chairman's fee upon review was considered to be in line with market rates and appropriate for the demands of the role and complexity of the Company.

The Board has agreed that fees will typically be reviewed annually to ensure that they remain appropriate.

Malus and clawback

Under the rules of the Annual Bonus Plan, LTIP and DBP, awards are subject to a malus rule whereby the Remuneration Committee has the power to reduce, cancel or impose further conditions upon a bonus or award in circumstances that the Committee determines such action is appropriate including circumstances where a material misstatement of the Company's audited financial results has occurred or serious reputational damage to the Company has occurred as a result of a participant having breached the Company's Code of Conduct. In addition, under the above plans, a clawback provision exists where in the same circumstances as for malus, any future award that is paid out can be clawed back from a participant for a period of up to three years from it vesting or being paid out.

Voting at Annual General Meeting

At the Company's last AGM held on 15 May 2018, shareholders were asked for an advisory vote on the Directors' Annual Remuneration Report for the year ended 31 December 2017. The Remuneration Policy Report was not voted on at the 2018 AGM as it had been approved by shareholders at the 2017 AGM and sets out the policy towards Directors' remuneration for a three-year period from the date of the 2017 AGM until 2020. The Policy Report was approved by 99% of votes cast at the 2017 AGM (36,268,829 votes for and 9,424 votes against). The Annual Remuneration Report resolution was approved by shareholders on a poll at the 2018 AGM. The table below sets out the proxy votes voted for, against and withheld for the advisory vote on the 2017 Remuneration Report resolution at the 2018 AGM.

Resolution	For proxy votes and % of votes cast	Against proxy votes and % of votes cast	Withheld proxy votes
Advisory vote on the Remuneration Report for the year ended 31 December 2017	30,651,988 (99.96%)	11,235 (0.04%)	11,500

As at the date of the Company's AGM on 15 May 2018 the Company had 45,016,477 ordinary shares in issue. The Remuneration Committee considers that an against or withheld vote of 20% or more of the votes cast is deemed to be significant in connection with a resolution on Directors' remuneration. Based on the level of support at the 2018 AGM, the Committee did not consider that there were any significant issues of concern. In the event that a significant level of concern is raised at future AGMs, both the Chairman of the Board and the Chairman of the Remuneration Committee will contact the Company's major shareholders following an AGM to understand the precise detail of the concern being raised. Subject to that, the Committee and the Board as a whole will consider how best to address the concern being raised. This may involve a revision to the Company's policy on Directors' remuneration at a subsequent AGM or some other change which can be implemented without further shareholder consultation. The Committee and the Board are committed to an open and transparent dialogue with shareholders on material matters of concern.

Remuneration Report

Annual Report on Remuneration continued

The Remuneration Committee

The Remuneration Committee comprised the following members during 2018: Caroline Thomson – Chairman, Mark Rollins (until 2 April 2018), Lorraine Rienecker (until 1 September 2018), Christopher Humphrey, Richard Tyson (from 2 April 2018) and Duncan Penny (from 1 September 2018).

All of the Committee members are independent Non-Executive Directors.

The Committee, on behalf of the Board, determines the policy, base salaries, annual cash bonus arrangements, participation in incentive schemes, pension arrangements and all other benefits received by the Executive Directors.

The Committee also oversees the framework of remuneration for the Operations Executive, including terms of service, pay structure, annual cash bonus, pensions, share incentive arrangements and all other benefits and also has regard to wider employee remuneration within the Group.

The Committee invites individuals to attend meetings, as it deems necessary, to assist with consideration of remuneration matters. The Chairman, John McDonough, the Group Chief Executive, Stephen Bird, the Group Finance Director, Kath Kearney-Croft, the Group Company Secretary, Jon Bolton and the Group Business Development Director, Martin Green, attended meetings by invitation in the year ended 31 December 2018. The Executive Directors or members of the Executive Management Board are not present when their own remuneration is being considered.

The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, with the Chairman or the relevant Non-Executive Director abstaining when his or her remuneration is considered.

For further information regarding governance for the Remuneration Committee see pages 64 and 65 of this Annual Report.

External advisors

The Committee received independent advice from Mercer as the Committee's appointed remuneration advisor during 2018. During 2018 the level of fees paid to remuneration advisors totalled £14,938 (2017: £19,565) and this fee covered advice relating to disclosures in the 2017 Directors' Remuneration Report, measurement of performance conditions associated with long-term incentive arrangements and general remuneration advice. Mercer is a member of the Remuneration Consultants Group and operates under that group's voluntary code of practice for remuneration consultants in the UK. The Committee is satisfied that the advice it received from Mercer during 2018 was objective and independent. The Committee also received advice and administrative support during 2018 from the Group Company Secretary, Jon Bolton, and the Group Business Development Director, Martin Green.

This Annual Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

Caroline Thomson

Chairman, Remuneration Committee

20 February 2019