

# Directors' remuneration report

## Directors' remuneration policy

The remuneration policy aims to ensure that members of the Board and Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Group. The policy outlined on pages 61 to 63 will apply from 8 May 2019.

### Policy table

The policy table below summarises the key components of remuneration for Executive Directors:

Element	Operation	Opportunity	Performance metrics
<b>Base salary</b>			
To recognise the individual's skills and experience and provide a competitive base reward to attract and retain Executive Directors.	<p>Base salaries are usually reviewed annually, taking into account the individual's performance, responsibility, skills and experience; Group performance and market conditions; salary levels for similar roles at relevant comparators (including companies of a similar size and sector); and pay levels and percentage salary increases across the wider employee population. There is no set maximum.</p> <p>Any changes usually take effect from 1 January each year.</p>	<p>While there is no maximum salary, any increase will typically be in line with those awarded to the wider employee population. The committee has discretion to award higher increases in circumstances that it considers appropriate, such as:</p> <ul style="list-style-type: none"> <li>• a material change in the size or complexity of the business or responsibility of the role;</li> <li>• development in the role;</li> <li>• changes in market practice; and</li> <li>• moving the salary of a newly appointed Executive Director to be aligned with a market competitive range over time.</li> </ul> <p>Details of salary changes will be disclosed in the annual report for the relevant year.</p>	None.
<b>Pension</b>			
To provide a market competitive retirement benefit.	The Group makes contributions to the private pension schemes or other appropriate arrangements for the Executive Directors. The committee has discretion to authorise cash payments in lieu of pension contribution. Such a payment would not count for bonus or LTIP purposes.	Executive Directors receive a contribution or cash payment in lieu of up to 15% of salary.	None.
<b>Share Incentive Plan (SIP)</b>			
To provide market competitive benefits.	<p>Open to all UK tax resident employees of participating Group companies with at least one year's service. Executive Directors are eligible to participate.</p> <p>The plan is an HMRC tax qualifying plan that allows an employee to purchase shares using gross pay. If an employee agrees to purchase shares, the Company matches purchased shares with an award of matching shares which are subject to continued employment for three years. Dividends accrue on purchased shares and matching shares.</p>	<p>Participants can purchase shares up to the limits allowed by the legislation from time to time (currently up to £1,800 per tax year).</p> <p>Matching shares may be awarded up to the limits allowed by the legislation from time to time.</p> <p>The Company currently offers to match purchases made through the plan at the rate of one free matching share for every three shares purchased.</p>	None.

## Directors' remuneration report continued

Directors' remuneration policy continued

### Policy table continued

Element	Operation	Opportunity	Performance metrics
<b>Benefits</b>			
To provide market competitive benefits.	<p>Benefits may include, but are not limited to, a car allowance and life insurance.</p> <p>In certain circumstances, the committee may also approve the provision of additional allowances relating to the relocation of an Executive Director and other expatriate benefits to perform his or her role.</p>	<p>While no maximum level of benefits has been set, the value of benefits provided is set at a level which the committee considers to be appropriately positioned taking into account the role and individual circumstances; benefits provided are reviewed periodically.</p> <p>Benefits in respect of the year under review are disclosed in the annual report on remuneration.</p>	None.
<b>Annual bonus</b>			
To provide an incentive to drive the Executive Directors to deliver stretching performance and growth.	<p>Performance measures, targets and weightings are set by the committee at the start of the bonus period.</p> <p>At the end of each bonus period, the committee determines the extent to which targets have been achieved. The committee has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards to ensure that payments accurately reflect business performance over the performance period, e.g. in the event of unforeseen circumstances outside of management control.</p> <p>At the discretion of the committee, Executive Directors may be required to invest up to 40% of any after tax amount in shares, to be held until the minimum shareholding requirement is met.</p> <p>Bonuses are subject to clawback as described on page 64.</p>	<p>For Executive Directors, the maximum annual bonus opportunity is up to 150% of base salary.</p> <p>No bonus is payable until target performance is achieved. For target performance, the bonus level is up to 50% of the maximum payable for that year.</p>	<p>Performance is usually assessed on an annual basis, using a combination of the Group's main KPIs for the year. Measures may include financial and non-financial metrics as well as the achievement of personal objectives. A minimum of 80% of the bonus will be determined by financial objectives. The financial performance measure currently applied is Group adjusted profit; however, the committee has the discretion to adjust the performance measures and weightings to ensure that they continue to be linked to the delivery of Group strategy.</p> <p>The range of performance required under each measure is calibrated with reference to external expectations and the Group's internal budgets. Any individual element is based on the strength of the Executive's personal performance over the course of the year.</p>

Element	Operation	Opportunity	Performance metrics
<b>Long-Term Incentive Plan (LTIP)</b>			
To drive sustained long-term business performance, aid retention and align the interests of Executive Directors with shareholders.	<p>Awards are made in the form of conditional share awards, or nil-cost options which vest subject to the achievement of pre-defined performance conditions normally measured over a three-year period.</p> <p>At the start of each performance period, the committee reviews award levels and performance conditions to ensure they remain appropriate and sets performance targets which it considers to be appropriately stretching.</p> <p>Following the end of the performance period, and the vesting of any awards, a two year "holding period" applies. This may be structured as either: (1) a requirement that the Executive Directors are normally required to hold for the holding period the shares they acquire, subject to being permitted to dispose of shares to meet any resultant tax liability; or (2) that the Executive Directors are not normally entitled to acquire the vested shares until the end of the holding period. Where the holding period is operated on the latter basis, the committee may make an additional payment (in cash or additional shares) in respect of shares that vest to reflect the value of dividends which would have been paid on those shares during the period beginning with the date of vesting and ending with the date on which the shares may be acquired (and this payment may assume that the dividends were reinvested in additional shares on such basis as the committee may determine)</p> <p>Where awards vest over a longer period than three years, the holding period will be reduced so that the maximum period between an award and the right to dispose of shares will be five years. During the holding period the shares are not subject to performance conditions.</p> <p>LTIP awards are subject to clawback as described below this table.</p>	<p>Ordinarily a single award of up to 200% of base salary which normally vests after three years may be awarded. In respect of 2019, this award will be 150% of salary for the Chief Executive Officer and 100% for the Chief Financial Officer. In 2019 two additional exceptional awards will be made with performance measured over a four and five-year period. Each exceptional award will not be greater than 200% of salary for the Chief Executive Officer and 125% for the Chief Financial Officer. Each year the committee determines the maximum LTIP opportunity, the measurement period and the threshold level. Threshold performance will result in up to 25% of maximum vesting for the period set, rising to full vesting for maximum levels of performance in accordance with the progression set by the committee for the period in question.</p>	<p>Awards vest subject to performance measure(s) based on key financial metrics which may include, for example, measures based on EPS and growth in share price.</p> <p>The committee has discretion to adjust the performance measures and weightings to ensure that they continue to be linked to the delivery of Group strategy.</p> <p>The committee has the discretion to adjust the formulaic LTIP outcomes to ensure that payments accurately reflect business performance over the performance period.</p>

## Notes to the policy table

### Performance measurement selection

The aim of the bonus plan is to reward key Executives over and above base salary for the achievement of business objectives. The bonus criteria are selected annually to reflect the Group's main KPIs for the year and are designed to encourage continuous performance improvement for the Group. Group financial performance targets relating to the bonus plan are set from the Group's annual budget, which is reviewed and signed off by the Group Board. Adjusted profit is currently used as the main KPI for the annual bonus plan because it is a clear measure of the underlying financial performance of the Group.

## Directors' remuneration report continued

Directors' remuneration policy continued

### Notes to the policy table continued

#### Performance measurement selection continued

LTIP awards granted prior to 2017 vest based solely on EPS growth over three years. EPS was selected as it is a key measure of long-term performance for the Group and is closely aligned with the Group's strategic plans and with the profit attributable to shareholders. LTIP awards granted from 2017 onwards vest based on EPS growth and TSR performance over three years. This change followed shareholder consultation with the committee deciding to introduce a relative TSR measure alongside EPS, considering that two measures, rather than one, would give a better all-round view of performance. For the LTIP, performance measures and targets are reviewed by the committee ahead of each grant and must be considered by the committee to be challenging but achievable.

Targets applying to the bonus and LTIP are reviewed regularly, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

The committee retains the ability to adjust performance measures or targets if events occur (such as a change in Group strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the committee to determine that measures are no longer appropriate and that an amendment is required so that they achieve their original purpose.

Awards under the LTIP and deferred share awards may be adjusted in the event of a variation of the Company's share capital or other relevant events in accordance with the terms of the awards.

#### Malus and clawback provisions

Clawback applies if the figures on which awards were based are shown to be inaccurate or there is misconduct by the individual or action which has damaged EMIS Group's reputation or, in the case of LTIPs, if there is significant deterioration in financial performance. These provisions apply for one year after the award of a bonus and up to two years following LTIP vesting.

#### Remuneration policy for other employees

The approach to annual salary reviews is consistent across the Group, with consideration given to individual performance, skills, experience and responsibility, Group performance and market conditions, and salary levels for similar roles in relevant comparators. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate. A senior management group of approximately 50 individuals is eligible to participate in the LTIP. Performance conditions are consistent for all participants, while award sizes vary by organisational level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level. All UK-based employees are eligible to participate in the Company's SIP scheme on the same terms.

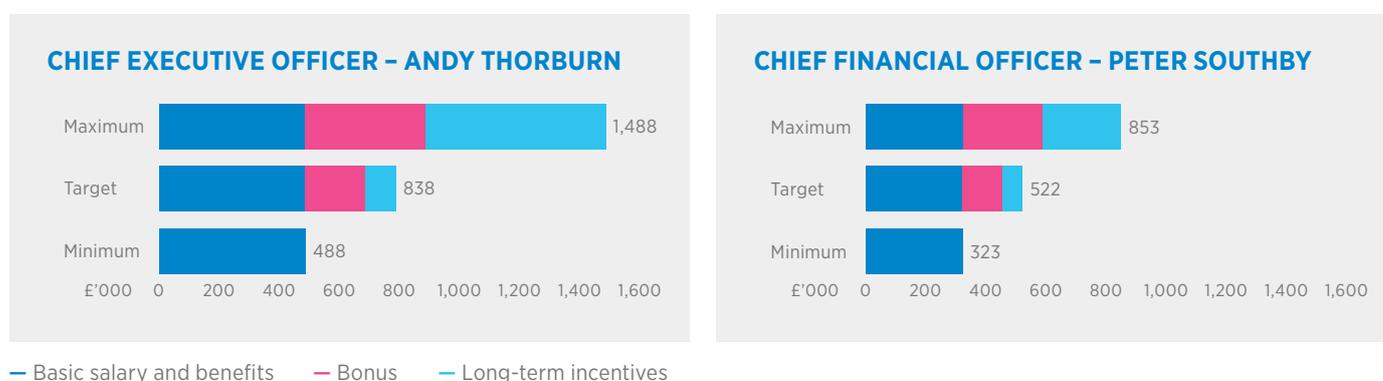
#### Shareholding guidelines

The committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place requiring Executive Directors to acquire a minimum holding, equivalent to 200% of base salary for the Chief Executive Officer and 100% of base salary for the Chief Financial Officer. A Director is only permitted to dispose of shares if it does not take the holding below the relevant minimum level or if the disposal was to meet a tax or other liability created by the vesting of a share award. Different shareholding requirements may be set for any newly appointed Executive Director.

Shares, and shares subject to vested awards (for example, LTIP awards which remain subject to a "holding period" and nil-cost options which are exercisable but which remain unexercised, count towards the shareholding requirement on a net of assumed tax basis. Executive Directors are required to retain shares acquired under the LTIP (subject to sales to cover tax liabilities) until they have satisfied the guideline.

#### Pay scenario charts for Executive Directors

The charts below provide estimates of the potential future reward opportunity for each of the two current Executive Directors for 2019 and the potential split between different elements of remuneration under three different scenarios: "Minimum", "Target" and "Maximum" performance.



The additional reward opportunity taking into consideration the exceptional one-off LTIP awards to be awarded would be:

#### Andy Thorburn

200% of base salary for maximum for both the four-year and five-year vesting award.

#### Peter Southby

100% of base salary for maximum for the four-year vesting award, and 125% of base salary for maximum for the five-year vesting award.

Potential reward opportunities illustrated on page 64 are based on the remuneration policy, applied to the base salary as at 1 January 2019. LTIP awards granted in a year normally vest following the end of a three-year performance period and the projected value of LTIP amounts excludes the impact of share price movement over the vesting period. All other elements of actual pay delivered, however, will be influenced by the following factors:

	Component	"Minimum"	"Target"	"Maximum"
Fixed	Base salary	Latest known salary		
	Pension	Contribution rate applied to latest known salary		
	Other benefits	Benefits as provided in the single figure table on page 68		
Annual bonus		No bonus payable	50%	100%
LTIP		No LTIP vesting	25%	150% <sup>1</sup>

1 150% applies to Andy Thorburn only. Maximum of 100% LTIP for Peter Southby.

2 Two additional LTIP awards are proposed for Andy Thorburn and Peter Southby in 2019. One will vest in four years and one in five. Neither would be triggered if only 'target' level of performance is achieved under the three-year LTIP. The value of each award as defined above would be 200% of base salary for Andy Thorburn and 111% of base salary for the four-year vesting award and 125% of base salary for the five-year vesting award for Peter Southby.

### Approach to recruitment remuneration – Executive Directors

When hiring or appointing a new Executive Director, the committee may make use of any or all of the existing components of remuneration, as follows:

Component	Approach	Maximum value
Base salary	The base salaries of new appointees will be determined by reference to the individual's role, responsibilities, experience and skills, relevant market data, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market rate, any shortfall may be managed with phased increases over a period of years subject to their development in the role.	Not applicable.
Pension	New appointees will be eligible to receive a pension contribution in line with existing policy.	
SIP	New appointees will be eligible to participate in the Company's HMRC tax qualifying all-employee share scheme, in line with the policy.	
Benefits	New appointees will be eligible to receive benefits in line with the policy.	
Annual bonus	The annual bonus described in the policy table including maximum values, will apply to new appointees with the relevant maximum ordinarily being pro-rated to reflect the proportion of employment over the bonus period. Targets for the individual element will be tailored to the Executive.	Up to 150% of salary p.a.
LTIP	New appointees will be eligible for awards under the LTIP which will normally be on the same terms as awards made to other Executive Directors, including maximum values, as described in the policy table.	The maximum permitted under the policy table, provided that any quantum available under the policy table in respect of exceptional awards to be made in 2019, may be made in the year of appointment or following year in the case of a new appointee.

In determining appropriate remuneration for a new Executive Director, the committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the pay arrangements are in the best interests of the Group and its shareholders.

The committee may include additional elements of pay which it considers appropriate in circumstances which may include: interim appointments; Non-executive Directors taking on an executive function on a short-term basis; and where the timing of the recruitment means that it would be inappropriate to provide a bonus or LTIP opportunity for the year, in which case the quantum in respect of the opportunity for the year of recruitment may be transferred to the subsequent year in order that reward is provided on a fair and appropriate basis. However, the committee's discretion is not uncapped. As noted above, salary, pension and benefits will be provided in line with the existing policy and non-performance-related incentives (such as a "golden hello") will not be offered. The committee may alter the performance measures and vesting periods of incentive remuneration and the deferral arrangements for the bonus or holding period for the LTIP to reflect the circumstances of the recruitment. The rationale for any exercise of this discretion will be explained in the following Directors' remuneration report.

In addition to the above elements of remuneration, the committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, to replace remuneration and/or incentive arrangements forfeited on leaving a previous employer.

Any "buyout awards" would typically have a fair value no higher than that of the awards forfeited. In doing so, the committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. Such awards would typically be subject to clawback.

In the event of the appointment of a new Executive Director by way of internal promotion, the remuneration committee will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

## Directors' remuneration report continued

Directors' remuneration policy continued

### Approach to recruitment remuneration – Executive Directors continued

#### External appointments

It is the Board's policy to allow each Executive Director to take up one Non-executive position on the board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. No such positions were taken and so no such fees were paid during the financial year.

#### Service contracts

The Executive Directors are employed under contracts of employment with the Group. Executive Directors' contracts are available to view at the Company's Registered Office. The principal terms of the Executive Directors' service contracts are as follows:

Executive Director	Position	Effective date of contract	Notice period	
			From Company	From Director
Andy Thorburn	Chief Executive Officer	1 May 2017	Twelve months	Twelve months
Peter Southby	Chief Financial Officer	1 October 2012	Twelve months	Twelve months

### Remuneration policy for the Chairman and the Non-executive Directors

The Board determines the remuneration policy and level of fees for the Non-executive Directors, within the limits set out in the Articles of Association. The remuneration committee recommends the remuneration policy and level of fees for the Chairman of the Board.

The policy table below summarises the key components of remuneration for the Chairman and Non-executive Directors.

Element	Operation	Opportunity	Performance metrics
<b>Fees</b>			
To reflect market competitive rates for the role, as well as individual performance and contribution.	<p>The Chairman and Non-executive Directors receive a basic fee for their respective roles. Additional fees may be paid to Non-executive Directors for additional services such as chairing a Board committee or acting as the Senior Independent Non-executive Director. Expenses related to the Non-executive's duties, such as travel and accommodation or secretarial support, may also be reimbursed.</p> <p>Fees are reviewed annually with reference to information provided by remuneration surveys, the extent of the duties performed, time commitment, and the size and complexity of the Group. Fee levels are benchmarked against sector comparators and appropriate listed companies of similar size and complexity.</p>	<p>Fee increases are applied in line with the outcome of the annual review. Fees for the year commencing 1 January 2019 are set out in the annual report on remuneration.</p> <p>There is no prescribed maximum fee. It is expected that increases to Non-executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.</p>	None.

### Non-executive Directors' remuneration

In the case of hiring or appointing a new Non-executive Director, the committee will follow the policy as set out in the table above. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board committee.

### Non-executive Directors' service contracts

Letters of appointment are provided to the Chairman and Non-executive Directors. Non-executive Directors have letters of appointment effective for a period of three years and are subject to annual re-election at the AGM. Non-executive Directors' letters of appointment are available to view at the Company's Registered Office.

Non-executive Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-appointment) are set out below:

Non-executive Director	Date of first appointment	Date of last appointment	Unexpired term as at 31 December 2018	Notice period
Mike O'Leary	17 March 2011	17 March 2017	1 year 2 months	3 months
Robin Taylor	1 March 2010	24 March 2017	Retiring at the 2019 AGM	3 months
Kevin Boyd	9 May 2014	9 May 2017	1 year 4 months	3 months
Andy McKeon <sup>1</sup>	30 September 2015	30 September 2018	2 years 8 months	3 months
David Sides	1 January 2017	—	1 year	3 months

1 Having previously served on the Board between February 2013 and April 2015.

### Exit payment policy

The Company's policy is to limit any payment made to a departing Director to contractual arrangements and to honour any pre-established commitments. A payment in lieu of notice (consisting of salary, benefits and pension contributions for the relevant portion of the notice period) may be made. As part of this process, the committee will take into consideration the Executive Director's duty to mitigate their loss.

The table below summarises how the awards under the bonus scheme and LTIP are typically treated in different leaver scenarios and a change of control. Whilst the committee retains overall discretion on determining "good leaver" status, it typically defines a "good leaver" in circumstances such as retirement with the consent of the Company, ill health, disability, death, redundancy, or any other reason as the committee decides. Final treatment is subject to the committee's discretion. The holding period that applies to vested LTIP awards ceases when an individual leaves.

### Reason for leaving

### Timing of vesting

### Treatment of awards

#### Annual bonus

"Good leaver"	Usually paid at the same time as continuing employees. Pro-rata payments may also be made early on compassionate grounds to a "good leaver".	Eligible for an award to the extent that performance targets are satisfied and the award is pro-rated for the proportion of the financial year served.
"Bad leaver"	No annual bonus payable.	Not applicable.
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award to the extent that performance targets are satisfied up to the change of control and the award is pro-rated for the proportion of the financial year served to the effective date of change of control.

#### LTIP

"Good leaver" – awards which are still subject to performance conditions	Continue until the normal vesting date or vest immediately, at the discretion of the committee. In the event of the death of a participant, the award would vest immediately.	Outstanding awards vest to the extent the performance conditions are reasonably considered to be likely to be satisfied and the awards are pro-rated to reflect the length of the performance period served unless the Board decides otherwise. In the event of the death of a participant during the performance period, the award would usually vest in full.
"Bad leaver"	Outstanding awards are forfeited.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest subject to the satisfaction of performance conditions as at the effective date of change of control, and the award is pro-rated for the proportion of the performance period served to the effective date of change of control unless the Board decides otherwise.