

# Remuneration Committee Report

The Remuneration Committee determines on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and senior executives. Executive Directors attend Remuneration Committee meetings by invitation only when appropriate and are not present at any discussion of their own remuneration.

The members of the Remuneration Committee are disclosed in the Corporate Governance report on page 53.

## Remuneration policy

The Group continues to operate in a highly competitive global environment. For the Group to continue to compete successfully, it is essential that the level of remuneration and benefits offered is reflective of the market in each location in order to attract, retain and motivate individuals of a high calibre at all levels across the Group, while ensuring that arrangements are aligned with business strategy and shareholders' interests.

The Group therefore sets out to provide competitive remuneration to all its employees, appropriate to the business environment in the markets in which it operates. To achieve this, each individual's remuneration package is based upon the following principles:

- Total rewards are set to provide a fair and attractive remuneration package without paying more than is necessary.
- Appropriate elements of the remuneration package are designed to create alignment with business strategy, to reinforce the link between performance and reward and to reflect the shareholder experience.

As we move forward, the Committee remains committed to keeping our remuneration structure under review to ensure it remains best positioned to support the delivery of our strategy, while meeting the need to retain and reward executives and supporting the creation of long-term value for our shareholders as well as reflecting, as appropriate, market practice and shareholders' expectations in the UK where we are listed.

A large part of our business and management team, including the CEO, are based in the US where the market for pay is very different and the quantum offered is often higher than in the UK. Remuneration arrangements are therefore considered in this context.

## Remuneration of Executive Directors

The Executive Directors' remuneration is made up of:

- Fixed elements, comprising base salary, benefits and pensions.
- Performance related elements, comprising a bonus and awards under the Performance Share Plan.

These are designed to incentivise the Directors to deliver performance, and to align their interests with shareholders.

### BASE SALARY

Base salaries are set by the Remuneration Committee each year, after taking into consideration the performance of the individuals, their levels of responsibility and salary levels for similar positions in comparator companies and locations.

Following a review in June 2020 of the current executive remuneration arrangements, the Committee agreed, taking into account the economic environment, that there would be no increase in base salary for the CEO and CFO; their salaries therefore remain unchanged for the year ahead at US\$393,750 per annum for the CEO and £236,900 per annum for the CFO.

### BENEFITS IN KIND

These principally comprise car benefits, life assurance, permanent health insurance and membership of the Group's healthcare insurance scheme or payment in lieu of benefits. Benefits do not form part of pensionable earnings.

### PENSIONS

The Group makes defined contributions into individual pension plans. The CEO receives a pension contribution of 4% of base salary up to the annual pension cap of \$25,500 for 2019 and \$26,000 for 2020. The CFO receives a pension contribution of 4% of base salary. For the year ending June 2021, the CFO has elected to reduce the pension contribution he receives to 1.68% of base salary due to recent changes in tax rules. Following this reduction in pension contribution, the balance will be paid to the CFO as a cash allowance. The amounts payable in the financial year are set out in the Directors' emoluments table on page 62.

### ANNUAL BONUSES

Annual bonuses for the Executive Directors are typically determined by reference to performance targets based on the Group's financial results and individual personal objectives set at the beginning of the financial year.

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### Operation for the year ended 30 June 2020

For the year ended 30 June 2020 the core bonus potential for the CEO and CFO was 100% of salary (maximum of 125% of salary including the "kicker"). The operation of the "kicker", which was introduced last year in order to drive exceptional levels of performance, enables participants to earn up to 125% of their core annual bonus opportunity for the achievement of superior performance above that which is required for the core award.

The annual bonus was based on 2/3 revenue targets and 1/3 personal objectives, subject to a minimum level of attainment on adjusted operating profit. The minimum level of attainment on the adjusted operating profit was achieved. For much of the year the revenue targets were tracking to be met until the impact of the COVID-19 pandemic inevitably started to take effect and delay orders from March 2020. Although the revenue target was not achieved, when determining the annual bonus for the year, the Committee took into account the growth of the business over FY19 (revenue increased by 9%, AOP rose by 14%), and the share price rose by more than 50% compared with a fall of 4% in the FTSE AIM All Share Index. The personal performance of both the CEO and CFO was strong during the year, and in particular during the early stages of the pandemic. On this basis, the Committee agreed to award both the CEO and CFO a bonus of 50% of the maximum opportunity, in line with the average bonus awarded across the workforce, in recognition of their personal achievement and the revenue performance up until the effect of the pandemic.

### Operation for the year ending 30 June 2021

For the year ending 30 June 2021 the annual bonus will continue to be based on 2/3 revenue targets and 1/3 personal objectives, subject to a minimum level of attainment on adjusted operating profit. Personal objectives for the CEO relate

to driving the long-term strategy, building a strong employee culture, product initiatives and decision making in response to change and for the CFO relate to leading the group ESG strategy, driving the long-term financial strategy, financial planning and reviewing the office space requirements.

The core bonus for the CEO and CFO will remain unchanged at 100% of base salary per annum (maximum of 125% of salary including the "kicker").

### BLANCCO PERFORMANCE SHARE PLAN

The Company has in place a long-term incentive plan – the Blancco Performance Share Plan – (the Plan) to incentivise Executive Directors and senior management and drive long-term sustainable growth for shareholders.

It is intended to grant annual awards under the plan to Executive Directors and senior management. The award for Executive Directors will be reflective of market conditions in their location and will have a maximum opportunity of 150% of base salary.

The awards to Executive Directors will be subject to stretching performance conditions over a three-year period which will be selected annually by the Remuneration Committee prior to the grant of awards and will closely align to the Company's key business objectives.

### Vesting of grants made in the year ended 30 June 2018

On 28 March 2018 Matt Jones was granted an award of 524,928 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. This award was equivalent to 130% of base salary.

This award was based 50% on Invoiced Revenue and 50% on adjusted operating cash flow, as set out in the table below. Performance was assessed based on the outcomes for the year ended 30 June 2020 against the two targets.

Measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)	Performance outcome for year ended 30 June 2020	Percentage vesting
Invoiced Revenue	50%	£42.4m	£44.4m	£46.4m	£32.3m	Nil
Adjusted operating cash flow	50%	£5.0m	£5.3m	£5.6m	£7.3m	100%
					Total vesting	50% of maximum

Overall, the PSP will vest at 50% of the granted award upon completion of the audit of the financial statements for the year.

### Operation for grants made in the year ended 30 June 2020

On 2 October 2019 Matt Jones was granted an award over 325,191 ordinary shares of 2p each in the Company in the form of conditional shares under the Plan. This corresponded to 130% of salary. On the same date, Adam Moloney was granted an award over 111,482 ordinary shares of 2p each in the Company in the form of conditional Shares under the Plan. This corresponded to 60% of salary.

These awards will vest based 33% on Revenue, 33% adjusted operating cash flow and 33% adjusted operating profit. These measures were selected to support the delivery of long-term success of the business and increasing value for shareholders. Performance will be assessed based on outcomes for the year ended 30 June 2022 against the following targets and will vest upon completion of the audit of the financial statements for that year.

Measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Revenue	33% weighting	£43.2m	£45.6m	48.0m
Adjusted operating cash flow	33% weighting	£8.5m	£9.0m	£9.5m
Adjusted operating profit	33% weighting	£5.5m	£5.9m	£6.4m

The targets are measured in terms of constant currency to allow for the participants to neither benefit from, nor be disadvantaged by, currency movements.

When assessing the level of vesting in respect of the revenue portion the Committee will also consider the profitability of such revenue to ensure that growth in revenue reflects value creation for shareholders.

### Operation for grants made in the year ending 30 June 2021

Maximum opportunity levels remain unchanged. An award of 130% of base salary will be made to the CEO and 60% to the CFO during the year ending 30 June 2021. The Committee considers that this level of award is appropriate to reflect the Group's recent performance both from a growth and profitability perspective but also to ensure we continue to remain competitive in key geographies from which we source talent, particularly the US. It is intended that these awards will be based one-third on Revenue, one-third on adjusted operating profit and one-third on adjusted operating cash flow. In light of the COVID-19 pandemic, the Committee has delayed the setting of targets until there is more clarity around the expectations for the business over the next three years.

Other key points of the Plan are as follows:

- Awards will be entitled to dividend equivalents, to reflect the value of any dividends paid during the vesting period.
- The Plan limits shareholder dilution to 10% of the issued share capital over a ten-year period.
- There are malus and clawback provisions for all awards under the Plan, which allow the Remuneration Committee to reduce or claw back awards made, in the event of a material misstatement of the accounts; error in assessing the

performance condition; material failure of risk management; serious reputational damage; or gross misconduct on the part of the participant. The malus and clawback provisions will apply, unless the Remuneration Committee determines otherwise, for a period of five years from the date of grant.

- Where an individual leaves the Group they would normally lose their awards, unless the Remuneration Committee determines that they should be treated as a "good leaver" in which case they would be allowed to keep their awards. A participant is classified a "good leaver" in the case of ill health, injury, disability, the individual's employing company or business being sold out of the Group or any other reason at the discretion of the Remuneration Committee. Awards for good leavers would normally be retained post leaving and vest on the normal vesting date and would normally be prorated for time and performance (where applicable).
- Awards would normally vest on a change of control. In these circumstances awards would normally be prorated for time and would vest taking into account performance achieved.

As of 30 June 2020, the total number of shares for which awards had been granted represented 5.45% of the Company's issued share capital.

### SERVICE CONTRACTS

The CEO and CFO have both entered into service agreements with the Company. The agreement with the CEO provides for 12 months' notice from the Company and six months' notice from the executive. The agreement with the CFO provides for six months' notice from both the Company and the executive. Under the service agreements a payment in lieu of notice may be made in respect of salary and benefits only.

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### PAYMENTS TO PAST DIRECTORS

No payments were made to past Directors during the year.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors are appointed for a specified term, being an initial three year period subject to their re-election by shareholders at the first AGM after their appointment. The initial three year period may be extended for a further three year term, at the discretion of the Board and subject to the ongoing requirement for re-election by shareholders under the Company's articles. On termination, no compensation is payable other than outstanding fees.

The Non-executive Directors receive fees which are set by the Board as a whole. The current fee is £45,000 per annum with an additional amount of £3,000 per annum for the Chairs of the Audit and Remuneration Committees. No incentives, pensions or other benefits are available to the Non-executive Directors.

The Board Chair receives an annual fee of £95,000 per annum which reflects the additional responsibilities of and time commitment required for this role.

The Board may request Non-executive Directors to perform specific additional work at an agreed day rate. It would be the intention of the Board that the Directors' independence is not prejudiced by the nature of any such additional work and none was undertaken during the year to 30 June 2020.

Audited details of the Directors' emoluments are given below.

	Salary and fees 2020 £'000	Benefits 2020 £'000	Annual bonus 2020 £'000	Pension contributions 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Current Executive Directors</b>						
Matt Jones <sup>1</sup>	312	11	156	8	487	590
Adam Moloney	235	2	118	9	364	365
<b>Former Executive Directors</b>						
Simon Herrick <sup>2</sup>	–	–	–	–	–	24
	<b>547</b>	<b>13</b>	<b>274</b>	<b>17</b>	<b>851</b>	979
<b>Non-executive Directors</b>						
Frank Blin	48	–	–	–	48	48
Catherine Michel	23	–	–	–	23	–
Philip Rogerson	48	–	–	–	48	48
Tom Skelton <sup>3</sup>	52	–	–	–	52	51
Rob Woodward	95	–	–	–	95	95
	<b>266</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>266</b>	242
<b>Total</b>	<b>813</b>	<b>13</b>	<b>274</b>	<b>17</b>	<b>1,117</b>	1,221

1. Matt Jones' remuneration is paid in US Dollars and is therefore subject to exchange rate fluctuations when translated into Sterling.
2. Simon Herrick's fees were paid to Eton Bridge Limited and included costs for his services as Interim Chief Financial Officer.
3. Tom Skelton's remuneration is paid in US Dollars and is therefore subject to exchange rate fluctuations when translated into Sterling.

### Directors' beneficial interests in shares

The interests of the Directors who held office at 30 June 2020 and their connected parties in the ordinary share capital of the Company are as shown in the table below.

	As at 30 June 2020 Number	As at 30 June 2019 Number
<b>Executive Directors</b>		
Matt Jones	28,000	18,000
Adam Moloney	28,000	18,000
<b>Non-executive Directors</b>		
Frank Blin	37,893	37,893
Catherine Michel	–	N/A
Philip Rogerson	17,500	17,500
Tom Skelton	27,500	27,500
Rob Woodward	42,134	42,134

Signed on behalf of the Remuneration Committee

**Philip Rogerson**  
Chair of the Remuneration Committee

28 September 2020