

Directors' Remuneration Report

Committee Chairman's Annual Statement

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2017. This is the end of my first year as Remuneration Committee Chairman at Devro and I am grateful for the support of my fellow Committee members during the year as well as the work my predecessor Paul Neep undertook as the former Committee Chairman.

At our 2017 AGM, shareholders overwhelmingly approved our new remuneration policy with 99.83% of shareholders voting in support. This policy is effective from 1 January 2017 and can be found on pages 49 to 53.

The Annual Report on Remuneration on pages 54 to 61 explains how our new policy was implemented in 2017 including full details of the remuneration paid and how it will be implemented in 2018. The Annual Report on Remuneration together with this Annual Statement will be subject to an advisory vote at the AGM on 25 April 2018.

Paul Withers
Chairman, Executive Directors' Remuneration Committee



Overview of policy and link to our business strategy

The Committee sets the strategy, structure and levels of remuneration for the Executive Directors and reviews the remuneration of other members of senior management in the group. It does so in the context of the group's overall strategy and performance with the aim of aligning the financial interests of the Executive Directors and other senior managers with the achievement of the group's objectives, and with shareholder returns.

2017 has been a busy year for the Remuneration Committee. It has overseen the implementation of a new remuneration policy with some changes to the metrics and weighting for variable pay awards, as detailed below, to ensure continual and close alignment of our remuneration policy with our business strategy. It has also dealt with the remuneration package on cessation of our former Chief Executive Peter Page and the appointment of our former Group Finance Director, Rutger Helbing, to Chief Executive.

In the course of 2017, we appointed Korn Ferry as independent advisers to the Committee, after reviewing our requirements and carrying out a tender process.

It has, in addition, been a busy year in terms of Corporate Governance developments. The Committee has followed closely the proposals to enhance the UK's Corporate Governance and remuneration reporting regime and fully supports the objectives of the proposals. The Committee awaits the final detail of the changes so that Devro is able to comply when required to do so.

Pay and performance in 2017

Base salary

The Committee increased the Group Finance Director's salary by 1.5%, in line with other pay rises elsewhere in the group. The Chief Executive's salary was unchanged.

Annual bonus

The Committee believes that annual bonus targets should be genuinely challenging, clearly linked to the company's strategy and designed to align the interests of shareholders and executives.

The annual bonus for 2017 was based on (i) underlying operating profit (40%), calculated at budgeted exchange rates, (ii) reduction in net debt (40%) excluding dividends and exchange rate movements, and (iii) personal objectives (20%).

The underlying operating profit target threshold was missed, due in part to slightly reduced average selling prices and, as a result, no bonus will be paid for this element.

Tight control on expenditure led to a reduction in net debt of £18.7m and an improvement in the covenant net debt/underlying EBITDA ratio from 2.7, to 2.1. This will result in the maximum payout of 40% of salary to both Executive Directors for this element.

The personal objectives were subject to the underlying operating profit element of the bonus reaching threshold and so no bonus is payable for this element despite good progress being made against these measures.

The total payment of 40% of salary out of a possible 100% is considered by the Committee to be appropriate, in view of the performance during the year.

Full details of the annual bonus metrics, and performance against them are shown on page 57.

Long-term incentive plan

Conditional awards were granted to senior executives under the Devro plc Performance Share Plan in 2015. The performance targets for these awards were partly based

Directors' Remuneration Report continued

on underlying EPS growth and partly on relative TSR measured across a three-year performance period ending on 31 December 2017. The Committee reviewed the performance of the group against these conditions in February 2018, and concluded that neither threshold had been met. As a result, the awards have lapsed. Full details of the performance metrics and performance against them is shown on page 58.

Board changes and implementation of policy for 2018 **Peter Page's leaving arrangements**

As previously announced, Peter Page, former Chief Executive, stepped down from the Board on 28 February 2018.

His base salary, benefits and pension will continue to be paid until his contractual notice period expires in December 2018, subject to mitigation. No annual bonus will be paid for the period of service in 2018 and unvested performance share plan awards will be tested and vest (subject to performance) at the usual time subject to a pro-rated reduction to reflect actual service. His outstanding Deferred Share Bonus Plan award will be eligible for vesting when his notice period ends in December 2018.

Rutger Helbing's new package

When Rutger Helbing, formerly our Group Finance Director, became Chief Executive on 28 February 2018, his salary increased to £440,000. His annual bonus opportunity will remain at 100% of base salary, and his 2018 performance share award will be over shares with a value equivalent to 110% of his new base salary.

Variable pay

The 2018 variable pay awards will be based on similar performance metrics to the 2017 awards. The annual bonus will continue to be determined by underlying operating profit, cash targets, and personal objectives, but the weightings will be changed as follows: the cash weighting has been reduced from 40% in 2017 to 20%, as the level of debt has eased and more focus returns to underlying operating profit, with a weighting of 60% (2017: 40%). The weighting for personal objectives will be unchanged at 20%.

The Performance Share Plan awards will be determined by the same mix of ROCE, TSR and underlying EPS as was used in 2017, to continue the focus on delivering returns from the capital projects in China, the US and elsewhere in the group as well as retaining alignment with shareholder value. The targets to be set for the 2018 awards are set out on pages 54 and 55.

Group Finance Director

The Board is currently seeking to identify a new Group Finance Director. The Committee will determine the remuneration package for this role in accordance with our shareholder-approved remuneration policy and taking into account the candidate's skills and experience for the role.

Conclusion

We continue to monitor our approach to remuneration to ensure that it remains relevant and consistent both with our strategy and performance, and is aligned to shareholder value. I am available to you to receive your comments or discuss our approach to remuneration and answer any queries you may have. I look forward to your support at the AGM.

Paul Withers

Chairman, Executive Directors' Remuneration Committee
14 March 2018

Directors' Remuneration Report

Policy report

This part of the Directors' Remuneration Report sets out the remuneration policy for the company directors and has been prepared in accordance with The Large and Medium-sized Companies and groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations").

The Remuneration Policy

The company's remuneration policy must enable it to attract and retain leaders with the skills, experience and drive to execute the company's business strategy within a framework which is aligned to the interests of the company's shareholders, for example, through the deferral of bonuses and the requirement to hold shares. The Executive Directors' Remuneration Committee (the "Committee") believes that a significant proportion of Executive Directors' remuneration should be performance-related.

Each year, the Committee conducts a formal review of risk in the context of remuneration. A review of pay for other employees across the group, particularly salary increases, is also carried out each year when reviewing overall remuneration policy and this is taken into account when setting policy for the Executive Directors. No consultation process with employees was conducted in 2017 in respect of the directors' remuneration policy.

The Committee welcomes dialogue with shareholders and consults with its major investors and investor bodies regarding changes to Executive Director remuneration policy. Any views and feedback on arrangements from our investors will be considered by the Committee as part of its annual review of directors' remuneration.

Remuneration of Executive Directors

The following table summarises each element of the Executive Directors' remuneration package, the policy for how these are operated and their link to the company's strategy.

Policy table

| Element of pay | Purpose and link to company's strategy | How operated in practice | Maximum opportunity | Performance metrics where relevant |
|---|---|--|---|--|
| Base salary | Reflects the value of the individual and their role. Takes account of experience and personal contribution to group strategy. Set at a level to facilitate recruitment and retention of suitably experienced executives. | Salaries are reviewed annually on 1 April. Policy is for salaries to be around those paid by other companies comparable on the basis of size and complexity, but also takes account of other factors including any change in responsibilities or the scope of the role. | There is no prescribed annual increase. The Committee is guided by the wider workforce increases, but may also need to recognise increases in certain circumstances such as assumed additional responsibility, or an increase in the scope or size of the role. | Takes into account the performance and personal contribution of the individual and performance of the company. |
| Annual bonus plan (including Devro 2009 Deferred Share Bonus Plan) | Rewards performance against specific near-term goals which are consistent with the strategic direction of the business. Deferred bonus plan aligns the interests of executives and shareholders and provides a retention tool. Clawback and deferral discourage excessive risk-taking and encourage a long-term view. | Assessed by the Committee against the audited results of the company, where relevant. Any bonus paid in excess of half the potential maximum is deferred into shares for three years subject to continued employment but no further performance conditions. Clawback may be applied to all of the bonus (cash and share deferred amounts), in the event of: (i) material misstatement of the company's accounts; (ii) an error in the computation of a bonus amount; or (iii) termination of service for gross misconduct. | A bonus of up to a maximum of 125% of salary may be awarded but the Committee will not increase above the current 100% of salary without prior consultation with the company's major shareholders. | The majority of the annual bonus will be targeted on financial metrics and any non-financial metrics will be subject to a robust financial underpin. For financial targets, no more than 20% of maximum will vest for threshold vestings. |

Directors' Remuneration Report continued

Policy report continued

| Element of pay | Purpose and link to company's strategy | How operated in practice | Maximum opportunity | Performance metrics where relevant |
|--|---|--|--|--|
| Devro plc Performance Share Plan ("PSP") | <p>Aims to reward long-term value creation.</p> <p>Facilitates share ownership and provides further alignment with shareholders. Provides a retention tool.</p> | <p>PSP awards structured as nil-cost options are usually granted annually so that no undue emphasis is placed on performance in any one particular financial year.</p> <p>Awards generally vest on the third anniversary of award subject to performance over three financial years.</p> <p>Clawback may be applied, in the event of: (i) material misstatement of the company's accounts; (ii) an error in the computation of a bonus amount; or (iii) termination of service for gross misconduct.</p> <p>The Committee has discretion under the PSP rules to pay dividend equivalents for the vesting period in respect of any awards which vest.</p> <p>Any shares vesting from the PSP must be held for a further period of two years post-vesting, subject to the right to sell sufficient shares to cover tax charges arising on vesting.</p> | <p>Under the PSP rules, 150% of salary with scope for higher awards in exceptional recruitment situations, but not exceeding 200% of salary. The Committee will not increase above the current 110% of salary for the Chief Executive and 100% of salary for the Group Finance Director without prior consultation with the company's major shareholders.</p> | <p>The Committee will select the most appropriate financial metrics to support the company's medium to long-term strategy.</p> |
| Benefits | <p>To remain competitive in the marketplace, and provide medical care for the Executive Directors and their families.</p> | <p>Benefits include, but are not limited to, private medical insurance.</p> | <p>There is no prescribed maximum. The value of the benefit is determined by the cost to the company.</p> | <p>Not performance-related.</p> |
| Pension contribution/payment in lieu | <p>To remain competitive in the marketplace and facilitate retirement planning.</p> | <p>A contribution equivalent to 10% of salary is made to both Executive Directors, paid either into a pension scheme, or paid direct to the individual in lieu.</p> | <p>10% of base salary.</p> | <p>Not performance-related.</p> |
| Policy for Non-Executive Chairman and Directors' fees | | | | |
| Non-Executive Chairman and Directors' fees | <p>To attract and retain high-quality and experienced Non-Executive Chairman and Directors.</p> | <p>The Non-Executive Chairman and Directors are paid an annual fee.</p> <p>Fee levels are determined and reviewed taking into account experience, time commitment, responsibility and scope of role as well as market data for similar roles in other companies of a similar size and complexity to Devro.</p> | <p>There is no prescribed maximum fee or maximum increase.</p> <p>There may be a need to recognise increases in certain circumstances such as assumed additional responsibility (for example, taking on the Chairmanship of a Committee) or an increase in the scope or size of the role.</p> <p>Expenses incurred in relation to the company will be reimbursed, including any tax thereon "grossed up", where appropriate.</p> | <p>No performance-related element of remuneration.</p> |

Notes to the policy table

1. Annual Bonus Plan performance metrics

Performance measures, the weighting between them and stretching targets will be set at the start of each year by the Committee, based on the company's financial KPIs and strategic priorities for the year and taking account of the business plan, budget for the year and market conditions. At least 80% will be based on relevant financial targets and up to 20% may be attributed to a relevant non-financial target. Together, these targets are intended to incentivise and reward shorter-term performance, consistent with the interests of the shareholders and the overall strategy of the company.

2. PSP metrics

The Committee selects performance measures for the PSP awards that are aimed at incentivising and rewarding performance over the medium to long-term, aligned with the interests of the shareholders and consistent with the group strategy.

3. Deferred Share Bonus Plan

The Deferred Share Bonus Plan contains no additional performance conditions as any awards arise from an annual bonus which was itself subject to performance conditions.

4. Comparison with employees' remuneration policy

The key difference between Executive Directors' remuneration policy and that of employees generally is that, for the Executive Directors, there is significantly more weighting to variable performance-related pay. Variable pay is seen as more relevant for senior executives because of their greater ability to influence the overall performance of the company.

Shareholding guidelines

To provide alignment between shareholders and directors, the Executive Directors are required to build up a holding of 150% of salary over time. Any shares vesting from share incentive plans must be retained (subject to sales to meet tax and incidental costs of sale) until the target is reached.

Remuneration awarded prior to the effective date

For the avoidance of doubt, following approval of this policy report, authority was given to the company to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports including those share plan awards set out on pages 59 and 60. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

Annual Bonus Plan and PSP policy

The Committee will operate the Annual Bonus Plan and PSP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules of the London Stock Exchange, including flexibility in a number of aspects. How the Committee will retain flexibility includes (albeit with quantum and performance targets restricted to the descriptions detailed above):

- Who participates in the plans.
- When to make awards and payments.
- How to determine the size of an award, a payment, or when and how much of an award should vest.
- How to deal with a change of control or restructuring of the group.
- Whether a director is a "good/bad" leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s).
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).
- What the weighting, measures and targets should be for the Annual Bonus Plan and PSP from year-to-year.

The Committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings for the Annual Bonus Plan and to adjust targets for the PSP if events happen that cause it to determine that the metrics are unable to fulfil their originally intended purpose, provided the new metrics are not materially less difficult to satisfy. Any adjustments will be fully disclosed in the following year's Annual Report on Remuneration.

All historic awards to Executive Directors that were granted under any current or previous share schemes operated by the company, but remain outstanding, detailed on page 59, remain eligible to vest based on their original award terms.

Directors' Remuneration Report continued

Policy report continued

Payment under different scenarios

Under the Regulations, we are required to show a bar-chart indicating the level of remuneration which would be received by the Executive Directors in 2018 under different scenarios. As at the date of this report, the only Executive Director is Rutger Helbing, who transitioned from Group Finance Director to Chief Executive on 28 February 2018. The figures below are based on his current pay, after his promotion. Three scenarios are shown:

- **“Fixed pay”** is based on salary, benefits and pension contributions.
- **“Target pay”** is fixed pay, plus 50% of the maximum of variable pay.
- **“Maximum pay”** is fixed pay, plus the maximum of variable pay.

Chief Executive £'000

Fixed Pay



Target Pay



Maximum Pay



■ Fixed ■ Bonus ■ Long-term incentive

Assumptions:

1. Based on policy to be applied for financial year 2018.
2. No share price appreciation is assumed in long-term incentive awards.

Service Agreements and payments for loss of office of Executive Directors

It is the company's policy that Executive Directors should have contracts with an indefinite term, which are subject to one year's notice by the company and the director. In the event of early termination (including following a change of control in the company), the directors' contracts provide for compensation in line with their contractual notice period. In summary, the contractual provisions are as follows:

| Provision | Detailed Terms |
|---------------------------|--|
| Notice period | 12 months by the company, 12 months by the director |
| Termination payment | There is no provision for specific payment. If any existing contract is breached by the company, it would be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period, subject to mitigation and phased payments where appropriate. Any statutory amounts would be paid as necessary. |
| Remuneration entitlements | Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below). In all cases performance targets would apply. |
| Change of control | The Executive Director's contract does not contain additional provisions in respect of change of control. |

Any share-based entitlements granted to an Executive Director under the company's share plans will be determined based on the relevant plan rules. The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, redundancy, retirement or other circumstances, at the discretion of the Committee "good leaver" status may be applied. For good leavers, awards will normally vest on cessation, or on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the three-year period actually served. However, the Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating.

The default treatment under the 2009 Deferred Share Bonus Plan is that any awards lapse on cessation of employment. However, good leavers are entitled to retain their awards and to vest after leaving, subject to the rules of the Plan.

Legal fees, or a contribution towards them, in connection with any settlement agreement, and outplacement consultancy fees may be paid if this is considered appropriate.

Service Agreements and payments for loss of office of Executive Directors continued

Details of the service contract for the sole Executive Director are shown in the table below:

| Director | Date of initial contract | Date term due to expire | Notice period from company (months) | Notice period from the director (months) | Termination payment | Remuneration entitlement on termination of contract by company | Termination on change of control |
|-------------|--------------------------|-------------------------|-------------------------------------|--|---|--|---|
| R A Helbing | 8 December 2015 | N/A | 12 | 12 | No contractual termination payments other than detailed above | 12 months' notice | 12 months' notice; "good leaver" status under share schemes |

Recruitment and promotion policy for directors

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

Salary would be provided at such a level as is required to attract the most appropriate candidate. It may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 125% of salary, and conditional awards under the Devro plc Performance Share Plan may be up to the Plan maximum of 150% of salary or 200% on recruitment in exceptional circumstances. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the company will meet certain relocation and other incidental expenses as appropriate.

If appropriate, the Committee may agree on the recruitment of a new executive to a notice period in excess of 12 months but to reduce to 12 months over a specified period.

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

Chairman and Non-Executive Directors

The Non-Executive Directors are engaged for fixed terms, with no notice period, with an entitlement to accrued fees and expenses only up to the date of termination. These appointments are subject to the company's Articles of Association. All directors submit themselves for re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code.

The dates of the initial letters of appointment for the Non-Executive Directors are as follows:

| Name | Date of letter of appointment | Date term due to expire |
|-------------|-------------------------------|-------------------------|
| G J Hoetmer | 30 July 2013 | AGM 2019 |
| J A Lodge | 27 February 2012 | AGM 2021 |
| M S Swift | 19 December 2016 | AGM 2020 |
| P N Withers | 12 April 2011 | AGM 2020 |

Directors' Remuneration Report continued

Annual Report on Remuneration

How the policy will be implemented in 2018:

Executive Director's salary

At the date of this report the Chief Executive is the only Executive Director. When a Group Finance Director is appointed, remuneration will be set in accordance with the Shareholder-approved Directors' Remuneration Policy.

The Chief Executive's salary of £440,000 was set on his appointment on 28 February 2018 and no increase will be made in 2018.

Non-Executive Directors' fees

The fees for Non-Executive Directors are as set out below:

| Name | Base annual remuneration | | Additional for committee chairmanships | | Total annual remuneration | |
|-------------------------|--------------------------|----------|--|--------|---------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| G J Hoetmer | £136,010 | £134,000 | N/A | N/A | £136,010 | £134,000 |
| J A Lodge | £44,150 | £43,500 | £5,075 | £5,000 | £49,225 | £48,500 |
| P A J Neep ¹ | N/A | £43,500 | N/A | £5,000 | N/A | £48,500 |
| M S Swift | £44,150 | £43,500 | £5,075 | £5,000 | £49,225 | £48,500 |
| P N Withers | £44,150 | £43,500 | £5,075 | £5,000 | £49,225 | £48,500 |

1. Mr P A J Neep stepped down from the Board on 26 April 2017.

Annual bonus

The maximum annual bonus for Executive Directors in 2018 is 100% of base salary.

60% of the annual bonus for the Chief Executive will be determined by underlying operating profit, 20% will be determined by a cash target derived from the budgeted movement in net debt, excluding dividends and exchange rate movements, and 20% by personal objectives. The Committee will set a number of personal objectives for the Chief Executive based on the strategic priorities for 2018. These are mainly focused on the Devro 100 programme.

We are currently recruiting a new Group Finance Director. The 2018 annual bonus for this position will be pro-rated for time in post, and will have the same metrics and weightings as described above for the Chief Executive. Relevant personal objectives will be set on joining.

The personal objectives for both Executive Directors will be subject to a performance underpin under which the Committee may scale back the level of payment if it is not satisfied that it reflects the underlying financial performance of the company.

When reviewing the profit performance condition for 2018, the Committee will again look at underlying operating profit and will restate the actual underlying operating profit using the budgeted exchange rates in order to strip out the effect of translational currency fluctuations, which are, in the main, outside the control and performance of management.

The Committee considers that the actual targets for the 2018 bonus are commercially sensitive, but full details will be disclosed in the 2018 report.

Long-Term Incentive Plan

An award will be made in 2018 to the Chief Executive to the extent of 110% of base salary and for the new Group Finance Director on appointment to the extent of 100% of base salary. The performance measures for these awards will be tested over a three-year period commencing January 2018 and will be underlying EPS (40%), ROCE (40%) and TSR (20%) as follows:

| Annual underlying EPS growth during the performance period | Performance shares vesting percentage (of total award) |
|--|--|
| Less than 15.7p | 0% |
| 15.7p | 10% |
| Between 15.7p and 18.9p per annum | On a straight-line basis between 10% and 40% |
| 18.9p per annum or more | 40% |

The underlying EPS range for the 2018 awards is considered stretching and is based on the Committee's assessment of the market conditions and growth opportunities over the next three years.

Long-Term Incentive Plan *continued*

| TSR ranking relative to comparator group ¹ | Performance shares vesting percentage (of total award) |
|---|--|
| Below median | 0% |
| Median | 5% |
| Between median and upper quartile | On a straight-line basis between 5% and 20% |
| Upper quartile or above | 20% |

| ROCE target for final year of performance period | Performance shares vesting percentage (of total award) |
|--|--|
| Below 13% | 0% |
| 13% | 10% |
| Between 13% and 15% | On a straight-line basis between 10% and 40% |
| 15% or above | 40% |

1. The comparator group consists of the 100 listed companies (excluding Investment Trusts) closest to the company in terms of market capitalisation at the date of grant (i.e. 50 higher and 50 lower).

Pension and other benefits

The pension and benefits arrangements are as set out in the policy table above.

The Remuneration Committees

The members of the Executive Directors' Remuneration Committee in 2017 were Mr P A J Neep (Committee Chairman), who stepped down on 26 April 2017, Mr G J Hoetmer, Ms J A Lodge and Mr P N Withers. Mr P N Withers took over as Chairman of the Committee on 26 April 2017. Mr M S Swift joined on that date.

In 2017 the Committee received advice from:

- The Company Secretary (as Secretary to the Committee);
- Korn Ferry as independent adviser to the Committee. Korn Ferry were appointed as advisers by the Committee in 2017, following a tender process, in view of their expertise in this area; and
- New Bridge Street (a trading name of Aon Hewitt Limited being a group company of Aon plc).

No director is involved in any part of a meeting of the Committee when their individual remuneration or contractual terms are being decided.

The remuneration of the Non-Executive Directors and the Chairman is set by the Non-Executive Directors' Remuneration Committee, whose members in 2017 were Mr P W B Page and Mr R A Helbing. The two-committee approach ensures that no director is involved in setting his or her own remuneration.

Advisers to the Committee

Korn Ferry and New Bridge Street are signatories to the Remuneration Consultants' Code of Conduct and have confirmed to the Committee that they adhere in all respects to the terms of the Code. The Committee has satisfied itself that advice from both is objective. The total fees paid to Korn Ferry and New Bridge Street for the advice provided to the Committee during the year were £16,924 and £2,010, respectively. Neither Korn Ferry, New Bridge Street, nor any of their respective affiliated companies, have provided any other services to the company during the year.

Statement of shareholding voting at AGM

At the AGM held on 26 April 2017, votes cast by proxy and at the meeting in respect of the directors' remuneration were as follows:

| Resolution | Votes For | % For | Votes Against | % Against | Total votes cast | Votes withheld (abstentions) |
|---------------------------------|-------------|-------|---------------|-----------|------------------|------------------------------|
| Approval of Remuneration Report | 118,289,320 | 99.94 | 75,408 | 0.06 | 118,364,728 | 38,893 |
| Approval of Remuneration Policy | 117,937,150 | 99.83 | 202,468 | 0.17 | 118,139,618 | 265,603 |

Engagement with investors

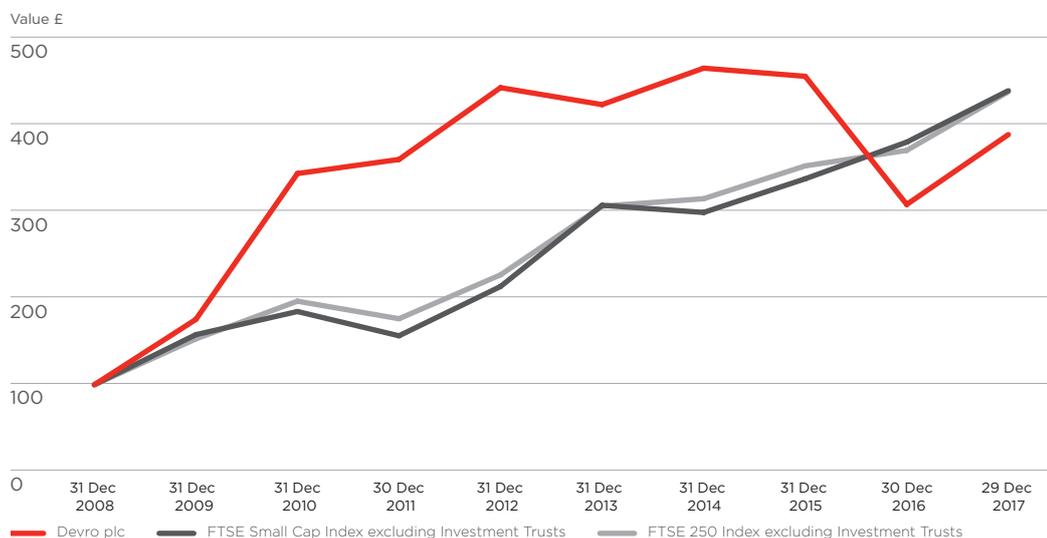
The Committee consulted with major investors on the proposed changes to the Remuneration Policy which were brought to the 2017 AGM. The Chairman of the Committee is always available to talk to investors should they have any concerns.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Performance graph

Total Shareholder Return



This graph shows the value, by 31 December 2017, of £100 invested in Devro plc on 31 December 2008 compared with the value of £100 invested in the FTSE 250 and FTSE SmallCap indices (excluding Investment Trusts) on the same date.

Table of historic data

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

| Year | Chief Executive single figure of total remuneration (£'000) | Annual bonus payout against maximum opportunity % | Long-term incentive vesting rates against maximum opportunity % |
|------|---|---|---|
| 2017 | 703 | 40 | 0 |
| 2016 | 513 | 0 | 0 |
| 2015 | 759 | 54.8 | 0 |
| 2014 | 498 | 0 | 0 |
| 2013 | 565 | 0 | 18.25 |
| 2012 | 1,154 | 0 | 100 |
| 2011 | 1,670 | 40 | 100 |
| 2010 | 1,767 | 100 | 100 |
| 2009 | 862 | 100 | 100 |

Total remuneration

| Director | Base salaries/fees | | Bonuses | | Benefits in kind | | Pension contributions or payments in lieu of pension contributions | | Total remuneration | |
|--------------------------|--------------------|---------------|---------------|---------------|------------------|---------------|--|---------------|--------------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| G J Hoetmer | 134 | 132 | - | - | - | - | - | - | 134 | 132 |
| R A Helbing ¹ | 308 | 227 | 124 | - | 1 | 1 | 31 | 23 | 464 | 251 |
| J A Lodge | 49 | 48 | - | - | - | - | - | - | 49 | 48 |
| P A J Neep ² | 15 | 48 | - | - | - | - | - | - | 15 | 48 |
| P W B Page ¹ | 468 | 466 | 187 | - | 1 | 1 | 47 | 46 | 703 | 513 |
| M S Swift ³ | 33 | - | - | - | - | - | - | - | 33 | - |
| P N Withers | 49 | 48 | - | - | - | - | - | - | 49 | 48 |
| TOTAL | 1,056 | 969 | 311 | - | 2 | 2 | 78 | 69 | 1,447 | 1,040 |

1. Benefits in kind for Mr R A Helbing and Mr P W B Page relate to medical insurance.

2. Mr P A J Neep stepped down from the Board on 26 April 2017.

3. Mr M S Swift joined the Board on 26 April 2017.

Details of variable pay earned in the year

Summary of 2017 annual bonus

In 2017, the Committee reintroduced a cash target alongside the established profit based metric and personal objectives.

Set out below are the targets which applied to the 2017 Annual Bonus Plan and performance against them:

| Performance condition | Proportion of total bonus available | | Actual performance achieved | Performance target for threshold vesting | Performance target for maximum vesting | Resulting bonus % of maximum | P W B Page bonus % of salary | R A Helbing bonus % of salary |
|-----------------------------|-------------------------------------|-------------|--|--|--|------------------------------|------------------------------|-------------------------------|
| | % of maximum | % of salary | | | | | | |
| Underlying operating profit | 40 | 40 | £35.8m ¹ | £36.1m ² | £41.8m | 0 | 0 | 0 |
| Cash target | 40 | 40 | £26.0m | £20.3m ² | £24.8m | 40 | 40 | 40 |
| Personal objectives | 20 | 20 | Failed to meet financial underpin ³ | Partial payment for each objective completed | All objectives met | 0 | 0 | 0 |
| Total | 100 | 100 | | | | 40 | 40 | 40 |

1. Adjusted to exclude exceptional items, and recalculated using budgeted exchange rates as explained below.

2. 5% of salary vests at threshold.

3. The personal objectives were conditional upon adjusted underlying operating profit meeting or exceeding £36.1m.

The Committee agreed in 2016 that for the purpose of the bonus calculation, translational currency exchange rate fluctuations would be excluded. This is achieved by translating both the target and actual local currency underlying operating profit using the company's budgeted exchange rates for that year. Applying this approach to the 2017 underlying operating profit produced a notional figure of £35.8m, which was below the threshold for minimum payout of £36.1m, so no bonus was payable under this heading.

The cash target was defined in the bonus plan as movement in net debt excluding (1) exchange rate movements on net debt and (2) dividend payments. The actual performance set out in the table above reflects a year of tight control of expenditure and significant reduction in net debt, and results in a bonus of 40% of salary to Mr P W B Page and Mr R A Helbing.

The personal objectives for 2017 were linked to key strategic milestones, as follows:

| | |
|---|---|
| Peter Page | |
| Personal objectives | Performance |
| Increase volumes, revenues and market share of specific products in certain target markets. | Significant overall volume and revenue uplift, plus market share growth, but specific bonus targets set at out-perform level and not all were met. |
| Achieve operational yield and cost targets. | Progress made, but certain specific out-perform targets not met. |
| Deliver to market at least one new differentiated innovation in 2017. | Introduction of new Fine Ultra product in 2017 before full roll-out in 2018. |
| Rutger Helbing | |
| Personal objectives | Performance |
| Manage delivery of targeted savings in the Devro 100 programme. | £7m in savings delivered in 2017, ahead of market expectations. |
| Drive implementation and process improvement to underpin new global organisation. | Devro 100 reorganisation now well advanced, with further progress expected in 2018. |
| Deliver on de-leveraging of the balance sheet (covenant net debt/underlying EBITDA ratio <2.5 by YE 2017). | Covenant net debt/underlying EBITDA at YE 2017 was 2.1. |
| Further align finance organisation with new organisation structure and drive operational improvements. Demonstrate leadership in the 2017 transition process to the satisfaction of the Chairman. | Finance function further aligned with new structure and more progress planned for 2018. Leadership throughout the year demonstrated, culminating in promotion to Chief Executive in 2018. |

However, for 2017, these targets were subject to a financial underpin that the notional underlying operating profit should exceed £36.1m, and as that level was not reached, no bonus was payable in respect of the personal objectives.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

The Devro Performance Share Plan

The three-year performance period for the awards under the Devro plc Performance Share Plan made to former Directors Mr P W B Page and Mr S C Webb on 25 March 2015 ended on 31 December 2017. The performance conditions which applied, and performance achieved against them, are set out below resulting in zero vesting.

| Total Shareholder Return ("TSR") relative to comparator group consisting of the 100 FTSE-listed companies closest to the company in terms of market capitalisation at grant (50%) | | Underlying Earnings Per Share ("Underlying EPS") growth (50%) | | Vesting % | Number of shares vesting in 2018 | Value of shares vesting in 2018 |
|---|-------------------------|---|----------------------|-----------|----------------------------------|---------------------------------|
| Performance required | Performance achieved | Performance required | Performance achieved | | | |
| 25% vesting for median performance rising to maximum vesting for upper quartile performance with straight-line vesting in between | Ranking 75th out of 100 | 25% vesting for + 6% p.a. rising to maximum vesting at +14% p.a. or above | -8.7% | 0% | P W B Page - Nil | £0 |
| | | | | | S C Webb - Nil | £0 |

The TSR condition and performance set out above were independently reviewed.

Relative importance of spend on pay

| | Total remuneration of all employees of the Devro group £'000 | Dividends paid £'000 |
|------|---|-------------------------|
| 2017 | 85,692 (+5.2%) | 14,684 (0.1%) |
| 2016 | 81,440 (+5.8%) | 14,670 (0.0%) |

Percentage change in former Chief Executive's remuneration

| | 2017 £ | 2016 £ | % change |
|----------|-----------|-----------|----------|
| Salary | 467,832 | 466,103 | 0 |
| Benefits | 840 | 673 | 25 |
| Bonus | 187,133 | - | >100 |

Percentage change in average remuneration of all Devro group employees

| | 2017 £ | 2016 £ | % change |
|----------|-----------|-----------|----------|
| Salary | 31,408 | 29,510 | 6 |
| Benefits | 2,079 | 1,753 | 19 |
| Bonus | 1,472 | 609 | 142 |

Performance Share Plan awards granted on 2 August 2017

| | Scheme | Basis of award granted | Face value of award ¹ £'000 | Maximum vesting (% of face value) | Percentage vesting for threshold performance | Vesting and performance period |
|-------------|--------------------------------------|----------------------------------|---|--------------------------------------|---|---|
| R A Helbing | The Devro plc Performance Share Plan | 100% of salary 142,990 shares | 310 | 100% | 25% if the threshold for each of the metrics is reached | Performance period 3 financial years from 1 January 2017. Vesting period 3 years from date of grant |
| P W B Page | The Devro plc Performance Share Plan | 110% of salary 237,697 shares | 515 | 100% | | |

1. Based on share price of 216.5p on 1 August 2017, being the day before the date of grant.

Further details regarding the Performance Share Plan, together with the performance conditions applying to the above awards are set out on pages 59 and 60.

Leaving arrangements for Mr P W B Page

Mr P W B Page will continue to be paid his salary, benefits and pension until his contractual notice period expires in December 2018, subject to mitigation. Mr P W B Page will receive an annual bonus for 2017 as detailed above but no bonus for his period of service in 2018.

Unvested Performance Share Plan awards will be tested and vest (subject to performance) at the usual time and be pro-rated to reflect actual service. Outstanding Deferred Share Bonus awards will vest in December 2018 at the end of the 12 month notice period.

Audited information

The following information on pages 59 to 61 has been audited by the company's statutory auditors, KPMG LLP. The total remuneration figure table on page 56 is incorporated into this section by reference.

Company pensions and life assurance policy regarding Executive Directors

Mr R A Helbing and Mr P W B Page both elected to receive a monthly payment in lieu of pension amounting to 10% of base salary.

The contributions for each in respect of 2017 are shown in the table on page 56.

The company provides life assurance cover for senior executives under which the Executive Directors have cover of either three times or five times base salary (capped at £1.75m).

The Devro Performance Share Plan

Awards outstanding under the Devro plc Performance Share Plan for current and former Executive Directors are as follows:

| Director | Date awarded | Market value at date of award (pence per share) | Market value at date of vesting of shares (pence per share) | Number of shares at 1 January 2017 | Number of shares awarded during year | Number of shares exercised during year | Number of shares lapsed during year | Number of shares at 31 December 2017 | Earliest normal vesting date |
|-------------------------|---------------|---|---|------------------------------------|--------------------------------------|--|-------------------------------------|--------------------------------------|------------------------------|
| R A Helbing | 8 April 2016 | 288p | N/A | 209,621 | - | - | - | 209,621 | 8 April 2019 |
| | 2 August 2017 | 230p | N/A | - | 142,990 | - | - | 142,990 | 2 August 2020 |
| P W B Page ¹ | 9 June 2014 | 268p | N/A | 185,400 | - | - | 185,400 | - | 9 June 2017 |
| | 25 March 2015 | 286.3p | N/A | 172,593 | - | - | - | 172,593 ² | 25 March 2018 |
| | 8 April 2016 | 288p | N/A | 176,843 | - | - | - | 176,843 | 8 April 2019 |
| | 2 August 2017 | 230p | N/A | - | 237,697 | - | - | 237,697 | 2 August 2020 |
| S C Webb ¹ | 9 June 2014 | 268p | N/A | 108,700 | - | - | 108,700 | - | 9 June 2017 |
| | 25 March 2015 | 286.3p | N/A | 101,153 | - | - | - | 101,153 ² | 25 March 2018 |

1. Mr P W B Page stepped down from the Board on 28 February 2018. Mr S C Webb left the Board on 31 March 2016.

2. These shares lapsed following a review of the relevant performance conditions by the Committee in February 2018.

Conditional nil-priced options under the Devro plc Performance Share Plan are considered for award annually, with earliest vesting occurring generally after three years and normally being dependent on both continued employment with the group and the extent to which the performance conditions set out below are met.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

The Devro Performance Share Plans continued

The awards made between 2014 and 2016 were granted as nil-priced options subject to the performance conditions below.

| Annual underlying EPS growth during the performance period | Performance shares vesting percentage (of total award) |
|--|--|
| Less than 6% per annum | 0% |
| 6% per annum | 12.5% |
| Between 6% and 14% per annum | On a straight-line basis between 12.5% and 50% |
| 14% per annum or more | 50% |

| TSR ranking relative to comparator group ¹ | Performance shares vesting percentage (of total award) |
|---|--|
| Below median | 0% |
| Median | 12.5% |
| Between median and upper quartile | On a straight-line basis between 12.5% and 50% |
| Upper quartile or above | 50% |

1. The comparator group consists of the 100 listed companies (excluding Investment Trusts) closest to the company in terms of market capitalisation at the grant date (i.e. 50 higher and 50 lower).

The awards made in 2017 were granted as nil-priced options subject to the performance conditions below.

| Annual underlying EPS growth during the performance period | Performance shares vesting percentage (of total award) |
|--|--|
| Less than 6% per annum | 0% |
| 6% per annum | 10% |
| Between 6% and 14% per annum | On a straight-line basis between 10% and 40% |
| 14% per annum or more | 40% |

| TSR ranking relative to comparator group ¹ | Performance shares vesting percentage (of total award) |
|---|--|
| Below median | 0% |
| Median | 5% |
| Between median and upper quartile | On a straight-line basis between 5% and 20% |
| Upper quartile or above | 20% |

| ROCE target for final year of performance period | Performance shares vesting percentage (of total award) |
|--|--|
| Below 13% | 0% |
| 13% | 10% |
| Between 13% and 15% | On a straight-line basis between 10% and 40% |
| 15% or above | 40% |

1. The comparator group is the 100 listed companies (excluding Investment Trusts) closest to the company in terms of market capitalisation at the grant date (i.e. 50 above, 50 below).

The Devro 2009 Deferred Share Bonus Plan

The current Executive Director does not hold any awards under the Devro 2009 Deferred Share Bonus Plan. The awards of former Executive Directors outstanding under this Plan are as follows:

| Director | Date awarded | Market value at date of award (pence per share) | Market value at date of exercise of shares (pence per share) | Number of shares at 1 January 2017 | Number of shares awarded during year | Number of shares exercised during year | Number of shares lapsed during year | Number of shares at 31 December 2017 | Earliest normal vesting date |
|-------------------------|---------------|---|--|------------------------------------|--------------------------------------|--|-------------------------------------|--------------------------------------|------------------------------|
| P W B Page ¹ | 22 March 2016 | 293p | N/A | 7,375 | - | - | - | 7,375 | 22 March 2019 |
| S C Webb ² | 22 March 2016 | 293p | 208.25p | 24,567 | - | 24,567 | - | - | N/A |

1. Mr P W B Page will leave the company as a "good leaver" on 10 December 2018 and may exercise this award at any time thereafter.

2. Mr S C Webb left the company as a "good leaver" on 31 March 2016 and exercised his award on 11 May 2017.

Directors' interests

The interests, all of which are beneficial, of the directors, former directors, and their immediate families in the share capital of the company (Ordinary Shares of 10 pence each), and details of awards held under the Devro plc Performance Share Plan (which has performance conditions) and the Devro Deferred Share Bonus Plan at the beginning and end of the financial year, are as follows:

| Director | Total number of Ordinary Shares 1 January 2017 | Total number of Ordinary Shares 31 December 2017 | Performance Share Plan 1 January 2017 | Performance Share Plan 31 December 2017 | Deferred Share Bonus Plan 1 January 2017 | Deferred Share Bonus Plan 31 December 2017 |
|-------------------------|--|--|---------------------------------------|---|--|--|
| G J Hoetmer | 210,000 | 210,000 | - | - | - | - |
| R A Helbing | 17,500 | 27,500 | 209,621 | 352,611 | - | - |
| J A Lodge | 36,341 | 37,798 | - | - | - | - |
| P A J Neep ¹ | 224,893 | N/A | - | - | - | - |
| P W B Page ² | 750,740 | 775,822 | 534,836 ³ | 587,133 ⁴ | 7,375 | 7,375 |
| M S Swift ⁵ | N/A | - | - | - | - | - |
| S C Webb ⁶ | N/A | N/A | 209,853 ⁷ | 101,153 ⁸ | 24,567 | - |
| P N Withers | 110,000 | 110,000 | - | - | - | - |

1. Mr P A J Neep retired from the Board on 26 April 2017.
2. Mr P W B Page stepped down from the Board on 28 February 2018.
3. Includes 185,400 shares which lapsed following a review by the Committee in February 2017.
4. Includes 172,593 shares which lapsed following a review by the Committee in February 2018.
5. Mr M S Swift joined the Board on 26 April 2017.
6. Mr S C Webb stepped down from the Board on 31 March 2016.
7. Includes 108,700 shares which lapsed following a review by the Committee in February 2017.
8. Lapsed following a review by the Committee in February 2018.

On 27 February 2018, Mr G J Hoetmer notified the company that he had purchased a further 25,000 Ordinary Shares in the company.

Shareholding guidelines

To provide alignment between shareholders and directors, the Executive Directors are required to build up a shareholding equivalent to 150% of base salary over time. Any shares vesting from share incentive plans must be retained (subject to sales to meet tax and incidental costs of sale) until the target is reached.

| Director | Number of shares held including family interests as at 31 December 2017 | Shares held as a % of salary ¹ | Number of shares vested in 2017 | Number of shares vested under share schemes, but unexercised |
|-------------|---|---|---------------------------------|--|
| R A Helbing | 27,500 | 20 | Nil | Nil |
| P W B Page | 775,822 | 380 | Nil | Nil |

1. Calculated on basis of three-month average share price to 31 December 2017, using salaries at 31 December 2017.

The company operates an employee share ownership plan ("ESOP"). All employees of the group, including the Executive Directors, are beneficiaries of the ESOP and are deemed to be interested in the shares held by the ESOP which, at 31 December 2017, amounted to 62,551 Ordinary Shares.

On behalf of the Board

Paul Withers

Chairman, Executive Directors' Remuneration Committee
14 March 2018