Synthomer plc Directors' Remuneration Policy

(Approved by Shareholders on 29 April 2020)

Directors' remuneration – policy principles

The key principles for Executive Directors' remuneration at Synthomer are as follows:

- Remuneration should be clear and simple with maximum award levels being clearly defined.
- Sufficient to attract and retain Executive Directors of the ability and expertise necessary to achieve the strategic goals of the Company.
- Incentivise Executive Directors by rewarding performance and driving the right behaviours while ensuring appropriate safeguards are in place to mitigate risk.
- Align Executive Director reward with the experience of shareholders.

In setting Executive Directors' remuneration, the Committee takes account of pay and conditions throughout the Group to ensure that the arrangements are appropriate in the context of internal pay ratios. The Committee also considers corporate governance requirements and best practice in terms of remuneration structures and the process of setting executive remuneration.

The Committee reviews performance targets regularly to ensure that they do not encourage or motivate inappropriate risk taking. Furthermore, the Committee, when necessary, will take into account any environmental, social and governance (ESG) events and the Audit Committee's reviews of the effectiveness of internal controls and risk management when assessing performance.

The following diagram provides an overview of the key elements of reward for Executive Directors and the performance measures used.

Directors' remuneration policy

The following sections set out our proposed new Directors' Remuneration Policy (the 'Policy').

The new Policy, which is intended to replace the policy approved by shareholders at the 2017 AGM, is subject to a binding vote by shareholders at the AGM on 29 April 2020 and, if approved, will come into effect from that date. The background to and explanation of the key changes from the current policy are given in the letter from the Chairman of the Remuneration Committee starting on page 83.

In determining the new Remuneration Policy the Committee followed a robust process which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered the input from Management and our independent advisers, as well as considering best practice and guidance from major shareholders. We have consulted extensively with our major shareholders on our proposed policy. There was a high level of support for the modified policy. We also considered the approach to remuneration though-out the group to ensure it was appropriate. While we did not consult directly with employees on executive remuneration we considered general feedback provided via the designated employee Non-Executive Director.

The proposed Policy includes a number of changes from the previous policy approved by shareholders at the 2017 AGM:

- The maximum bonus opportunity will be increased from 125% to 150% of salary. The CEO and CFO bonus opportunities will be increased to 150% of salary.
- The bonus award for target performance will be reduced from 60% to 50% of maximum.
- Bonus deferral will be increased to one third of the bonus received by the Executive Directors and the deferred shares must be retained for two years.
- The annual PSP awards will be increased. The Chief Executive Officer's award will be increased from 150% to 200% of salary and the Chief Financial Officer's award will be increased from 120% to 150% of salary. The increases will be phased over two years, with the Chief Executive Officer and the Chief Financial Officer receiving an award of 175% and 135% of salary respectively in 2020.

Key elements of reward

Base salary	Pension & benefits	Annual bonus	Performance Share Plan
		At least 70% **Profit before tax**	At least 80% **Based on financial measures**
		Up to 30% **Strategic and operational measures, including personal objectives**	Up to 20% **Strategic measures**
		2020 awards: **80% Profit before tax** **10% SHE** **10% Individual strategic and operational goals**	2020 awards: **30% relative TSR** **30% OMNOVA cost synergies** **30% EPS growth** **10% Strategic measures**

Directors' Remuneration report continued

- The potential under the PSP to grant an exceptional award of 300% of salary will be removed.
- The current CEO's pension allowance will be frozen at its current cash value (or 20% of salary if higher). Pension allowances for new Executive Director hires will be aligned to the pension contribution rate available for the majority of the workforce.
- Post-employment shareholding guidelines will be introduced from April 2021, requiring Executive Directors to retain their shareholding at the date of leaving for one year post cessation and reducing to 50% of that holding in the second year post cessation.
- Shareholding guidelines will be increased. The Chief Executive Officer and Chief Financial Officer will be required to build an interest in shares of at least 220% and 175% of salary respectively within five years of appointment.
- The malus and clawback policy for bonuses and PSP awards will be extended to include serious misconduct and corporate failure.

Future Policy table

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			
Supports the recruitment and retention of Executive Directors. Reflects the individual's skills, experience, performance and role within the Company.	Salary levels are generally reviewed annually by the Committee. When reviewing salary levels the Committee takes into account: – the individual's skills, experience and performance; – the size and scope of the individual's responsibilities; – pay and conditions elsewhere in the Group; – pay at companies of similar size; and – the complexity and international scope of the Group.	There is no overall maximum for salary opportunity or increases. Salary increases will normally be in-line with the increases awarded to other employees within the Group. Larger increases may be made under certain circumstances, including but not limited to: – an increase in the scope and/or responsibility of the individual's role; – the development of the individual within the role; – alignment to market levels; and – corporate events such as a significant acquisition or Group restructuring which impacts the scope of the role. For 2020, Executive Director salaries are as follows: – C G MacLean: £580,246 (increase of 5.2% on 2019 salary of £551,565) – S G Bennett: £368,831 (increase of 5.2% on 2019 salary of £350,600)	None, although individual and Company performance are factors taken into account when considering salary increases.
Benefits			
Provided to support the retention and recruitment of Executive Directors.	Benefits to Executive Directors may include private health insurance, life insurance and a car allowance. From time to time the Committee may review the benefits provided. The Committee may remove benefits that Executive Directors receive or introduce other benefits if it considers it is appropriate to do so. Any other benefits will be proportionate with the current benefits provided and will be set taking into account the benefits provided to other employees in the Group. Where Executive Directors are required to relocate or complete an international assignment, the Committee may offer additional benefits (either on a one-off or on-going basis) or vary benefits according to local practice. Executive Directors may participate in any all-employee share schemes or other benefit arrangements on the same basis as other employees.	There is no overall maximum for benefits, as the cost of insurance benefits may vary from year-to-year depending on the individual circumstance and the level of any relocation benefits, allowances and expenses will depend on the specific circumstances.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pension			
Provide a competitive level of retirement benefits to support both retention and recruitment of Executive Directors.	Executive Directors are eligible to participate in the Group personal pension plan. Executive Directors may receive payments as a cash allowance which they may use either in conjunction with that plan and/or to enable them to make their own arrangements.	For new Executive Director hires, a maximum percentage of base salary aligned to the pension contribution rate available for the majority of the workforce. Allowances for current Executive Directors are: – C G MacLean: frozen at its current cost value of £137,891 (or 20% of salary if higher) – S G Bennett: 20% of salary	None.
Annual bonus			
Incentivises the delivery of financial, strategic and operational objectives selected to support our business strategy within the year.	Performance targets will be determined by the Committee at the beginning of the annual performance period. The Committee will assess performance against these targets following the end of the performance period. The Committee may in its discretion, adjust annual bonus payments, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as the Committee considers relevant. The Committee may reduce or defer the level of payment of an award to take into account exceptional business circumstances, if there are circumstances giving rise to material reputational damage to the Group, if an Executive Director has committed an act of serious misconduct or in the event of corporate failure. A proportion of any bonus earned is deferred for two years. For current Executive Directors this is as follows: – C G MacLean: one third of any bonus – S G Bennett: one third of any bonus The Committee may claw back awards up to three years after payment if the Group's accounts have been materially misstated, there has been an error in the calculation of any performance conditions which results in overpayment, if there are circumstances giving rise to material reputational damage to the Group, if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.	The maximum opportunity is up to 150% of salary. Opportunities for current Executive Directors are as follows: – C G MacLean: 150% of salary – S G Bennett: 150% of salary	At least 70% of awards are subject to Underlying profit before tax (or other relevant financial measure) targets. Up to 30% of awards are subject to strategic and operational measures, including personal objectives. For 2020 awards, performance measures will be 80% Underlying profit before tax, 10% SHE objectives, and 10% personal strategic and operational objectives. The award for threshold performance is normally 0% of maximum. The award for target performance is normally 50% of maximum.

Directors' Remuneration report continued

<table>
<tr><th>Purpose and link to strategy</th><th>Operation</th><th>Maximum opportunity</th><th>Performance measures</th></tr>
<tr><td colspan="4">2011 Performance Share Plan (PSP)
Approved by shareholders at the 2011 EGM</td></tr>
<tr><td>Incentivises Executive Directors to deliver sustained performance and sustainable returns for shareholders over the longer term.</td><td>The vesting of awards is conditional on the Group's performance against long-term targets over a performance period of at least three years.

The Committee may in its discretion, adjust the level of vesting of an award, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as the Committee considers relevant.

The Committee may reduce or defer the level of vesting of an award where an event has occurred, such as a material SHE incident or which otherwise gives rise to material reputational damage to the Group (for awards from 2020 onwards) or if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.

The Committee may claw back awards up to three years after vesting if the Group's accounts have been materially misstated, there has been an error in the calculation of any performance conditions which results in overpayment, if there are circumstances giving rise to material reputational damage to the Group, or (for awards from 2020 onwards) if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.

Vested awards relating to grants made from 2017 onwards are subject to a holding period post vesting of an additional two years.</td><td>Under the plan rules approved by shareholders, the value of shares awarded to an individual in respect of any one year may not normally exceed 300% of salary.

For 2020 annual awards to current Executive Directors are:
– C G MacLean: 175% of salary
– S G Bennett: 135% of salary

From 2021 annual awards to current Executive Directors are:
– C G MacLean: 200% of salary
– S G Bennett: 150% of salary</td><td>– At least 80% based on financial measures. This may include TSR, EPS, Return on Invested Capital (ROIC) or any other measure considered appropriate by the Committee. Any change to the financial measures used would be subject to prior shareholder consultation.
– Up to 20% based on performance measures linked to the delivery of the business strategy.
– No single measure will constitute more than 50% of an annual award.

For 2020 awards, performance measures will be 30% relative TSR, 30% EPS, 30% cost synergies related to the OMNOVA acquisition and 10% strategic measures.

A maximum of 25% of each element will vest for threshold performance.</td></tr>
<tr><td colspan="4">Shareholding guidelines during and post employment</td></tr>
<tr><td colspan="4">The Company operates shareholding guidelines for Executive Directors to strengthen the alignment between the interests of the Executive Directors and the shareholders. The Chief Executive Officer and the Chief Financial Officer will be expected to build interests in shares of at least 220% and 175% of salary respectively within five years of appointment.

Executive Directors that step down from their role from April 2021, will normally be expected to maintain their minimum shareholding (or actual shareholding if lower) for the first 12 months following departure from the Board and 50% of their minimum shareholding (or actual shareholding if lower) for the subsequent 12 months. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstances.</td></tr>
</table>

Provisions to withhold or recover sums paid under incentives are as detailed in the table above. No other elements of remuneration are subject to recovery provisions.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' remuneration policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted. This policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

The Committee may make minor adjustments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Awards granted under the PSP may:

a) be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect;

b) have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be fair, reasonable and not be materially less difficult to satisfy;

c) incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vest up to the time of vesting (or where the award is subject to a holding period, release). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;

d) be settled in cash at the Committee's discretion. For Executive Directors, this provision will only be used in exceptional circumstances such as where for regulatory reasons it is not possible to settle awards in shares; and

e) be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may materially affect the Company's share price.

Deferred bonus shares may be structured as conditional share awards, nil-cost option or the delivery of shares subject to sale restrictions. In each case, the parameters of the PSP set out above will apply where applicable, save that shares subject to sales restrictions will receive dividends rather than dividend equivalents.

Performance measures and targets

Annual bonus

The annual bonus performance measures are chosen to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific strategic and operational goals. The balance allows the Committee to effectively reward performance against key elements of our strategy.

The bonus targets are set by the Committee each year to ensure that Executive Directors are appropriately focused on the key objectives for the next 12 months. Targets are set by reference to the Company's business plan.

Performance Share Plan

The performance measures under the PSP are set to align the long-term strategy of the Company and long-term value creation for shareholders. Measures for 2020 awards include the following:

- EPS growth – reflects the financial performance of the Company. The Committee sets targets to be appropriately stretching, with regard to a number of internal and external reference points.
- Relative TSR – Total Shareholder Return (TSR) reflects the Company's ultimate delivery of value to shareholders. The Committee considers that this promotes alignment between the interests of Executive Directors and the shareholder experience.
- Cost synergies – reflects a key financial rationale for the acquisition of OMNOVA. The Committee has set targets to drive additional synergy benefits.
- Strategic measures – this element directly incentivises management to deliver the Company's key strategic priorities.

The Committee considers that this performance framework represents an appropriate and balanced basis on which to measure the performance of the Company.

Difference in policy for Executive Directors and other employees

The remuneration policy for our Executive Directors is designed in accordance with the same principles that underpin remuneration for the wider employee population. The wider employee group also participates in performance-based incentives. Throughout the Group, base salary and benefits levels are set in accordance with the prevailing market conditions. Differences between Executive Director pay policy and other employee pay reflects the seniority of the individuals, the prevailing market conditions and the corporate governance practices for Executive Director remuneration. The key difference in policy is that for Executive Directors a greater proportion of total remuneration is based on incentives.

Directors' Remuneration report continued

Non-Executive Director fees

Non-Executive Director fees	The Board reviews Non-Executive Director fees annually. When reviewing fee levels, the Board may consider the scope and time commitment of the role, the skills and experience of the individual, and fee levels at other companies. Non-Executive Directors do not participate in the determination of their own fees. Non-executives are paid differential fee levels based on their membership of Board committees, chairmanship of Board committees or role as Senior Independent Director and the time commitment required from them. Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate. Expenses incurred in the performance of Non-Executive Director duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the expenses. Non-Executive Directors do not participate in incentive arrangements or receive pension or benefits. Non-significant additional benefits may be introduced if considered appropriate.
Chairman fees	The Committee reviews Chairman fees annually. When reviewing fee levels, they may consider the scope and time commitment of the role, the skills experience of the individual, and the fee levels at other companies. The Chairman does not participate in the determination of the fee level. Expenses incurred in the performance of duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the expenses. The Chairman does not participate in incentive arrangements or receive pension or benefits. Non-significant additional benefits may be introduced if considered appropriate

Total fees to Non-Executive Directors, including the Chairman, operate within the cap defined in the Articles of Association, currently £750,000 per annum.

Recruitment policy

Executive directors

The Committee would have regard to the following principles when agreeing the components of a remuneration package upon the recruitment of a new Executive Director:

- Base salary will be set taking into account the principles set out in the policy table and may be set at a higher or lower level than the previous incumbent.
- The Committee may, on appointing an Executive Director, need to 'buy out' remuneration arrangements forfeited on leaving a previous employer. Any buy out would take into account the terms of the arrangements (e.g. form of award, performance conditions, time frame) being forfeited in the previous package. The form of any award would be determined at the time and the Committee may, if necessary, make use of LR 9.4.2 of the Listing Rules (for the purpose of buy-out awards only). The overriding principle will be that any replacement buy-out awards will, in the opinion of the Committee, be no more valuable than the entitlement which has been forfeited.
- Annual bonus opportunity will be no more than the maximum set out in the policy table. The Committee may determine that for the first year of appointment the annual bonus award will be subject to such conditions as it may determine.
- PSP opportunity will be no more than the plan rules maximum set out in the policy table.
- The maximum variable pay opportunity on recruitment (excluding buy-outs) is 350% of salary, consistent with the maximums in the policy table above.

Other

For interim positions, a cash supplement may be paid rather than salary (for example a Non-Executive Director taking on an executive function on a short-term basis).

Where an executive is appointed from within the Company, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions and that they would be appointed on a new service contract. Similarly, if an Executive Director is appointed following the acquisition or merger with another company, legacy terms and conditions would be honoured.

Non-Executive Directors and Chairman

In the event of the appointment of a new Non-Executive Director or Chairperson, remuneration arrangements will be in line with the principles detailed in the relevant table above.

Service contracts

The current contracts in place for Executive Directors are as follows:

Director	Date of contract
C G MacLean	17 November 2014
S G Bennett	31 March 2015

There is no unexpired term as each of the Executive Directors' contracts is on a rolling basis. Save in circumstances justifying summary termination, the notice period for each of the above contracts is one year. Service contracts for new executive directors will be limited to 12 months' notice. The Company may at the Committee's discretion make a payment in lieu of notice equal to the salary, pension contributions and contractual benefits that would have been paid during the notice period. This payment may be made at the Committee's discretion as a lump sum or monthly instalments and may be subject to mitigation if the Director finds an alternative position during the notice period.

The Executive Directors are also entitled to 25 working days' holiday plus public holidays per calendar year.

All Non-Executive Directors are appointed in writing. Letters of appointment do not include entitlement to participate in the Company's share incentive plans or any other of its employee benefits and do not currently have a notice period. The Company may add a notice period of no more than three months. The Non-Executive Directors are subject to annual re-election. There is no right to compensation for loss of office if they are not re-elected or if the Company terminates the appointment because the non-executive has accepted a position with another company without prior Board approval and which the Board reasonably considers likely to give rise to a material conflict. The period of appointment and the requirements for re-election of Non-Executive Directors are provided within the 'Composition, Succession and Evaluation' section of the Governance report on page 72.

Directors' service contracts and letters of appointment are available for inspection at the Company's registered office during normal business hours and will be available at the AGM.

Policy on payment for loss of office
The Committee takes a number of factors into account when determining leaving arrangements for an Executive Director:

- Where either party gives notice of the termination of an Executive Director's employment, the Committee may make a payment in lieu of notice for the outstanding period as described above. Other than this provision, the obligation to pay accrued but untaken holiday and as outlined below regarding bonus and the PSP, service contracts make no provision for pre-defined compensation on termination.
- The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of the Director's office or employment. Any such payment may include but is not limited to paying any fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with his or her cessation of office or employment.
- The Committee may award an annual bonus for leavers taking into account the circumstances of departure. Any bonus would normally be subject to performance and time pro-rating and would not be made in circumstances of poor performance. Any such bonus would be in such proportions of cash and shares and subject to such deferral arrangements as the Committee considers appropriate in the circumstances.
- On cessation of employment, the Executive Director will retain any deferred bonus shares and the deferred period will normally continue to the original release date.
- The treatment of outstanding PSP awards is governed by the 2011 PSP rules under which Executive Directors may currently hold awards in the form of share options or conditional rights to receive shares.

Plan	'Good leaver' categories	Treatment for 'good leaver'	Treatment for 'other leavers'
2011 Performance Share Plan	– Death – Injury, ill-health or disability – Transfer of employing company or business outside the Group – Retirement with agreement of the Committee – Redundancy – Any other reason as determined by the Committee	– Awards will vest subject to the achievement of performance conditions and (unless the Committee determines otherwise) will be time pro-rated to reflect the proportion of the vesting period that has passed at the time of leaving. – The vesting date for such awards will normally be the original vesting date, although the Committee may determine that awards can vest upon the cessation of employment (subject to the assessment of any performance condition). Where unvested awards are subject to an additional holding period, the Committee will determine the extent to which the holding period applies following cessation. – Awards in the form of options that vest early due to cessation of employment may be exercisable until the earlier of (i) 12 months from the date of vesting, and (ii) the normal expiry of the exercise period. Following this date, unexercised awards will lapse. – If the participant ceases employment after the normal vesting date, options may be exercisable until the earlier of (i) 12 months from the date of cessation, or (ii) the normal expiry of the exercise period. Following this date, unexercised awards will lapse.	– Unvested awards lapse in full

If an individual leaves holding vested PSP awards which are still subject to a holding period, the underlying shares will either be released at the end of the original holding period, or at an earlier date determined by the Committee.

Where an award is made for the purpose of recruitment (for example a buy-out award) then the leaver provisions would be determined at the time of award having regard to the circumstances of the recruitment, the terms of awards being bought out and the principles for leavers in the current policy.

In the event of a change of control of the Company, unvested PSP awards will normally vest early and deferred bonus shares will normally be released. The extent to which unvested PSP awards vest will be subject to achievement of the performance conditions (as determined by the Committee) at the time of the change of control and, unless the Committee determines otherwise, will be time pro-rated to reflect the proportion of the vesting period that has elapsed at that time. In the event of an internal reorganisation, the Committee may determine that awards are automatically surrendered for a new award which the Committee determines is equivalent to the surrendered award (including as to any performance condition) except that it shall be over shares in the acquiring company or some other company.

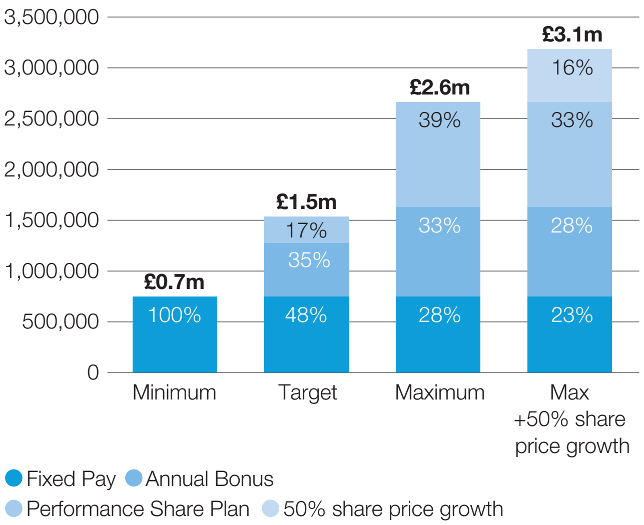
In the event of a demerger, special dividend or other similar event which, in the opinion of the Committee, would materially affect the market price of shares, the Committee may allow PSP awards to vest or deferred bonus shares to be released on the same basis as for a change of control.

Directors' Remuneration report continued

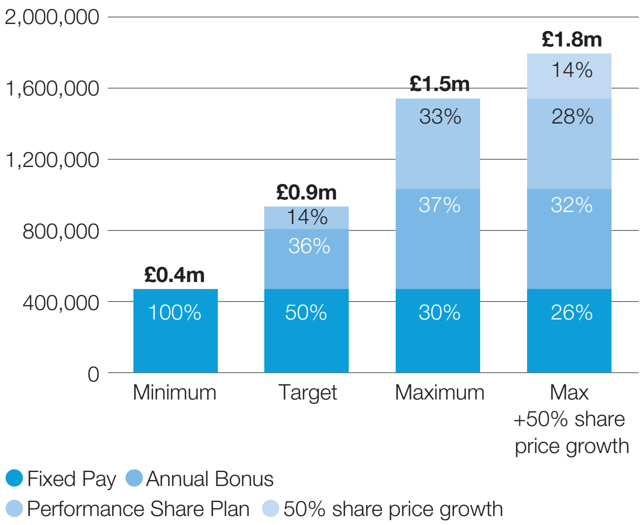
Illustrations of application of remuneration policy

The following charts illustrate the different elements of the Executive Directors' remuneration under three different performance scenarios: 'Minimum, 'Target' and 'Maximum'. The assumptions used are provided below the charts. The illustrations are based on annual bonus awards for 2020 and PSP awards to be made in 2020.

C G MacLean



S G Bennett



	Component	Minimum	Target	Maximum	Maximum + 50% share price growth
Fixed	Base salary	Base salary for 2020 (C G MacLean: £580,246, S G Bennett: £368,831)			
	Pension	Value of cash supplement for 2020 (C G MacLean: £137,891, S G Bennett: £73,767)			
	Benefits	Taxable value of annual benefits provided in 2019 (C G MacLean: £13,200, S G Bennett: £17,820)			
Variable	Annual bonus	0% of maximum	60% of maximum	C G MacLean: 150% of salary S G Bennett: 150% of salary	Same as maximum
	2011 PSP[1]	0% vesting	25% vesting	C G MacLean: 175% of salary S G Bennett: 135% of salary	Maximum plus 50% share price growth

Note:
1. The value for the PSP is based on the face value of annual awards under the Policy and base salaries for 2020. The calculation excludes share price growth or dividends during the performance period other than where stated.