



IRISH CONTINENTAL GROUP

2018 Annual Report and Financial Statements

Report of the Remuneration Committee



Report of the Remuneration Committee

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Dear shareholder,

I am pleased to present the Report of the Remuneration Committee for the year ended 31 December 2018.

The Committee ensures that the remuneration structures and levels are set to attract and retain high calibre individuals necessary at executive Director and senior manager level and to motivate their performance in the best interests of shareholders. This report sets out how the Committee fulfilled its responsibilities under its Terms of Reference and details the remuneration outcomes for the executive Directors.

The current remuneration framework was adopted during 2017 following the approval by shareholders at the 2017 AGM of the Performance Share Plan. The Committee reviewed the framework during the year taking into account feedback from shareholders following engagement and remain satisfied that it continues to be appropriate for the Group's business needs and strategy.

The Company will be submitting this report to shareholders as an advisory resolution at the 2019 AGM.

Brian O'Kelly
Chair of the Remuneration Committee

Composition

The Committee membership is set out in the table below which also details attendance and tenure. All Directors bring significant professional expertise to their roles on this Committee as set out in their professional biographies on pages 58 to 59.

Member	A	B	Tenure
B. O' Kelly (Chair)	3	3	6 years
J. Sheehan	3	3	5 years
C. Duffy	3	3	2 years

Column A: the number of scheduled meetings held during the year where the Director was a member of the Committee.

Column B: the number of scheduled meetings attended during the year where the Director was a member of the Committee.

Role and Responsibilities

The role, responsibilities and duties of the Committee are set out in written terms of reference which are reviewed annually. The terms of reference are available on the Group's website www.icg.ie.

The Committee's duties are to establish a remuneration framework that;

- Will attract, motivate and retain high calibre individuals;
- Will reward individuals appropriately according to their level of responsibility and performance;
- Motivate individuals to perform in the best interest of the shareholders; and
- Will not encourage individuals to take risks in excess of the Company's risk appetite.

Against this framework the Committee approves remuneration levels and awards based on an individual's contribution to the Company against the background of underlying Company financial performance having regard to comparable companies in both size and complexity.

Meetings

The Committee met three times during the year. The Chairman provided an update to the Board on key matters discussed.

The work performed included consideration of levels of executive Director and senior management remuneration. The level of basic salaries were reviewed by the Committee having regard to job specification, level of responsibility, individual performance and market practice. The Committee approved performance awards to certain employees, based on Group, business unit and individual performance. The Committee determined the vesting of options under the 2009 Share Option Plan previously granted during 2015. The Committee also undertook a review of the existing remuneration framework adopted during 2017.

Remuneration framework

We are of the view that any remuneration framework should seek to create strong linkages to longer term Company performance and alignment with shareholder interests through growth in equity value. To achieve this

the Committee seeks to set base salaries at median market levels and structure performance awards in a manner that encourages individuals to acquire and retain significant shareholdings relative to base salary that are above market norms.

The Committee reviewed the remuneration framework adopted during 2017. The Committee acknowledges that full implementation may in certain instances be constrained by pre-existing contractual arrangements. Notwithstanding the Committee remained satisfied that it continues to be appropriate to the business needs and strategy of the Group. In particular the Committee notes the promotion of strong alignment with shareholders through requirements of minimum shareholdings, remuneration of 50% of annual performance awards with shares with a 5 year holding requirement and the overall eight year alignment period for any awards granted under the longer term Performance Share Plan. These elements are further supported by clawback provisions.

Report of the Remuneration Committee

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Remuneration Framework

Element	Operation	Maximum Opportunity
<p>Base Salary To attract and retain high calibre individuals</p>	<p>Base salaries are reviewed by the Committee annually in the last quarter of the year with any adjustments to take effect from 1 January of the following year.</p> <p>Factors taken into account in the review include the individual's role and level of responsibility, personal performance and general developments in pay in the market generally and across the Group.</p>	<p>There is no prescribed maximum salaries or maximum increases.</p> <p>Increases will broadly reflect increases across the Group and in the market generally.</p> <p>Increases may be higher to reflect changes in responsibility or market changes and in the case of newly appointed individuals to progressively align salary with market norms.</p>
<p>Benefits To be competitive with the market</p>	<p>Benefits may include the use of a company car or an equivalent cash amount, club subscriptions, life and health insurance.</p>	<p>No maximum levels are prescribed as benefits will be related to each individual circumstances.</p>
<p>Annual Bonus To reward achievement of annual performance targets</p>	<p>Individuals will receive annual bonus awards based on the achievement of financial targets and personal objectives agreed prior to the start of each financial year. Threshold levels will be set for minimum and maximum awards with pro-rata payments between the two points.</p> <p>Due to commercial sensitivity the targets will not be disclosed in advance but may be disclosed retrospectively.</p> <p>For executive directors and members of the executive committee a minimum of 50% of any bonus earned, after allowing for payroll taxes, will be invested in ICG equity which must be held for a period of 5 years.</p> <p>A formal clawback policy whereby all or a portion of the share award is subject to clawback for a period of two years in certain circumstances. Further details of the clawback policy are on page 89.</p> <p>The Committee retains discretion to adjust any award to reflect the underlying financial position of the Company and to agree awards outside of the above framework in respect of recent joiners and leavers.</p>	<p>The maximum award in any period of 12 months may not exceed 200% of base salary in the case of the CEO and 150% of base salary in the case of any other individual.</p> <p>An existing contractual annual bonus arrangement will continue to apply to the existing CEO Mr. Eamonn Rothwell in lieu of the arrangements described here and is explained in further detail under the report on 2018 executive director remuneration outcomes.</p>

Remuneration Framework

Element	Operation	Maximum Opportunity
<p>Performance Share Plan (“PSP”)</p> <p>To align the interests of individuals with the long term interests of the Company’s shareholders</p>	<p>The Committee will grant nominal cost options to individuals to acquire equity in the Company. The vesting period is normally 3 years with the extent of vesting based on the performance conditions set out below.</p> <p>Any vesting of awards is subject to the Committee discretion that it is satisfied that the Company’s underlying performance has shown a sustained improvement in the period since the date of grant.</p> <p>No re-testing of the vesting performance conditions is permitted.</p> <p>Options will normally be exercised upon vesting and any ICG equity delivered to an individual will be held for a period of 5 years, except to the extent that the Committee allow such number of the shares delivered to be sold to facilitate the discharge of any tax liabilities.</p> <p>The plan incorporates market standard good leaver / bad leaver provisions.</p> <p>Options may vest early in the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company, subject to the pro-rating of the share awards, to reflect the shortened performance period since the date of grant, though the Committee can exercise its discretion not to apply pro-rating if it considers it to be inappropriate given any particular circumstances.</p> <p>The Committee in exercising its discretion under the rules of the PSP may (i) re-calibrate the performance conditions and change their relative weightings (ii) introduce new and retire old performance measures; provided that any changes are no less challenging, are aligned with the interests of the Company’s shareholders and are disclosed in the Committee’s report to shareholders.</p> <p>A formal clawback policy whereby all or a portion of the share award is subject to clawback for a period of two years post vesting in certain circumstances. Further details of the clawback policy are on page 89.</p> <p>The performance conditions, which are measured over a three year vesting period are set out in the table below;</p>	<p>The market value of any PSP awards in any period of 12 months may not exceed 200% of base salary in the case of the CEO and 150% of base salary in the case of any other individual.</p> <p>In exceptional situations, including recruitment, higher awards may be granted but not exceeding 300% of base salary.</p>

	Vesting Threshold Minimum	Vesting Threshold Maximum
Adjusted Diluted Earnings per Share (EPSd)	5%	12%
Return on Average Capital Employed (ROACE)	13%	20%
Free Cash Flow Ratio (FCFR)	100%	130%
Total Shareholder Return (TSR)	Median	Top Quartile

Each condition is equally weighted and in all cases 30% vests at threshold performance and 100% vests at maximum with pro-rata vesting between these two levels.

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Remuneration Framework

Element	Operation	Maximum Opportunity
Retirement Benefits To attract and retain high calibre individuals	Certain individuals are members of a defined benefit pension scheme where contributions are determined by the scheme actuary pursuant to the benefits offered under the scheme rules.	There are no prescribed maximum levels of pension contribution.
	Other individuals are members of a defined contribution pension scheme where the Company has discretion to pay appropriate contributions as a percentage of base salary as agreed by the Company and individual under their contract of employment.	No element of remuneration other than base salary is pensionable.
	In certain circumstances the Company may provide an equivalent cash payment in lieu of pension contributions.	
Shareholding Requirement To align the interests of individuals with the long- term interests of the Company's shareholders	All executive directors and members of the Executive Committee are expected to maintain a minimum shareholding of 300% of base salary. Individuals are allowed a five year period from date of first appointment to achieve the required holding. The market value of vested options and any shares held under the Company's restricted share arrangements will count towards determining an individual's holdings.	Not applicable.

Remuneration Outcomes for Executive Directors in 2018

Total Directors' remuneration for the year was €2,880,000 compared with €3,447,000 in 2017 and details are set in the table below:

	Base Salary	Performance Pay: Restricted shares	Performance Pay: Cash	Benefits	Pension	Fees	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Executive Directors							
E. Rothwell	552	1,572	-	35	-	-	2,159
D. Ledwidge	221	108	62	22	33	-	446
Total for executives	773	1,680	62	57	33	-	2,605
Non-executive Directors							
J. B. McGuckian	-	-	-	-	-	125	125
C. Duffy	-	-	-	-	-	50	50
B. O'Kelly	-	-	-	-	-	50	50
J. Sheehan	-	-	-	-	-	50	50
Total for non-executives	-	-	-	-	-	275	275
Total	773	1,680	62	57	33	275	2,880

Details of Directors' remuneration for the year ended 31 December 2017 are set out below:

	Base Salary	Performance Pay: Restricted shares	Performance Pay: Cash	Benefits	Pension	Fees	Total
	€'000	€'000	€'000	€'000	€'000	€'000	2018 €'000
Executive Directors							
E. Rothwell	538	2,195	-	35	-	-	2,768
D. Ledwidge	184	88	80	22	30	-	404
Total for executives	722	2,283	80	57	30	-	3,172
Non-executive Directors							
J. B. McGuckian	-	-	-	-	-	125	125
C. Duffy	-	-	-	-	-	50	50
B. O'Kelly	-	-	-	-	-	50	50
J. Sheehan	-	-	-	-	-	50	50
Total for non-executives	-	-	-	-	-	275	275
Total	722	2,283	80	57	30	275	3,447

In relation to Mr. Eamonn Rothwell €0.2 million (2017: €0.6 million) of performance pay has been included as a non-trading item (note 10) in relation to the disposal of the Jonathan Swift (2017: in relation to the disposal of the MV Kaitaki).

The information above forms an integral part of the audited Consolidated Financial Statements as described in the Basis of Preparation on page 114.

Base Salary

Base salary for Mr. Eamonn Rothwell, CEO, increased by 2.5% in 2018 versus 2017 which was in line with the increase awarded to all employees generally. In terms of a wider comparator group the Committee noted that

the CEO pay level was below median base salaries of the bottom half of the FTSE 250 constituent companies.

Mr. David Ledwidge, CFO, was appointed to the Board on 3 March 2016. His salary at that date was set at a level commensurate with his experience with the Group with the expectation that subject to individual and Group performance that this level of salary will rise progressively over a number of years to comparable levels in the market for similar roles. Against these considerations, in 2018, the Committee awarded Mr. David Ledwidge a 20% increase in annualised base salary.

Report of the Remuneration Committee

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Director's Pension benefits

The aggregate defined benefit pension benefits attributable to the executive Directors at 31 December 2018 are set out below:

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	E. Rothwell €'000	D. Ledwidge €'000	Total 2018 €'000	Total 2017 €'000
Increase in accumulated accrued annual benefits (excluding inflation) in the period	-	1	1	1
Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end*	-	3	3	2
Accumulated accrued annual benefits on leaving service at year end	-	15	15	14

* Note: Calculated in accordance with actuarial Guidance note GNII.

There were no pension benefits attributable to Mr. Eamonn Rothwell as he has reached normal retirement age and pension benefits have vested. In relation to Mr. David Ledwidge costs in relation to defined benefit pension arrangements were €20,000 (2017: €20,000) with a further €13,000 (2017: €10,000) related to the defined contribution pension arrangements.

The Company also provides lump sum death in service benefits and the premiums paid during the year amounted to €6,000 and €1,000 in relation to Eamonn Rothwell and David Ledwidge respectively.

Performance Related Pay

Eamonn Rothwell

Eamonn Rothwell has been associated with ICG since its inception as a public company and floatation in 1988. A legacy contractual arrangement governs Mr. Rothwell's performance related pay.

The CEO annual bonus performance award is predominantly driven by a formula based on basic EPS growth which incorporates an adjustment for share buybacks. The Committee also retain discretion to make adjustments for any non-cash non-trading items. The Company believes that EPS is consistent and transparent and EPS growth drives long-term value creation in the business, reflected in share price appreciation. EPS is the key performance indicator by which the Board assesses the overall performance of the Company.

As part of the remuneration framework review the Committee reassessed the CEO performance arrangements and in its view the arrangements remain

appropriate. In carrying out this assessment the Committee has considered the arrangements over the longer-term performance of the Company rather than on a single year basis and noted that 100% of the annual performance award was remunerated through the allocation of ICG shares with a five year holding period.

David Ledwidge

David Ledwidge was appointed executive Director on 6 March 2016. The Committee assessed Mr. Ledwidge's performance in his role over the period and in particular his development within the sphere of his greater responsibility. The assessment concluded that Mr. Ledwidge was performing in line with expectations which included his contribution to investment appraisal and the conclusion of financing arrangements to support the longer term development of the Group. On this basis, taking account of market norms and the expectation that, subject to performance at an individual and Company level, his remuneration will rise progressively over a number of years to comparable levels in the market for similar roles the Committee concluded that an annual performance award of €170,000, being 77% of annualised base salary was appropriate. Of this annual performance award, 63% was allocated towards the acquisition of restricted shares with the balance received in cash.

Restricted Shares

In relation to any element of the annual performance award paid through the restricted share plan, shares are held in trust for the beneficiaries and may not be sold for a period of 5 years and one month from the date of grant, aligning the value of the award with Group performance over the restricted period.

Long Term Incentive

Grants during 2018

The long term incentive scheme applicable for the 2018 financial year was the Performance Share Plan approved by shareholders on 17 May 2017. The Committee has suspended future awards under the 2009 Share Option Plan which plan remains in place to facilitate the administration of previously granted options.

On 9 March 2018 the Committee, granted an annual award of options in respect of 2018 to Mr. Rothwell and Mr. Ledwidge in line with the annual limits set out in the PSP rules being 200% and 150% of salary respectively. The total number of options granted to Mr. Rothwell and Mr. Ledwidge based on a share price of €5.84 were 189,000 and 56,500 respectively.

Options Vested during 2018

During the period the Committee considered the performance conditions attaching to the basic tier options granted on 5 March 2015 under the legacy Share Option Plan at an exercise price of €3.58. Under the rules of the Share Option Plan the Committee determined that these grants vested based on reported Group EPS for the year ended 31 December 2017, and accordingly 955,000 outstanding options were deemed vested in favour of participants during the year, including 350,000 and 75,000 options in favour of Mr. Eamonn Rothwell and Mr. David Ledwidge respectively. The share price at date of vesting was €5.75.

Details of movements in share options granted to Directors under the Performance Share Plan and the legacy share option plan are set out in the table below:

Option Type	Date of Grant	31-Dec-17	Granted	Vested	Exercised	31-Dec-18	Option Price	Earliest Vesting Date	Latest Expiry Date
E. Rothwell									
<i>Unvested</i>									
Basic Tier Share Option	05-Mar-15	350,000	-	(350,000)	-	-	3.58	-	-
Second Tier Share Option	05-Mar-15	350,000	-	-	-	350,000	3.58	05-Mar-20	04-Mar-25
Performance Share Plan	23-May-17	293,000	-	-	-	293,000	0.065	23-May-20	-
Performance Share Plan	9-Mar-18	-	189,000	-	-	189,000	0.065	9-Mar-21	-
<i>Vested but not yet exercised</i>	05-Mar-15	-	-	350,000	-	350,000	3.58	-	04-Mar-25
		993,000	189,000	-	-	1,182,000			

Option Type	Date of Grant	31-Dec-17	Granted	Vested	Exercised	31-Dec-18	Option Price	Earliest Vesting Date	Latest Expiry Date
D. Ledwidge									
<i>Unvested</i>									
Basic Tier Share Option	05-Mar-15	75,000	-	(75,000)	-	-	3.58	-	-
Second Tier Share Option	05-Mar-15	75,000	-	-	-	75,000	3.58	05-Mar-20	04-Mar-25
Performance Share Plan	23-May-17	100,000	-	-	-	100,000	0.065	23-May-20	-
Performance Share Plan	9-Mar-18	-	56,500	-	-	56,500	0.065	9-Mar-21	-
<i>Vested but not yet exercised</i>	05-Mar-15	-	-	75,000	-	75,000	3.58	-	04-Mar-25
		250,000	56,500	-	-	306,500			

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Unvested options are subject to vesting conditions as follows;

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Second Tier Options: These options will vest and become exercisable from the fifth anniversary of grant once (i) Earnings Per Share growth over any period of five consecutive financial years commencing at the financial year immediately preceding the date of grant place the Company in the top quartile of companies either (a) listed on Euronext Dublin or (b) included in the London Stock Exchange FTSE 250, by reference to Earnings Per Share growth over the same period and (ii) over that period the Earnings Per Share growth is at least 10% above the increase in the Consumer Price Index compounded per annum over such period.

Performance Share Plan: These options will vest and become exercisable three years from the third anniversary of grant in accordance with achievement of the performance conditions set out in the remuneration framework table. These options will normally have to be exercised on or shortly after the vesting date and the delivered shares held in trust for a period of 5 years from exercise date.

Other matters

Minimum Shareholding Requirements

The Company encourages individuals to acquire and retain significant shareholdings to align interests of management with those of shareholders. The Company has a minimum shareholding requirement for executive Directors and members of the executive management committee to hold shares to a market value 300% of base salary within 5 years of date of appointment. The market value of unexercised vested options and any shares held under the Company's restricted share arrangements will count towards determining an individual's holdings.

The market value of the holdings of executive Directors and executive Committee at 31 December 2018 as a multiple of salary at that date are shown in the following table:

	Salary multiple held
Eamonn Rothwell	227.1 times
David Ledwidge	2.0 times
Other Executive Management	5.9 times

Non-executive Directors

Non-executive Directors receive a fee which is set by the Committee and approved by the Board. They do not participate in any of the Company's performance award plans or pension schemes. As part of the overall review of remuneration structures the Committee recommended the fee payable to the Board Chairman to continue at the same level as the prior year at €125,000 per annum and other non-executive Directors at €50,000. The fee levels are considered in line with market norm generally and reflective of the levels of commitment expected from persons holding non-executive directorship positions.

Non-executive directors do not have notice periods and the Company has no obligation to pay compensation when their appointment ceases. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM.

Director's Service contracts

Non-executive Directors have been appointed under letters of appointment for periods of three years subject to annual re-election at the AGM.

In respect of Eamonn Rothwell, CEO, there is an agreement between the Company and Eamonn Rothwell that, for management retention reasons, in the event of a change in control of the Company (where over 50% of the Company is acquired by a party or parties acting in concert, excluding Eamonn Rothwell) he will have the right to extend his notice period to two years or to receive remuneration in lieu thereof.

This amendment to Eamonn Rothwell's contract of employment was agreed by the Remuneration Committee a number of years ago to retain and motivate the CEO during a series of attempted corporate takeover actions.

The letters of appointment for other executive Directors do not provide for any compensation for loss of office other than for payments in lieu of notice and, except as may be required under Irish law, the maximum amount payable upon termination is limited to 12 months equivalent.

On termination, outstanding options may at the absolute discretion of the Committee be retained by the departing individual in accordance with the good leaver/ bad leaver provisions of the relevant plan. Any shares delivered to an individual which are subject to a retention period will remain unavailable to the individual until the end of the retention period and where applicable will be subject to clawback under the provisions of the Clawback Policy.

Share option schemes

There were no long term incentive plans in place during the year other than the Group's 2009 share option plans (suspended as regards new grants) and Performance Share Plan.

The purpose of the share option plans is to encourage identification of option holders with shareholders' longer term interests. Under the plans, options have been granted both to Directors and to employees of the Group. The options were granted by the Committee on a discretionary basis, based on the employees expected contribution to the Group in the future. Non-executive Directors are not eligible to participate in the plan.

In the ten-year period ended 31 December 2018, the total number of options granted, net of options lapsed amounted to 3.3% of the issued share capital of the Company at 31 December 2018.

A charge is recognised in the Consolidated Income Statement in respect of share options issued to executive Directors. The charge in respect of executive Directors for the financial year ended 31 December 2018 is €845,000 (2017: €325,800).

Clawback Policy

The Committee recognises that there could potentially be circumstances in which performance related pay (either annual bonuses, and/ or longer term incentive awards) is paid based on misstated results or inappropriate conduct resulting in material damage to the Company. Whilst the Company has robust management and internal controls in place to minimise any such risk, the Committee has put in place formal clawback arrangements for the protection of the Company and its investors. The clawback of performance related pay (comprising the annual bonus, and the proposed PSP awards) would apply in certain circumstances including:

- a material misstatement of the Company's financial results;
- a material breach of an executive's contract of employment;
- any wilful misconduct, recklessness, and/ or fraud resulting in serious injury to the financial condition or business reputation of the Company.

For executive Directors and members of the executive Committee 50% of the annual bonus will be invested in ICG equity which must be held for a period of 5 years and one month, which will be subject to clawback for a period of two years per the circumstances noted above. Any awards granted under the PSP will be subject to clawback during the vesting period and any shares delivered on vesting will be subject to clawback for an initial two year period per the circumstances noted above.

External Appointments

No executive Director retained any remuneration receivable in relation to external board appointments.

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Payments to former directors

There were no pension payments or other payments for loss of office paid to any former directors during the year.

External Advisers

The Committee did not seek assistance from external advisers during the year having obtained independent advice from Mercer in relation to market practices and design of the PSP in the prior year. Mercer are members of the Remuneration Consultants Group and signatories to its Code of Conduct.

Say on Pay

ICG is an Irish incorporated company and is not subject to the UK disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. However, in accordance with ICG's commitment to best corporate governance practices and shareholder engagement, the Board, on the recommendation of the Remuneration Committee, will put this Report of the Committee to an advisory vote at the forthcoming 2019 AGM of the Company.

The Company has engaged with shareholders during the year explaining why the Committee consider its remuneration practices are appropriate for the Group's business needs and strategy.

Market price of shares

The closing price of the shares on the Irish Stock Exchange on 31 December 2018 was €4.25 and the range during the year was €4.20 to €6.00.



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