

## 2018 AGM Votes

The Board of Vectura was pleased that all of the resolutions put to shareholders at the May 2018 AGM were passed but noted that Resolution 2, the advisory vote on the Directors' Remuneration Report, and Resolution 8, the reappointment of Dr Susan Foden, received significant votes cast against.

### 2018 AGM Remuneration Advisory Vote

The Remuneration Committee is committed to open and constructive dialogue with investors and since the AGM the Committee has consulted with major shareholders representing more than 50% of the shares in the Company on a one on one basis, receiving detailed feedback on our remuneration structure and its operation. The Committee believes that this group represents a broad cross-section of the register and its views.

Whilst a number of investors consulted indicated that they were supportive of the Company and its approach to remuneration, in conversation and meetings with others, concerns were raised in relation to the bonus outturn for 2017. The principal concerns were expressed over the appropriateness of any percentage payout against financial measures, which included consideration for the achievement of synergy targets, when the main financial measure targets were not met. In addition, whilst the Committee's assessment at the end of 2017 had been that the majority of the other targets in the bonus scorecard had been achieved, it was felt that the Committee's assessment of the overall bonus outturn should reflect a more rounded assessment of overall Company performance alongside the achievement of specific objectives and that there was an insufficient weighting on financial metrics.

In addition, one shareholder had concerns about the role of EBITDA as an LTIP metric and a number expressed a desire for more information on plans for the CEO to build his shareholding in the Company.

Considering this feedback, the Committee will:

- Ensure that at least half of the weighting of the annual bonus in respect of Financial Year 2019 is based on financial performance. The weighting on financial performance will be kept under review going forward and may increase further in future years;
- In addition, provide more information on achievements against the non-financial objectives in 2018;
- Reflect that performance against objectives remains the primary link to bonus awards. The Group's share price performance is linked both directly and indirectly to overall total executive reward through part deferral of bonus in shares, our long term incentive programme, share ownership guidelines, post-vesting holding periods and of course existing share holdings. Based on the shareholder consultation process the Remuneration Committee note the increasing need for the use of discretion when considering the overall bonus outturn and will ensure that the Committee takes into account both internal and external factors when considering its use.

- Continue to monitor the CEO's and other executives' progress towards meeting the shareholding guideline. The Committee notes in this regard that the current level of the CEO's shareholding has been impacted by the absence of LTI vesting over the last two years and that the CEO purchased 82,918 shares out of his own funds in September 2017.

#### Remuneration Committee Chairmanship

Having concluded the recent consultations with major shareholders, and as recently announced, Dr Foden has decided to step down as Remuneration Chair and member of the Committee at the end of the year, at which point Juliet Thompson will succeed her in the role as Chair of the Committee.

The Board of Vectura would like to thank all shareholders with whom we have discussed our remuneration arrangements, for their constructive feedback. We trust that the actions identified above provide assurance that we have listened to the views received and acted appropriately in response.

#### **Vectura Group plc**