REMUNERATION POLICY REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

This Remuneration Committee's Report to shareholders for the year ended 31 December 2014 sets out the policies under which the Executive and Non-Executive Directors are remunerated, and incorporates tables of information showing details of the remuneration and share interests of the Directors. The Remuneration Committee's Report, including the Remuneration Policy Report and the Annual Report on Remuneration, is intended to be in full compliance with the requirements of the Large and Medium-sized Companies and Groups (accounts and reports) Regulations 2013, the UK Corporate Governance Code 2008 (as amended) issued by the Financial Reporting Council and the Listing Rules.

The Remuneration Committee reviewed the continued appropriateness of the Remuneration Policy Report in the context of the Company's new corporate strategy, Drive for 2020 and following that review, shareholder approval will be sought at the 2015 AGM for a new Remuneration Policy Report set out below, which is intended to ensure our executive remuneration structure supports Drive for 2020. Subject to shareholder approval, the new Remuneration Policy Report will take effect immediately after the forthcoming 2015 AGM and apply to the financial year from 1 January 2015.

The key changes in the new Remuneration Policy Report from the current Remuneration Policy Report are:

> Throughout the three-year life of the new Remuneration Policy Report, the current Executive Directors' salaries will not be reviewed annually. Instead they will be set at the pre-determined levels set out in the policy table
> The current Executive Directors will receive a fixed LTIP award in each of 2016 and 2017 over up to the same number of performance shares as awarded to them in 2015
> The potential circumstances in which malus and clawback can be applied to the annual bonus and LTIP 2015 have been extended, in line with best practice and the UK Corporate Governance Code 2014
> DASB and LTIP 2015 awards may accrue the value of dividends paid during the period between grant and vesting

This section of the Remuneration Committee Report will be subject to a binding shareholder vote at the 2015 AGM.

The Remuneration Committee determines and recommends to the Board the framework for the remuneration of the Executive Directors, the Company Secretary and the Chairman of the Board. The remuneration of the Non-Executive Directors is the responsibility of the Board as a whole and no Director is involved in determining or voting on their own remuneration.

The Chief Executive's remuneration proposals for the members of the Group Management Committee are reviewed by the Remuneration Committee, and recommendations as regards those proposals are made to the Board.

The Remuneration Committee also takes note of the remuneration policy as detailed by the Chief Executive in respect of other levels of management in the Company, and makes such recommendations to the Chief Executive as the Remuneration Committee deems appropriate. The Remuneration Committee has regard to the proposed remuneration policy for other management and employees across the Group, when determining recommendations on remuneration for the Executive Directors and other senior executives.

The Remuneration Committee reviews the risks surrounding the Company's existing remuneration policies on an annual basis, and has determined that there are no significant concerns with the structure or operation of the remuneration policy.

In determining the policy for the Executive Directors, the Remuneration Committee's objective is to ensure that those individuals are provided with appropriate incentives to encourage enhanced performance and to reward individual contributions to the success of the Company. The Remuneration Committee also intends for the remuneration structure to encourage Executive Directors to act in a fair and responsible manner, having regard to the long-term performance of the Company.

The Remuneration Committee's main responsibilities are to:

> Develop the Company's remuneration policy for the Executive Directors and other senior executives, covering basic salary, bonus, long-term incentives, retirement provisions and other benefits
> Strike an appropriate balance between (i) the fixed and variable; and (ii) the cash and equity-related components of total remuneration packages
> Review and determine the terms of employment and remuneration of the individual Executive Directors and the Company Secretary, including any specific retirement or severance terms
> Determine the remuneration of the Chairman of the Board
> Establish and review the operation of any employee share plans, including the granting of awards, the setting and testing of performance conditions and exercising of any awards under the LTIP
> Select, appoint and determine the terms of reference for independent consultants to advise the Remuneration Committee on remuneration matters

The Remuneration Committee's key objectives are to:

> Align senior executives' remuneration with the interests of shareholders and other stakeholders, particularly in the design of the performance-related elements of their remuneration packages
> Establish a competitive remuneration package attracting, retaining and motivating high quality executives
> Promote the achievement of both the Company's annual and longer-term strategic objectives, including Drive for 2020, by providing a remuneration package that contains appropriately stretching and motivating targets

Alignment with Company strategy

The Board as a whole establishes the remuneration policy, and considers the alignment of Company performance and the remuneration of its senior executives, including the Executive Directors, to be of the utmost importance. It believes that senior executives should be highly rewarded (on a market-competitive basis) for the delivery of stretching goals, but should also receive reduced rewards when the business does not perform to expectations. To achieve this alignment:

> Essentra's remuneration package is leveraged with a high percentage of pay "at risk" against the achievement of stretching goals
> One half of any bonus for Executive Directors is delivered in the form of Essentra shares which will vest after a three-year period
> Executive Directors and other senior executives will receive a fixed annual award of shares under the LTIP 2015 for the lifetime of this Remuneration Policy, so that they benefit if the share price rises but suffer, along with shareholders, if the share price falls
> Annual bonus and LTIP awards are principally determined by measures of the Company's financial performance
> Malus and clawback provisions apply to all elements of Executive Directors' variable pay

The Remuneration Committee considers all elements of the remuneration package as a whole. It looks to ensure that an appropriate balance is maintained between them, so that the need for both short-term success and long-term sustainable growth is recognised. The Remuneration Committee also ensures that non-financial business measures and individual objectives reflect adequately the Company's environmental, social and governance responsibilities.

The structure:

> Reflects the Company's Drive for 2020 strategic objectives
> Ensures that incentive plan metrics and targets provide executive reward for delivering the business objectives, but do not encourage any unnecessary risk taking
> Rewards the delivery of performance annually, across a broad foundation of business fundamentals which should lead to growth in EPS, a key metric for shareholders
> Focuses rewards so they are delivered if the Company delivers financial growth in line with stretching targets
> Rewards executives if they deliver outstanding performance which creates significant and sustainable shareholder value
> Requires Essentra executives to hold significant shareholdings in the Company
> Rewards executives for organic and acquisition growth
> Incorporates malus and clawback provisions to safeguard shareholders' interests

Summary of components of Executive Directors' remuneration

The Remuneration Committee structures senior executive remuneration in two distinct parts: (i) fixed remuneration of basic annual salary, pension and benefits; and (ii) variable performance-related remuneration in the form of cash bonuses, deferred share bonuses and long-term incentive arrangements.

Remuneration for Executive Directors is structured so that the variable performance-related pay element forms a significant portion of each package. The majority of total remuneration at the maximum performance level will derive from the Company's long-term incentive arrangements, which are aligned to Essentra's ambition under Drive for 2020 to create long-term shareholder value.

Purpose and link to strategy	Operation	Opportunity	Performance measures
Basic annual salary			
To reflect the particular skills and experience of an individual and to provide a competitive basic salary	For the duration of this Remuneration Policy, basic salaries of the current Executive Directors will be set at levels not exceeding those set out in this table. These salaries have been set by reference to a rounded assessment which considers: > The skills, performance and experience of the individual > Their roles and responsibilities > External market data	Colin Day: £675,000 (fixed until 1 January 2018) Matthew Gregory: > From 1 January 2015: £340,000 > From 1 January 2016: £375,000 > From 1 January 2017: £390,000	Not applicable
Annual bonus			
To incentivise the delivery of Company performance-related objectives, to aid retention and to align Directors' interests with those of the Company's shareholders	One half of the total annual bonus is paid in cash shortly after the announcement of the annual results. The other half is deferred into shares in the DASB, which will normally vest after three years subject to continued service Performance is assessed against measures and targets which are established on an annual basis by the Remuneration Committee. As performance increases so does the percentage payable up to the maximum The bonus is subject to malus and clawback provisions for a period of three years following the determination of the bonus. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company's financial statements, error in assessing the performance conditions, serious misconduct by an individual or serious reputational damage to the Company or a relevant business unit An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis)	Chief Executive – 150% of basic salary Group Finance Director – 125% of basic salary	The bonus will be based on performance assessed over one year using appropriate financial, strategic and individual performance measures The majority of the bonus will be determined by measure(s) of the Company's financial performance The remainder of the bonus will be based on financial, strategic or operational measures appropriate to the individual Director The selected measures for the next financial year are set out in the Annual Report on Remuneration

Long-Term Incentive Plan 2015 (“LTIP 2015”)			
To drive the long-term delivery of the Company’s strategic objectives, with particular focus on the delivery of Drive for 2020, to aid retention and to align Directors’ interests with those of the Company’s shareholders	An annual award of performance share awards with a three-year performance and usually with a three year vesting period Awards are subject to malus and clawback provisions for a period of three years following the vesting of the awards. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company’s financial statements, error in assessing the performance conditions, serious misconduct by an individual or serious reputational damage to the Company or a relevant business unit An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP 2015 awards, to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis)	An award to any Executive Director would be limited to a maximum of 300% of salary, with the exception that Colin Day and Matthew Gregory will receive a fixed award over up to the same number of performance shares in each of 2016 and 2017 as is awarded to them in 2015 The basis for the determination of the size of the 2015 award for each of Colin Day and Matthew Gregory, within the 300% of salary limit, is outlined in the Annual Report on Remuneration	Vesting will be subject to performance conditions, as determined by the Remuneration Committee on an annual basis. The performance conditions will usually consist of relative TSR performance and adjusted EPS performance, measured over a three-year period The Remuneration Committee may adjust the weightings of the performance conditions to include an additional or alternative performance measure which is aligned to the corporate strategy.25% of each element vests at threshold performance, usually rising on a straight-line basis for performance up to the maximum level for full payment
Former plan - Long-Term Incentive Plan B (“LTIP B”)			
To drive the long-term delivery of the Company’s strategic objectives, to aid retention and to align Directors’ interests with those of the Company’s shareholders	An annual award of performance share awards with a three-year performance and vesting period	No further awards will be granted to Executive Directors under this plan	Outstanding awards are subject to a combination of relative TSR performance and adjusted EPS performance, measured over a three-year period 25% of each element vests at threshold performance, rising on a straight-line basis for performance up to the maximum level for full payment
All Employee Plans			
To create alignment of employees’ interests with those of shareholders, and an awareness of the Company’s share price performance	Under the UK Sharesave, employees (including Executive Directors) are invited to enter a savings contract of three years or five years, whereby the proceeds can be used towards the exercise of an option granted at the time they participate. The option price can be up to a 20% discount to the share price at the time invitations to participate are issued An equivalent US Plan is operated in a similar manner to the UK Sharesave, although with a two-year savings contract and an option price of up to a 15% discount	For the UK plan, shares worth up to the value of the savings an Executive Director agrees to make over the saving period at the previously agreed option price. The savings amount is subject to the HMRC limit, currently £500 per month The US Plan is limited to the monthly dollar equivalent of the UK Sharesave plan	No performance conditions apply to All Employee Plans

Pension			
To provide cost-effective long-term benefits comparable with similar roles in similar companies	A contribution to a defined contribution plan or paid as a cash supplement	Chief Executive – 25% of basic salary Group Finance Director – 20% of basic salary	Not applicable
Other benefits			
To provide cost-effective benefits comparable with similar roles in similar companies	Other benefits include medical expenses, life insurance, a company car and / or car allowance and fuel allowance The Remuneration Committee may vary these benefits from time to time to suit business needs, but they will be provided on broadly similar terms to those offered to other Group employees Executive Directors are entitled to reimbursement of reasonable expenses	There is no overall maximum, as the level of benefits depends on the annual cost of providing individual items in the relevant local market and the individual's specific role	Not applicable
Shareholding requirement			
To align the interests of Executive Directors and shareholders, and to encourage a focus on long-term performance and risk management	These shareholding guidelines are to be built up over five years from date of appointment The Remuneration Committee will review progress towards the guidelines on an annual basis, and has the discretion to adjust the guidelines in what it feels are appropriate circumstances	The guideline minimum level is 300% of basic salary for the Chief Executive and 200% of basic salary for the Group Finance Director Non-Executive Directors are encouraged to hold a minimum of 7,500 shares	Not applicable
Non-Executive Directors			
To attract high-calibre Non-Executive Directors with the relevant experience and skills	The fee for the Chairman of the Board is determined by the Remuneration Committee, while the fees for Non-Executive Directors are determined by the Board as a whole A basic fee is payable to all Non-Executive Directors with supplementary fees for those with additional responsibilities, such as acting as Senior Independent Director or chairing a Board Committee Fees are reviewed on an annual basis with reference to market levels in companies of a comparable size and complexity, and taking account of the responsibilities and time commitment of each role No Non-Executive Director participates in the Group's incentive arrangements or pension plan, or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit, in which case a Non-Executive Director may receive the grossed-up costs of travel as a benefit Non-Executive Directors are entitled to reimbursement of reasonable expenses	Fees for the current year are stated in the Annual Report on Remuneration Fee increases may be greater than those of the wider workforce in any particular year, as they reflect changes to responsibilities and time commitments, and the periodic nature of any increases	Not applicable

Remuneration Committee discretion

The Remuneration Committee will operate the annual bonus plan and long-term incentive plans according to their respective rules, and will be consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. These include:

> When to make awards and payments
> How to determine the size of an award or a payment, or when and how much of an award should vest
> Who receives an award or payment
> How to deal with a change of control or restructuring of the Group
> Whether a participant is a good / bad leaver for incentive plan purposes, and whether and what proportion of awards vest and timing of delivery
> How and whether an award (or an award of shares outlined in this Remuneration Policy Report that is yet to be granted) may be adjusted in certain circumstances (eg, rights issues, corporate restructuring, events and special dividends)
> What the weighting, measures and targets should be for the annual bonus plan and LTIP from year to year

The Remuneration Committee also retains the ability within the policy to adjust the targets and / or set different measures and alter weightings for the annual bonus plan, and to adjust targets for the LTIP if events occur which cause it to determine that the conditions are unable to fulfil their original intended purpose.

The Remuneration Committee may make minor amendments to the policy as set out in this Remuneration Policy Report for regulatory, exchange control, tax or administrative purposes, or to take account of change in legislation without obtaining shareholder approval for that amendment.

Existing awards

The Remuneration Committee intends to honour any commitments entered into with current or former Directors on their original terms, including outstanding LTIP and DASB Plan awards which have been disclosed in previous remuneration reports and, where relevant, are consistent with a previous policy approved by shareholders. Any of these payments to former Directors will be set out in the Remuneration Committee Report as and when they occur.

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company.

Choice of performance measures and approach to target setting

The Remuneration Committee sets performance metrics under both the annual bonus plan and LTIP which are clearly aligned to the Group's strategy and are part of its key performance indicators.

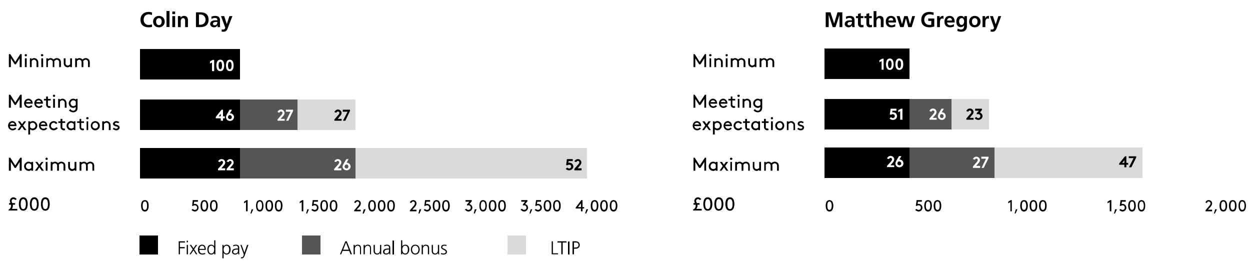
For the annual bonus plan and LTIP there is a strong focus on the financial objectives of Drive for 2020.

Personal objective performance measures within the annual bonus are also directly linked to key strategic objectives.

Targets are set at the start of each performance period by the Remuneration Committee taking into account relevant internal and external reference points, and are designed to be appropriately stretching.

Remuneration mix

The graph below demonstrates the potential remuneration mix for 2015 at below target, target and maximum for each of the Executive Directors.



Assumptions:

- Salary as at 1 January 2015: Colin Day £675,000 and Matthew Gregory £340,000
- Pension: Colin Day 25% of salary and Matthew Gregory 20% of salary
- Benefits: 2014 reported taxable benefits
- Bonus maximum of 150% of salary for Colin Day and 125% of salary for Matthew Gregory
- Assumes an LTIP award of 300% of salary for Colin Day and 200% of approximate average 2015-2017 salary for Matthew Gregory
- Target 50% of annual bonus maximum paid and 25% of LTIP award vests
- Maximum 100% of annual bonus maximum paid and 100% of LTIP award vests
- No share price growth or dividend accrual considered
- Sharesave awards have been ignored

New appointments

- Basic salary – will be set based on relevant market data, experience and skills of the individual, internal relativities across the Company and the individual's current basic salary
- Any annual increase in salary for a new appointment would be at the discretion of the Remuneration Committee, and would typically be broadly consistent with the average salary increase for UK employees. However, larger increases may be considered appropriate in certain circumstances. For example, where new appointees have initial basic salaries set below market rates, any shortfall will be managed with phased increases (which may be greater than those offered to the wider workforce) over a period of two to three years, subject to their development in the role
- Pension – a contribution to a defined contribution plan or a cash supplement may be offered, with the relevant maximum not exceeding that for the current Chief Executive as a percentage of salary
- Other benefits – as provided to current Executive Directors. Where necessary, the Remuneration Committee may approve the payment of relocation expenses to facilitate recruitment, and flexibility is retained by the Company to pay for legal fees and other costs incurred by the individual in relation to their appointment
- Bonus – the annual bonus described in the Remuneration Policy Report table will apply to a new appointee with the relevant maximum not exceeding that for the current Chief Executive, and, in the first year, being pro-rated to reflect the proportion of employment during the year. The Remuneration Committee may set different performance measures and targets to those of the other Executive Directors, depending on the timing and scope of any appointment. In order to facilitate recruitment, the Remuneration Committee may deem it necessary to guarantee a level of bonus, in compensation for any bonus forgone at a current employer. This guarantee will be limited to the bonus in relation to the first year of employment
- Share incentives – new appointees will be granted awards under the LTIP up to the limit described in the Remuneration Report Policy table. An award may be made shortly following a new appointment
- Buy-out awards – to potentially facilitate recruitment through the buy-out of existing awards and compensation arrangements from their current employer, the Remuneration Committee will retain the ability to make a one-off buy-out award

In doing so, the Remuneration Committee will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting / performance period remaining and the form of the award (eg, cash or shares). The overriding principle will be that any replacement buy-out award should be of comparable commercial value to the compensation which has been forfeited. Buy-out awards will be made using existing incentive arrangements where possible, but it may be necessary to use the exemption under Listing Rule 9.4.2. Shareholders will be informed of any such payments at the time of appointment.

- In the case of internal appointments, or appointments following the Company's acquisition of or merger with another company or business, any variable pay element or legacy arrangements in respect of the prior role would normally be allowed to pay out according to its terms, adjusted as relevant, to take into account the appointment
- For external and new internal appointments, the Remuneration Committee may set lower share ownership guidelines, or permit a longer period for them to be met
- Non-Executive Directors – in the event of the appointment of a new Non-Executive Director, remuneration arrangements will normally be in line with the structure set out in the Remuneration Policy Report table. In the event that a Non-Executive Director is required to temporarily take on the role of an Executive Director, their remuneration may include any of the elements listed in the Remuneration Policy Report table for Executive Directors

Service contracts and exit payments

- Service contracts normally continue until the Director's agreed retirement date or such other date as the parties agree
- The policy for executive service contracts is that notice periods will normally not exceed 12 months. Colin Day has a service contract dated 1 April 2011 and Matthew Gregory has a service contract dated 7 September 2012, both with a notice period of 12 months from either party. The service contracts for the Executive Directors are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office

The Remuneration Committee's policy in relation to termination of service contracts is to apply an appropriate level of mitigation, having regard to all of the circumstances of the individual, the termination of employment and to any legal advice received. The Company has the right to make a payment in lieu of notice (such payment being made based on salary and at the Remuneration Committee's discretion as to the value of benefits), and any such payment may be made in monthly instalments at the Company's discretion, with a requirement for the individual to make reasonable endeavours to find alternative employment and may be reduced to take into account any sums earned during the payment period by way of employment elsewhere

- There are no enhanced provisions on a change of control
- In certain circumstances, such as gross misconduct, the Company may terminate employment immediately without notice or payment
- In addition, any statutory entitlements or payments to settle or compromise claims in connection with a termination would be made as necessary
- The service contract for any new appointment would be on a similar basis to that described above
- The payment of any annual bonus will be at the Remuneration Committee's discretion, based on the individual circumstances and would be pro-rated for the period of service and subject to performance achievements, and may be paid entirely in cash
- Under the rules of the LTIP 2015 and LTIP B, outstanding awards may vest if a participant leaves for specified reasons, including injury, disability,
  ill health, death, retirement with the Company's agreement, redundancy, or the business or company in which the participant is employed ceasing
  to be part of the Group or on a change of control. In these circumstances a participant's award vests on an appropriate time pro rata basis (unless the Remuneration Committee decides it is inappropriate to do so), subject to the satisfaction of the relevant performance criteria at the normal vesting date with the balance of the award lapsing. The Remuneration Committee has discretion to determine that the performance period should end on the date of cessation of employment if it feels this is appropriate. If, however, the termination of employment is not for one of the specified reasons, and the Remuneration Committee does not exercise its discretion to allow an award to vest a participant's award lapses in full on date of cessation

> The DASB awards may vest if a participant leaves for specified reasons, including death, the business or company in which the participant is employed ceasing to be part of the Group, retirement with the agreement of the Company or at the discretion of the Board. DASBs will either vest on the normal vesting date or such earlier date as the Board determines

Non-Executive Directors
The Non-Executive Directors do not have service contracts and do not participate in any Company pension, share or incentive schemes. In accordance with best practice, letters of appointment have been issued for all Non-Executive Directors for an initial period of three years, but may be terminated by either party with three months' notice. No compensation is payable on termination, except for fees and expenses accrued to date. These letters are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office.

Differences in remuneration policy between Executive Directors and other employees
The Remuneration Committee is kept informed of pay and employment conditions in the wider Group and these are factored into deliberations when setting the remuneration policy for Executive Directors. The Group-wide salary increase budget and the proposed increase for UK-based employees, or employees of such other jurisdiction within which the Executive Directors operate or reside, is considered by the Remuneration Committee when determining any basic salary increase for Executive Directors.

As stated previously, the overall remuneration package for Executive Directors is structured so that the variable performance-related pay element forms a more significant portion compared to pay for other employees. This policy is to ensure there is a clear link between the individual and corporate performance achieved, the value this creates for shareholders and the overall reward to Executive Directors. The weighting of variable pay will vary throughout the Group based on the seniority of the individual, the role and specific responsibilities. While tailored annual bonuses are offered to a large number of employees, long-term incentives are targeted at more senior levels of management where they have the most influence on overall value creation.

How the views of employees are taken into account
The Company does not actively consult with employees on matters of executive remuneration. Given the diverse geographies and pay cultures in which the Group operates, the Remuneration Committee believes any consultation is unlikely to produce relevant or material feedback.

How the views of shareholders are taken into account
The Remuneration Committee has consulted with major shareholders and investor bodies in the past when material changes to the policy have been proposed, and this approach will continue in the future with the overall aim to maintain an open and transparent dialogue.

A thorough consultation process was undertaken with our major shareholders and representative bodies before this new Remuneration Policy Report was submitted for the approval of all shareholders.

External appointments
Essentra recognises its senior executives can benefit from serving in a personal capacity as non-executive directors of non-Essentra Group companies. It is, at the same time, conscious of the corporate governance recommendations that Executive Directors should take account of the time commitment required by a non-executive position. Executive Directors are permitted to accept non-executive directorships offered by listed companies and other organisations, which provide industry experience or public service. Such outside appointments are subject to prior Board approval, taking into account existing duties, potential conflicts of interest and time commitments outside of Essentra's responsibilities. Any fees earned from these roles may be retained by the Executive Director.