

## Remuneration report

### Remuneration Committee

#### Role and membership

The long-established Remuneration Committee is responsible for recommending overall remuneration policy in respect of the Executive Directors and the Chairman. The Committee was chaired during the year by Dr Leslie Atkinson. The other members of the Committee over the year were Mr Tim Barker, Mr Keith Hamill, Dr Dieter Lennertz, Mr Nick Temple and Mr David Winterbottom, all of whom are independent Non-Executive Directors.

The Board as a whole determines the remuneration of the Non-Executive Directors.

During the year ended 31 March 2004 the Committee adhered to the principles and provisions of the Combined Code as it applied during that year. In preparing this Report, the Board has followed the provisions of Schedule B of the Combined Code.

#### Advisers

For the year under review, Kepler Associates have provided data for salary reviews for the Executive Directors and senior managers. The Committee has also sought advice from Mercer Human Resource Consulting with respect to pension matters. These advisers have been appointed by the Remuneration Committee. The Chairman and the Group Chief Executive attended parts of meetings by invitation to respond to specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Company Secretary acts as Secretary to the Committee.

### Remuneration Policy

#### Executive Directors

The objectives of the remuneration policy for Executive Directors are to provide a remuneration package which is competitive and performance-linked, to ensure that the Group can attract and retain executives who have the experience, skills and talents to operate and develop its businesses to their maximum potential, thereby delivering the highest level of return for shareholders.

The components of the remuneration package for Executive Directors are:

Performance Related	Non-Performance Related
<ul style="list-style-type: none"> <li>• Basic Salary</li> <li>• Annual Bonus</li> <li>• Long Term Incentive</li> </ul>	<ul style="list-style-type: none"> <li>• Pension</li> <li>• Other benefits such as health insurance</li> </ul>

The Committee strives to ensure that shareholders' interests are best served by creating an appropriate balance between basic salary and the variable components of the remuneration package. Additionally, the Committee reviews annually the remuneration practices of other companies and the views of key institutional shareholder groups.

#### The Chairman and Non-Executive Directors

Remuneration comprises an annual salary for acting as Chairman or an annual fee for the Non-Executive Directors of the Company and an additional fee is paid to the Chairman of a Board Committee. The Chairman and Non-Executive Directors do not participate in the Company's incentive schemes, or annual bonus schemes, nor do they accrue any pension entitlement.

No Non-Executive Director has a service contract with the Company.

The Chairman has the use of a Company car and mobile phone and receives life insurance cover. Details of his service contract are set out on page 30 of this report.

### Remuneration Components for Executive Directors

#### Basic salary

In determining salary levels, the Committee takes into account comparable information for similar job functions in industrial service companies and other companies of a similar size. Allowance is made for the international spread and competitive nature of the Group's businesses and for the individual's experience, performance and contribution in the areas for which responsibility is held. Regard is also taken of salary levels throughout the Group.

### Incentive Arrangements

#### Annual Bonus Plan

The aim of the Annual Bonus Plan is to ensure that the incentives for senior managers and Executive Directors are closely aligned to business performance.

The plan links annual bonuses to financial performance and progress towards long term objectives.

The business targets are established by the Board and adopted by the Remuneration Committee on an annual basis and reflect market conditions as well as strategic and operational factors. Performance targets for Executive Directors focus primarily on company performance and individual objectives. The Remuneration Committee has discretion to vary bonus payments for participants based on other aspects of performance.

The current maximum bonus opportunity for Executive Directors is 60% of salary.

Annual bonus payments are not pensionable.

#### Long Term Incentive Share Option Plan ('LTIOIP')

The LTIOIP, which replaced all other long term incentive schemes in 2002 (other than the Savings Related Share Option Scheme), is designed to align long term incentives with the interests of shareholders. Participation in the plan extends to Executive Directors and senior managers.

Under the terms of the plan, participants may be awarded options with a ten-year life subject to stretching performance conditions based on total shareholder return ('TSR') (share price growth plus reinvested dividends), with no options vesting unless performance is above the median for the selected comparator group, and full vesting only if Electrocomponents is first out of the 14 companies in that group in terms of TSR. The Committee chose TSR because they felt it was the measure most aligned to shareholders' interests.

Options over a total of 6,452,956 ordinary shares in the Company were granted on 16 June 2003. These options were granted at an exercise price of 349p per share.

TSR performance is measured over a minimum period of three years from the date of grant but, if the target is not met at all, the period is extended to four and then five years from a fixed base. Once the target has been met in part, however, performance will not subsequently be retested and the unvested part of the option will lapse. If the target has not been met at all at the end of five years, the option will lapse.

For performance at or below median, no part of the option will vest. 25% of the option will vest for performance of one position above the median with full vesting if the Company is ranked first in the comparator group selected. Between those two levels, the option will vest on a sliding scale.

The comparator group for the grants made in 2002 and 2003 comprised:

Arrow Electronic Industries Inc	Manutan International SA
Avnet Inc	Misumi Corporation
Brambles Industries plc	Premier Farnell plc
Buhrmann NV	Rexel SA
Daetwyler Holdings AG	Takkt AG
Grainger (WW) Inc	Wolseley plc
Hagemeyer NV	

The mix of companies chosen reflects the business and geographic focus of the Group around the world. The Committee reviewed a range of benchmarks but found this comparator group, which includes our closest peers, to be the most appropriate.

It is anticipated that awards will be made in 2004 on the same terms and using the same comparator group. No other long term incentives will be granted in 2004.

#### **Long Term Incentive Plan ('LTIP')**

No LTIP awards have been made since June 2001, as it was replaced by the LTIOIP. Under the LTIP, Executive Directors were granted an annual award comprising a deferred right to receive a number of ordinary shares in the Company.

Outstanding LTIP awards are subject to a performance condition, set when the award was granted, which determines whether and to what extent the participant receives shares at the end of a period of three years. The Company's TSR performance is measured against that of a comparator group, comprising companies with a similar market capitalisation. No shares are released unless performance is above median performance within the comparator group. In addition, no part of the award is released unless the Remuneration Committee is satisfied that there has been an underlying improvement in the Company's financial performance over the same period. The Committee chose TSR because they felt that it was the most appropriate measure to reflect shareholder interests.

For the 1999 LTIP award, Electrocomponents' TSR performance was ranked 15th out of 38 (against the comparator group at that point in time) as at 4 July 2002, which resulted in 56.7% of the award vesting against the TSR criterion. As described in the 2002 report, retention of the shares released on the vesting of the awards was made subject to continued employment of the participants until June 2005. Details of the shares are disclosed in the Directors' Interests table shown on page 25.

For the 2000 LTIP award, Electrocomponents' TSR performance was ranked 34th out of 42, (against the comparator group at that time) which meant that none of the award vested against the TSR criterion, and the award therefore lapsed.

For the award granted in June 2001, the performance target was based on a three-year comparison of the Company's TSR with that of the companies listed between 76th and 125th by market capitalisation on the London Stock Exchange immediately prior to the date of the award. This was considered an appropriate benchmark for assessing the Company's performance. An award is released in full if the Company is ranked in the top 20% of this comparator group. A ranking at one place above the median level allows 35% of the award to be released with pro-rata vesting between those points. No award is released if the Company is ranked on or below the median.

#### **1988 Executive Share Option Scheme ('ESOS')**

Mr Butler, Mr Lawson and Mr Mason hold outstanding options under the ESOS. The last ESOS award was made to the Executive Directors and Chairman in 1995. These options were not subject to performance conditions, in keeping with market practice at the time the scheme was established, but were subject to minimum holding periods of three, five or seven years before they could be exercised. No further awards will be granted under this scheme.

#### **Savings Related Share Option Scheme**

Executive Directors can participate in the Savings Related Share Option Scheme which is open to all UK employees or, if appropriate, the International Savings Related Share Option Scheme. Performance conditions have not been imposed as they are not permissible under UK Inland Revenue rules for this type of scheme.

#### **Electrocomponents Group Pension Scheme ('the Scheme')**

Executive Directors participate in the Scheme, which provides defined benefits on retirement. Pensionable salary is limited to basic salary, excluding all bonuses and other benefits. The pension accrual rate for Executive Directors is one-thirtieth for each year of service, subject to Inland Revenue restrictions.

Normal retirement age for Executive Directors is 60. The Scheme is a funded pension arrangement providing a pension on retirement of up to two-thirds of pensionable earnings, or the 'earnings cap' if lower. No actuarial reduction will be applied to pension benefits accrued prior to 1 April 2003 if retirement is from age 55 or later. In the event of death before retirement, a capital sum equal to four times basic salary is payable together with a spouse's pension of two-thirds of the member's prospective pension at age 60 and children's pensions if appropriate. In the event of death in retirement, a spouse's pension of two-thirds of the member's pre-commutation pension is payable. Pensions in payment or in deferment are guaranteed to increase annually in February by the lesser of 5% or the increase in the RPI. Additional increases are payable at the discretion of the Company and the Trustee of the Scheme.

## Remuneration report (continued)

Mr Lawson is a deferred member of the Scheme and continues to receive life insurance cover. The amount of the life insurance benefit for Mr Lawson is included in the amount shown on page 31.

All Scheme benefits are subject to Inland Revenue limits. Where such limitation is due to the 'earnings cap', arrangements may be agreed with individuals to compensate them for the reduction in benefits, either by salary supplement or through a funded unapproved retirement benefits scheme.

Mr Hewitt has elected to receive part of his additional entitlement as contributions to a funded unapproved retirement benefit scheme together with a salary supplement in lieu of part of his unapproved pension entitlement. Mr Mason has elected to receive a salary supplement in lieu of all of his unapproved pension entitlement. Salary supplements for both Messrs Hewitt and Mason are included in the table shown on page 31. Mr Butler's pension entitlement will be met from the Scheme in full.

The following table gives details for each Director of:

- The annual accrued pension payable from normal retirement age, calculated as if he had left service at the year end i.e. 31 March 2004;
- The increase in accrued pension attributable to service as a Director during the year;
- The transfer value of the accrued benefit at the year end;
- The transfer value of the accrued benefit at the previous year end; and
- The increase in the transfer value over the period.

These amounts exclude any (i) benefits attributable to additional voluntary contributions; and (ii) actual members' contributions.

### Disclosure of Directors' Pension Benefits for the year ended 31 March 2004 (audited)

	AGE AT 31 MARCH 2004 YEARS	ACCRUED PENSION AS AT 31 MARCH 2004 <sup>b</sup> £	INCREASE IN ACCRUED PENSION BENEFITS £	TRANSFER VALUE AS AT 31 MARCH 2004 <sup>c</sup> £	TRANSFER VALUE AS AT 31 MARCH 2003 <sup>c</sup> £	INCREASE IN TRANSFER VALUE LESS DIRECTORS' CONTRIBUTIONS <sup>d</sup> £
R B Butler	44	127,418	12,477	1,171,000	954,000	199,870
J L Hewitt <sup>e</sup>	56	12,100	1,840	197,000	157,000	35,120
R A Lawson <sup>a</sup>	59	71,728	1,823	1,319,000	1,239,000	80,000
I Mason	42	18,884	2,384	153,000	120,000	28,120

**Notes:** <sup>a</sup> Mr Lawson became a deferred Member of the Scheme on 20 July 2001 on his appointment as Chairman Designate. This table only reflects the scheme benefits retained and includes credit for transfers received and service to 20 July 2001.

<sup>b</sup> Accrued Pension Benefits shown are the amounts which would be paid annually on retirement based on service to the end of the year.

<sup>c</sup> Transfer values have been calculated in accordance with the Guidance Note published by the Institute and Faculty of Actuaries (GN11) (version 9.1).

<sup>d</sup> The increase in transfer value less Directors' contributions includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is calculated after deducting the Directors' contributions.

<sup>e</sup> Additional contributions of £101,368 were paid into a funded unapproved arrangement ('FURB') for Mr Hewitt (2003: £338,415, which included a one off contribution of £250,000.)

### Other benefits

All Executive Directors are provided with a Company mobile phone, a Company car (or a cash allowance) and medical insurance. The taxable value of these benefits is included in the Directors' emoluments table on page 31.

### Service contracts (not subject to audit)

All current Executive Directors have service contracts that are on a 12 month rolling basis. These contracts provide for 12 months' notice by the Company and by the Executive Directors.

Termination payments are limited to the Directors' normal compensation, including basic salary, annual incentives and benefits for the unexpired portion of the notice period. However, the Committee will aim to minimise the level of payments to that Director having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for the departure, and the Company's policy to apply mitigation in the case of severance.

The Company entered into the current contractual agreements with Mr Butler and Mr Mason on 1 March 2001 and with Mr Hewitt on 14 March 2001. These agreements replaced all prior arrangements.

Mr Lawson entered into a service agreement as Chairman of the Company on 20 July 2001. This agreement replaced all prior arrangements. The term of the contract was reviewed by the Company during December 2003 and, as a result, extended to the date of the Company's Annual General Meeting in 2006 whereupon it shall terminate without further notice unless renewed by the Company. The contract provides for 12 months' notice of termination to be given by the Company or by Mr Lawson at any time.

### External appointments (not subject to audit)

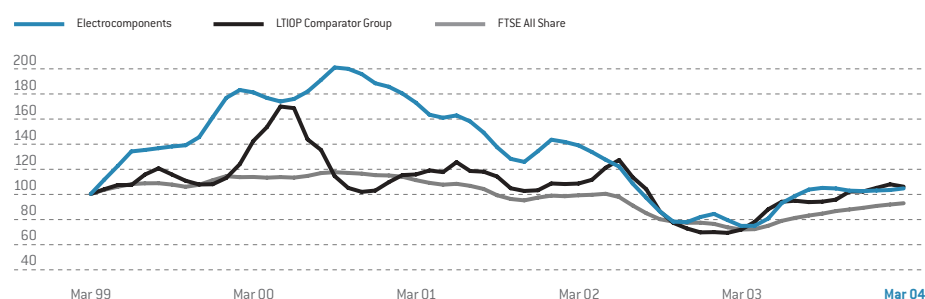
Executive Directors are encouraged to take up one Non-Executive position on the boards of other companies on the condition that any fees are remitted to the Company.

### Performance review (not subject to audit)

The following graph shows the five year Total Shareholder Return ('TSR') performance of the Company relative to both the comparator group used for the 2002 and 2003 LTIOP grants and the FTSE All Share Index. These indices were chosen because they provide a comparison of the Company's performance against the comparator group chosen for the awards made under LTIOP, the Company's main share incentive scheme, and a broad equity market index.

Brambles Industries plc and Takkt AG who are part of the comparator group became listed companies on 31 August 2001 and 30 September 1999 respectively. They have only been included in the comparator group from these dates.

#### Value of £100 invested in Electrocomponents on 31 March 1999 vs. LTIOP Comparator Group and the FTSE All Share Index



The TSR of Electrocomponents' shares was 0.8% p.a. over the period compared with 1.1% p.a. for the LTIOP comparator group and -1.5% p.a. for the FTSE All Share Index.

### Directors' Remuneration for the year ended 31 March 2004

#### Salary, Annual Bonus and Other Benefits (audited)

	SALARY 2004 £	SALARY 2003 £	IN LIEU OF PENSION 2004 £	IN LIEU OF PENSION 2003 £	BENEFITS 2004 £	BENEFITS 2003 £	BONUS 2004 £	BONUS 2003 £	TOTAL 2004 <sup>c</sup> £	TOTAL 2003 <sup>c</sup> £
<b>Emoluments of the Chairman</b>										
R A Lawson	160,000	160,000	0	0	23,462	28,363	0	0	183,462	188,363
<b>Emoluments of Executive Directors</b>										
R B Butler	285,500	278,333	0	0	13,877	15,096	50,000	40,000	349,377	333,429
J L Hewitt <sup>a</sup>	366,000	352,917	68,807	58,937	23,602	23,993	60,000	50,000	518,409	485,847
I Mason <sup>a</sup>	438,750	422,083	54,214	52,304	22,076	27,012	100,000	60,000	615,040	561,399
– one-off salary supplement			0	157,400					0	157,400
<b>Totals</b>	<b>1,250,250</b>	<b>1,213,333</b>	<b>123,021</b>	<b>268,641</b>	<b>83,017</b>	<b>94,464</b>	<b>210,000</b>	<b>150,000</b>	<b>1,666,288</b>	<b>1,726,438</b>
<b>Fees of Non-Executive Directors</b>										
L Atkinson <sup>b</sup>									35,000	35,000
T G Barker									32,000	32,000
K Hamill									32,000	32,000
F D Lennertz									40,000	40,000
N J Temple									32,000	32,000
D S Winterbottom <sup>b</sup>									35,000	35,000
<b>Totals</b>									<b>1,872,288</b>	<b>1,932,438</b>

**Notes:**

<sup>a</sup> Provision of pension benefits under the Group's approved pension arrangements is restricted for employees joining the Scheme after 1 June 1989. During the year ending 31 March 2004, Mr Hewitt and Mr Mason have elected to receive salary supplements of £68,807 and £54,214 respectively in lieu of the balance of their pension entitlements. In addition, Mr Hewitt also elected to receive payments to a FURB of £101,368 during the year (2003: £338,415 which included a one off contribution of £250,000) as shown in note e on page 30.

<sup>b</sup> Dr Atkinson, as Chairman of the Remuneration Committee and Mr Winterbottom as Chairman of the Audit Committee, each receive an additional fee of £3,000 per annum.

<sup>c</sup> No payments were made during the years ending 31 March 2003 or 31 March 2004 in connection with (i) compensation for loss of office or (ii) reimbursable taxable expenses.

## Remuneration report (continued)

## Directors' Interests in Incentive Plans and Share Options (audited)

## Long Term Incentive Plan (LTIP) (Note a)

	DATE OF GRANT	VESTING DATE	MARKET PRICE ON GRANT	SHARES AT 31 MARCH 2003	GRANTED IN FY04	SHARES VESTED IN FY04	LAPSED IN FY04	SHARES AT 31 MARCH 2004
R B Butler <sup>b</sup>	30-Jun-00	30-Jun-03	648.6p	30,835	0	0	30,835	0
	30-Jun-01	30-Jun-04	544.3p	47,767	0	0	0	47,767
<b>Total</b>				78,602	0	0	30,835	47,767
J L Hewitt <sup>b</sup>	30-Jun-00	30-Jun-03	648.6p	43,169	0	0	43,169	0
	30-Jun-01	30-Jun-04	544.3p	60,628	0	0	0	60,628
<b>Total</b>				103,797	0	0	43,169	60,628
R A Lawson <sup>b</sup>	30-Jun-00	30-Jun-03	648.6p	67,838	0	0	67,838	0
	30-Jun-01	30-Jun-04	544.3p	80,837	0	0	0	80,837
<b>Total</b>				148,675	0	0	67,838	80,837
I Mason <sup>b</sup>	30-Jun-00	30-Jun-03	648.6p	29,293	0	0	29,293	0
	30-Jun-01	30-Jun-04	544.3p	58,791	0	0	0	58,791
<b>Total</b>				88,084	0	0	29,293	58,791

Notes: a Awards under the LTIP are subject to performance conditions set out on page 29.

b No awards granted under the LTIP on 30 June 2000 vested and the awards lapsed on 4 July 2003.

## Incentive Plans and Share Options (audited)

	SCHEME	DATE OF GRANT	VESTING DATE	EXPIRATION DATE	EXERCISE PRICE	SHARES UNDER OPTION 31 MARCH 2003	GRANTED IN FY04	EXERCISED IN FY04	LAPSED IN FY04	SHARES UNDER OPTION 31 MARCH 2004	
R A Butler	1988 Executive	28-Jul-95	28-Jul-98	27-Jul-05	306.1p	24,750	0	0	0	24,750	
		28-Jul-95	28-Jul-00	27-Jul-05	306.1p	14,850	0	0	0	14,850	
		28-Jul-95	28-Jul-02	27-Jul-05	306.1p	9,900	0	0	0	9,900	
	<sup>a</sup> Savings Related	15-Jan-02	01-Mar-05	31-Aug-05	423.5p	2,245	0	0	2,245	0	
		28-Jun-03	01-Sep-06	28-Feb-07	260.0p	0	3,557	0	0	3,557	
		<sup>b</sup> LTIP	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	363,868	0	0	0	363,868
		16-Jun-03	15-Jun-06	15-Jun-13	349.0p	0	354,426	0	0	354,426	
<b>Total</b>					415,613	357,983	0	2,245	771,351		
J L Hewitt	<sup>a</sup> Savings Related	28-Jun-03	01-Sep-08	28-Feb-09	260.0p	0	6,125	0	0	6,125	
		<sup>b</sup> LTIP	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	461,333	0	0	0	461,333
			16-Jun-03	15-Jun-06	15-Jun-13	349.0p	0	454,806	0	0	454,806
<b>Total</b>					461,333	460,931	0	0	922,264		
R A Lawson	1988 Executive	28-Jul-95	28-Jul-00	27-Jul-05	306.1p	54,080	0	0	0	54,080	
		28-Jul-95	28-Jul-02	27-Jul-05	306.1p	13,520	0	0	0	13,520	
<b>Total</b>					67,600	0	0	0	67,600		
I Mason	1988 Executive	28-Jul-95	28-Jul-00	27-Jul-05	306.1p	30,300	0	0	0	30,300	
		28-Jul-95	28-Jul-02	27-Jul-05	306.1p	20,200	0	0	0	20,200	
	<sup>a</sup> Savings Related	15-Jan-02	01-Mar-05	31-Aug-05	423.5p	3,912	0	0	3,912	0	
		28-Jun-03	01-Sep-08	28-Feb-09	260.0p	0	6,125	0	0	6,125	
	<sup>b</sup> LTIP	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	552,300	0	0	0	552,300	
		16-Jun-03	15-Jun-06	15-Jun-13	349.0p	0	545,272	0	0	545,272	
<b>Total</b>					606,712	551,397	0	3,912	1,154,197		

Notes: a In the course of the year options granted to Mr Butler under the Savings Related Share Option Scheme over 2,245 shares granted on 15 January 2002 at an option price of 423.5p lapsed. Options granted to Mr Mason under the Savings Related Share Option Scheme over 3,912 shares also lapsed. These too were granted on 15 January 2002 at an option price of 423.5p. However, both Messrs Butler and Mason used the proceeds of the savings contracts to acquire shares in the Company. Details of these purchases are shown on page 25 of the Directors' Report.

b Awards made under the Long Term Incentive Option Plan are subject to performance conditions set out on pages 28 and 29. The closing mid-market price of the shares on 31 March 2004 was 341.5p. During the year, the price of the shares varied between 263.25p and 385.75p. No other awards have been made during the year.

By Order of the Board

**Dr Leslie Atkinson**

Chairman of the Remuneration Committee

26 May 2004