

# Remuneration Report

## Remuneration Committee

### Role and Membership

The Remuneration Committee ('Committee') is responsible for recommending overall remuneration policy in respect of the Executive Directors, the Chairman and senior managers. The Board as a whole determines the remuneration of the Non-Executive Directors.

The Committee was chaired throughout the year by Leslie Atkinson. The other members of the Committee over the year were Keith Hamill, Nick Temple (until his resignation from the Board on 13 July 2007), Tim Barker and Rupert Soames (following his appointment to the Board on 13 July 2007). The Chairman was invited to attend Committee meetings during the year. The Committee met three times during the year. One of the meetings was unscheduled. Attendance by individual Committee members at scheduled meetings is detailed in the Report of the Directors on page 19.

During the year ended 31 March 2008, 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 Section 1B of the Combined Code.

### Advisers

For the year under review, the Committee has taken advice from the following:

- Kepler Associates, who provided advice and data in respect of the Executive Directors' salary reviews, the data required for the measurement of performance targets relating to the various executive share-based plans, advice regarding the setting of performance targets for the Long Term Incentive Plan (LTIP), and proposals regarding a possible deferred share element of the Annual Bonus Plan and changes to the LTIP performance target. Kepler Associates provided no other advice or services to the Company;
- the Chairman, Group Chief Executive and Group Finance Director, who have attended parts of meetings by invitation to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers;
- the General Manager – Group HR, who advised on remuneration of senior managers; and
- the Company Secretary, who acts as Secretary to the Committee.

### Remuneration Policy

The remuneration policy has applied during the year ended 31 March 2008 and, with the exception of the possible changes to the Annual Bonus Plan arrangements referred to elsewhere in this report, will continue to apply during the year ending

31 March 2009. The Committee keeps the Company's policy under constant review, in order to meet its remuneration objectives described below.

### Executive Directors

The objectives of the remuneration policy for Executive Directors are to:

- provide a remuneration package which is competitive and linked to performance; and
- ensure that the Group can attract and retain executives who have the experience, skills and talents to manage and develop the business successfully.

The components of the remuneration package for Executive Directors are:

Fixed	Variable
<ul style="list-style-type: none"><li>• Basic salary;</li><li>• Pension; and</li><li>• Other benefits.</li></ul>	<ul style="list-style-type: none"><li>• Annual bonus;</li><li>• Long Term Incentive Plan; and</li><li>• Executive Incentive Plan.</li></ul>

The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between performance related and non-performance related components of the remuneration package. In order to fulfil its objectives, the Committee believes that it is important to retain a certain amount of flexibility in structuring appropriate remuneration, for instance to facilitate the recruitment of suitably qualified candidates in a very competitive environment.

### The Chairman and Non-Executive Directors

Remuneration comprises an annual fee for the Chairman and Non-Executive Directors of the Company. An additional fee is paid to the Chairmen of the Audit and Remuneration Committees. The Chairman and Non-Executive Directors do not participate in the Company's incentive or bonus schemes, nor do they accrue any pension entitlement.

### Remuneration Components for Executive Directors

#### Basic Salary

In determining salary levels, the Committee takes into account the following:

- comparable information for similar job functions in companies of a similar size;
- the international spread and competitive nature of the Group's businesses; and
- the individual's experience, performance and contribution in the areas for which responsibility is held.

### **Annual Bonus Plan**

The Annual Bonus Plan aims to ensure that the incentives for Executive Directors and senior managers are competitive and closely aligned to the Company's financial performance.

For Executive Directors, the plan links bonus to financial performance (80%), and personal achievement of non-financial objectives (20%). The financial element is primarily based on PBT but also on growth in Group sales with a cash flow moderation. The performance targets are established by the Board and adopted by the Committee on an annual basis and reflect market conditions as well as strategic and operational factors. Annual bonuses for Executive Directors are capped at 100% of salary. On-target performance could earn a bonus of 50% of salary for each Executive Director. For the financial year ended 31 March 2008, the Executive Directors were awarded bonuses of 43.6% of salary.

The Committee has discretion to vary bonus payments for participants but only in appropriate circumstances. Annual bonus payments are not pensionable.

The structure of the annual bonus plan is currently under review, and shareholders will be consulted about any changes in due course.

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

An award of shares (an 'Award') was made to plan participants under the LTIP in the year ended 31 March 2008. The Award is subject to the performance condition detailed in the paragraph below and is conditional on their continued employment with the Group until the determination of the performance condition, except in certain circumstances as explained below. The LTIP is designed to align long-term incentives with the interests of shareholders and reflect current best practice. Participation in the plan extends to Executive Directors and the Group's senior managers. Awards were made over a total of 1,067,250 ordinary shares in the Company on 22 June 2007.

Vesting of the Award is dependent upon Electrocomponents' 3 year Total Shareholder Return ('TSR') percentage out-performance of the FTSE 250 Index (the 'Index'). For the Award to vest in full, the Company's TSR must outperform the TSR of the Index by at least 20%. If the Company's TSR is equal to or below the TSR of the Index, the Award will not vest. Between these two levels the Award will vest on a straight-line basis. A cash payment, equivalent to the dividends that would have accrued on the number of shares that vest, will be made to participants on vesting.

For the Award to vest, the Committee must additionally be satisfied that there has been a sustained improvement in the Company's underlying financial performance.

The Committee selected TSR as the performance measure because it felt it aligned to shareholders' interests, and the FTSE 250 Index as the benchmark because Electrocomponents is a constituent of the Index and the Index is objective and transparent.

The Committee is currently reviewing the performance target that will apply to future awards made under the LTIP.

### **Executive Incentive Plan ('EIP')**

The EIP, which is limited to Executive Directors and members of the Group Executive Committee, is a one-off incentive plan rewarding achievement of the PBT targets set for the 2008/09 financial year. The main award of shares was made on 1 February 2006. Further awards have been made to any new members of the Group Executive Committee joining before 31 December 2007, pro-rated to the proportion of the full performance period they will have been members of the Committee at the time of vesting. Both awards are subject to the performance condition detailed in the paragraph below and is conditional on participants' continued employment with the Group until the end of the performance period, except in certain specified circumstances explained below.

The performance condition is based on the PBT in the 2008/09 financial year. If PBT in the 2008/09 financial year is less than £130m the awards will not vest. For full vesting of the awards PBT must be £155m in the 2008/09 financial year. 20% of the awards will vest if PBT is £130m, with straight-line vesting between these two levels. A cash payment, equivalent to the dividends that would have accrued on the number of shares that vest, will be made to participants on vesting.

PBT was selected as an appropriate measure of financial performance and the threshold performance level was based on the Company's long-term strategy as previously announced to shareholders.

For any award to vest the Committee must additionally be satisfied that the Company's Return on Capital Employed ('ROCE') is at least 25% in the 2008/09 financial year. ROCE is return on capital employed excluding any pension liability.

Subject to the agreement of the Committee, awards under both the LTIP and EIP may vest where employment does not continue for the full performance period for 'good leavers' and on a change of control. In these circumstances, the amount of the Award which would vest would be subject to the performance conditions as described above and would normally be pro-rated for time.

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

No awards have been made under the LTIOIP since the year ended 31 March 2006 and there is no intention to make further awards under this plan. Further information regarding the performance targets is on page 28.

### **Executive Shareholding Guidelines**

Executive shareholding guidelines have been introduced whereby Executive Directors are required to retain at least 50% of any awards that vest in order to help build-up their personal holdings of Electrocomponents shares to a value of 200% of salary for the Group Chief Executive and 100% of salary for the Group Finance Director.

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

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

# Remuneration Report

continued

## Dilution

Awards and options granted under the Company's share plans are generally satisfied by the issue of new shares. The Company has an employee benefit trust which can also be used to provide shares to satisfy share awards, by purchasing shares in the market. This trust would be funded by the Company. The trust currently holds 308,417 (2007: 308,417). The Company's current dilution levels are well within commonly accepted limits.

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

Executive Directors participate in the section of the Scheme that provides defined benefits on retirement. When the HM Revenue & Customs limits were removed on 6 April 2006, the Scheme replaced them with equivalent Scheme specific limits therefore maintaining a cap on pensionable earnings (the 'earnings cap').

Under the Scheme, the Directors benefit from the following provisions:

- a pension accrual rate of one-thirtieth for each year of service;
- a normal retirement age of 60;
- a pension on retirement of up to two-thirds of pensionable earnings, or the earnings cap if lower;
- benefits drawn from the Scheme before normal retirement age are reduced to reflect the fact that they are paid sooner and for longer than anticipated. The reduction factors are calculated on a basis that is intended to be 'cost neutral' to the Scheme;
- 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; and
- pensions in payment or in deferment are guaranteed to increase annually in February by the lower of 5% or the increase in the RPI. Additional increases are payable at the discretion of the Company and the trustee of the Scheme. No such increases have been awarded during the year.

Where the amount of a pension on retirement is limited by the earnings cap, arrangements have been agreed with individuals to compensate them for the reduction in benefits, by salary supplement details of which are included in a table shown on page 27.

The Company completed consulting with all members of the Defined Benefit section of the Scheme on 3 April, including the Executive Directors, over changes to come into effect on 1 June 2008. Summary details of the proposals are included in the Annual Report and Accounts under note 8 on page 44.

The following table gives details for each Director of:

- the annual accrued pension payable from normal retirement age, calculated as if they had left service at the year end i.e. 31 March 2008;
- 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 2008 (audited)

	Age at 31 March 2008 Years	Accrued pension as at 31 March 2008 <sup>(a)</sup> £	Increase in accrued pension benefits £	Transfer value as at 31 March 2008 <sup>(b)</sup> £	Transfer value as at 31 March 2007 <sup>(b)</sup> £	Increase in transfer value less Directors' contributions <sup>(c)</sup> £
S Boddie	48	10,340	4,005	125,000	72,000	42,848
I Mason	46	34,086	3,792	421,000	314,000	96,848

<sup>(a)</sup> The accrued pension benefits shown are the amounts which would be paid annually on retirement at normal retirement age, based on service to the end of the year.

<sup>(b)</sup> Transfer values have been calculated in accordance with Guidance Note 11 (Version 9.3) issued by the actuarial profession.

<sup>(c)</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.

## 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 27.

### Service Agreements (not subject to audit)

All current Executive Directors have service agreements that are on a 12 month rolling basis. These agreements 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 subject to performance and Remuneration Committee discretion. The Committee will aim to minimise the level of payments to that Director, however, 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 an updated service agreement with Ian Mason on 1 March 2001. This agreement replaced all prior arrangements. The Company entered into a service agreement with Simon Boddie on 25 May 2005.

Letters of appointment are provided to the Chairman and Non-Executive directors providing for an initial three year term. The Chairman's letter of appointment provides for a six month notice period and the Non-Executive directors a three month notice period.

### External Appointments (not subject to audit)

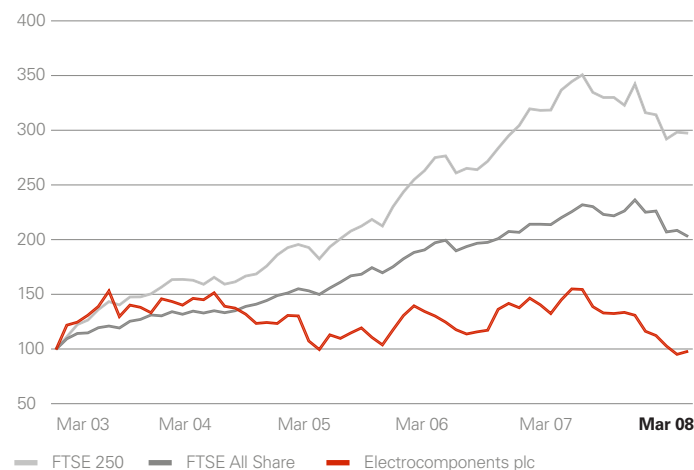
Executive Directors are permitted to take up one non-executive position on the boards of other companies, subject to the prior approval of the Board. The Executive Director may retain any fees

payable in relation to such appointment. During the financial year, Ian Mason was appointed a Non-Executive director of Sage Group plc, and will retain the fees paid in relation to this appointment. The fee payable is £52,000 per annum.

### Performance Review (not subject to audit)

The following graph shows the five year TSR performance of the Company relative to the FTSE All Share and the FTSE 250 Index. The FTSE All Share is a broad equity market index of which Electrocomponents is a member and the Company is measuring its TSR performance versus the FTSE 250 for the purposes of the LTIP and has therefore included this as a relevant index.

### Total Shareholder Return (value of £100 invested on 31 March 2003)



### Directors' Remuneration for the year ended 31 March 2008 (audited)

#### Salary, Annual Bonus and Other Benefits

	Salary 2008 £	Salary 2007 £	Annual Allowance in lieu of pension 2008 £	Annual Allowance in lieu of pension 2007 £	Benefits 2008 £	Benefits 2007 £	Bonus 2008 £	Bonus 2007 £	Total 2008 £	Total 2007 £
<b>Emoluments of the Chairman</b>										
H Mamsch	180,000	105,000	-	-	-	-	-	-	180,000	105,000
<b>Emoluments of Executive Directors</b>										
S Boddie	349,950	333,750	87,302	83,305	12,416	14,957	152,320	196,645	601,988	628,657
I Mason	524,117	498,750	94,327	62,256	19,803	23,393	228,480	293,500	866,727	877,899
<b>TOTALS</b>	<b>1,054,067</b>	<b>937,500</b>	<b>181,629</b>	<b>145,561</b>	<b>32,219</b>	<b>38,350</b>	<b>380,800</b>	<b>490,145</b>	<b>1,648,715</b>	<b>1,611,556</b>
<b>Fees of Non-Executive Directors</b>										
L Atkinson <sup>(a)</sup>									50,000	49,667
T G Barker <sup>(a)</sup>									50,000	49,667
K Hamill									40,000	39,667
R C Soames									28,667	-
N J Temple									13,333	49,667
<b>TOTALS</b>									<b>1,830,715</b>	<b>1,800,224</b>

<sup>(a)</sup> Leslie Atkinson, as Chairman of the Remuneration Committee and Tim Barker as Chairman of the Audit Committee, each receive an additional fee of £10,000 per annum.

No compensation for loss of office was paid during the year ended 31 March 2008.

# Remuneration Report

continued

## Share Options (audited)

Scheme	Date of Grant	Vesting Date	Expiration Date	Exercise Price	Shares	Granted in FY08	Exercised in FY08	Lapsed in FY08	Shares under option 31 March 2008	
					under option 1 April 2007					
S Boddie	Savings	04-Jul-06	01-Sep-09	28-Feb-10	196.00p	2,862	–	–	–	<b>2,862</b>
	Related	03-Jul-07	01-Sep-10	28-Feb-11	241.00p	–	1,568	–	–	<b>1,568</b>
	Long Term Incentive Option Plan <sup>(a)</sup>	13-Jun-05	12-Jun-08	12-Jun-15	251.00p	400,000	–	–	–	<b>400,000</b>
	<b>Total</b>					<b>402,862</b>	<b>1,568</b>	<b>–</b>	<b>–</b>	<b>404,430</b>
I Mason	Savings Related	28-Jun-03	01-Sep-08	28-Feb-09	260.00p	6,125	–	–	–	<b>6,125</b>
	Long Term Incentive Option Plan <sup>(a)</sup>	22-Aug-02	21-Aug-05	21-Aug-12	312.00p	552,300	–	–	–	<b>552,300</b>
		16-Jun-03	15-Jun-06	15-Jun-13	349.00p	545,272	–	–	–	<b>545,272</b>
		11-Jun-04	10-Jun-07	10-Jun-14	365.00p	525,000	–	–	–	<b>525,000</b>
		13-Jun-05	12-Jun-08	12-Jun-15	251.00p	550,000	–	–	–	<b>550,000</b>
<b>Total</b>					<b>2,178,697</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,178,697</b>	

<sup>(a)</sup> Awards made under the Long Term Incentive Option Plan. These are subject to a performance condition based on TSR, with no options vesting unless TSR performance is above the median for the selected comparator group, and full vesting only occurring if Electrocomponents is first out of the 14 in that group in terms of TSR. The Committee chose TSR because it felt it was the measure most closely aligned to shareholders' interests.

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 is not subsequently retested and the unvested part of the option lapses. If the target has not been met at all at the end of five years, the option lapses.

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.

## Share Awards (audited)

Notes	Scheme	Date of Award	Shares	Shares	Vested	Lapsed	Shares awarded at 31 March 2008
			awarded at 1 April 2007	awarded in FY08	in FY08	in FY08	
(a)	Executive Incentive Plan	1-Feb-06	400,000	–	–	–	<b>400,000</b>
		14-Jun-06	100,000	–	–	–	<b>100,000</b>
		22-Jun-07	–	110,000	–	–	<b>110,000</b>
<b>Total</b>			<b>500,000</b>	<b>110,000</b>	<b>–</b>	<b>–</b>	<b>610,000</b>
(b)	Long Term Incentive Plan	1-Feb-06	800,000	–	–	–	<b>800,000</b>
		14-Jun-06	200,000	–	–	–	<b>200,000</b>
		22-Jun-07	–	220,000	–	–	<b>220,000</b>
<b>Total</b>			<b>1,000,000</b>	<b>220,000</b>	<b>–</b>	<b>–</b>	<b>1,220,000</b>

<sup>(a)</sup> Awards made under the Executive Incentive Plan are subject to performance conditions and a vesting period set out on page 25.

<sup>(b)</sup> Awards made under the Long Term Incentive Plan are subject to performance conditions and a vesting period set out on page 25.

The closing mid-market price of the Company's shares on 31 March 2008 was 181.75p. During the year, the price of the Company's shares varied between 157.75p and 311.75p. The mid-market price of the Company's shares on 3 July 2007, being the date the Savings Related Options were granted was 268.00p. The mid-market price of the Company's shares on 22 June 2007, being the date the Long Term Incentive Plan awards were made, was 279.75p.

By Order of the Board

**Leslie Atkinson**

Chairman of the Remuneration Committee

28 May 2008