

# Report of the remuneration committee on Directors' remuneration

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The Remuneration Committee of the Board, whose membership is set out on page 27, consists solely of non-executive directors. Its terms of reference include making recommendations to the Board in respect of the Group policy on executive and senior management remuneration; and the consideration and determination of the remuneration of the executive directors and senior management. It also oversees all employee share schemes. The Chairman and Chief Executive are fully consulted on remuneration proposals.

## **Remuneration policy**

The main aim of the Group's remuneration policy is to reward the Group's executive directors and senior management competitively, having regard to other comparable companies and the need to ensure that they are properly remunerated and motivated to perform in the best interests of shareholders. Performance related rewards, based on measured and stretching targets, are therefore an important component of remuneration packages.

The Remuneration Committee obtains external advice from independent firms of compensation and benefit consultants when necessary.

The main elements of the remuneration package for executive directors and senior management are basic salary and benefits, performance related annual bonus, pension benefits and share options. In addition, there are long-term incentive plans in place for executive directors and senior management.

## **Basic salary and benefits**

The salaries for executive directors are reviewed annually in January having regard to the job size, responsibility levels, personal performance and competitive market practice.

Benefits include a company car (or car allowance) and health insurance costs. No fees are payable to executive directors.

## **Performance related annual bonus**

The Group operates a performance related cash bonus scheme for executive directors and senior management. Payment of an annual bonus depends on the achievement of operating profit targets and personal goals. A percentage of the bonus is payable by reference to profit targets and the balance is payable by reference to individual performance criteria. The maximum annual bonus payable is up to 80% of basic salary for the Chief Executive and 70% for the other executive directors and senior management.

## **Pensions**

Pensions for executive directors and senior management are calculated on basic salary only and no incentive or benefit elements are included.

The executive directors participate in a defined benefit pension plan designed to provide a pension of two-thirds of pensionable salary on retirement with full service. Normal retirement age is 65. In addition, contributions are made to a defined contribution scheme on the difference between basic salary and pensionable salary. The difference arises from the capping of salary increases for defined benefit pension plan purposes to 5% per annum since 2005.

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### Executive share option scheme

An executive share option scheme was established in May 2004. It is policy to grant options under this scheme to key executives across the Group to encourage identification with shareholders' interests. Options are granted solely at the discretion of the Remuneration Committee. Under the scheme rules, options cannot be granted to non-executive directors. The initial grant of options complied with institutional guidelines. In respect of grants since admission, the maximum grant that can be made to any individual in any one year is an award of 150% of salary in that year.

Options will not normally be exercisable until three years after the date of grant and are subject to meeting a specific performance target. This performance target requires the Group's earnings per share (before exceptional items) to increase by 5% in excess of the Irish Consumer Price Index over three years on a compound basis, in order for options to vest. If the performance target is not met after the relevant three year period, the options lapse.

Details of directors' share options are set out on pages 40 to 41.

### Long term incentive plans

A share-based Long Term Incentive Plan for executive directors and senior management was established at the time of the Group's admission to listing in May 2004. The nature and level of incentives available and the relevant performance criteria were not specified at the time, but following consultation with the Irish Association of Investment Managers ("IAIM") a plan has been introduced, the terms of which have met its approval.

Under the plan, awards of up to 60% of basic salary may be granted. Awards are in the form of nil-cost options over shares, based on the closing share price on the day before the grant date. For the shares to vest fully, total shareholder return must be in the top quartile of a comparator group over a three-year period. None of the award vests for below median performance. 30% of the award vests for median performance with straight-line pro-rating between the median and upper quartile. In addition to the total shareholder return condition, earnings per share growth (before exceptional items) must increase by 5% in excess of the Irish Consumer Price Index on a compound basis over the same three-year period. If both these conditions are not met at the end of the relevant period, the options lapse.

Awards were granted to certain executive directors in January 2006 and July 2006 as disclosed on page 41. While there is no certainty that these options will vest, the estimated cost of the full vesting of the award is being amortised over the vesting period.

In addition to the above share-based Long-Term Incentive Plan, the Committee introduced a special cash-based long-term incentive plan for Brendan McGuinness in October 2005.

The Listing Rules generally require that any long-term incentive plan is approved by shareholders before it is adopted. However, this rule does not apply to a scheme where the only participant is one director and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant director.

In this case, Brendan McGuinness had reached an age, and had sufficient service, to allow him retire on a full pension should he choose to do so. It was considered that his retirement would not be in the best interests of shareholders given the expansion plans for the Magners cider business, for which he is responsible. It was agreed, in consultation with the IAIM, that the circumstances were sufficiently unusual to warrant the introduction of this plan. In addition, the IAIM was consulted regarding the principal terms of the plan. The long-term incentive plan provides for a maximum €1 million cash payment payable after the finalisation of the results for the year-ending 29 February 2008. The performance condition is based on an Operating Profit target for the Magners business in the year ending 29 February 2008. The Committee believes that the target is sufficiently stretching, and if reached, will benefit all shareholders. Full payment will be made only if the target is reached. There is also a minimum target below which no payment will be made. The payment will be pro-rated between these minimum and maximum figures. The payment is non-pensionable and is not payable if he leaves the business before 29 February 2008, at his own behest. No changes will be made to these terms to his advantage, without shareholder approval.

While there is no certainty that the performance condition will be met, the estimated cost of the maximum payment is being amortised over the vesting period.

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## **Non-executive directors' remuneration**

The remuneration of the non-executive directors is determined by the Board of Directors as a whole. The Chairman is not involved in determining his own remuneration.

The fees paid to non-executive directors are set at a level which aims to attract individuals with the necessary experience and ability to make a significant contribution to the Group.

## **Promoting all-employee share ownership**

The Group entered into an agreement in 2001 with trade unions representing the majority of its employees, which provided for an initial grant of free shares to eligible employees; the establishment of an approved save as you earn scheme; and the establishment of an approved profit sharing scheme, all after the completion of an initial public offering.

On admission, 9.4 million ordinary shares with an aggregate value of €21.3 million were issued to fulfil the Group's obligations under the free share arrangements. Currently 6.1 million of these shares are held by employee trusts approved by the Irish/UK Revenue, in order to distribute these shares to employees in a tax efficient manner after the required holding periods expire.

The Group is currently in discussion with its employees regarding the other elements of this Agreement. Pending the outcome of these discussions, a discretionary scheme has been put in place for the year ended 28 February 2007. Under this scheme, due to exceptional earnings per share growth in the year, the Remuneration Committee and the Board have approved a share allocation of between 3% and 4% of basic salary remuneration to employees subject to a minimum allocation of €1,000 per employee. The cost, which has been reflected in the Group Income Statement, is €2.5 million. These shares will be issued insofar as possible to the Irish/UK Revenue approved employee trusts.

## **Service contracts**

Group policy is to ensure that all future contracts will have notice periods of less than one year. Other than the service contracts of Brendan Dwan, whose contract has no specified notice period, and Brendan McGuinness, whose contract specifies a two year notice period, there are no service contracts with notice periods in excess of twelve months.

## **Directors' remuneration and interest in share capital**

Details of the overall directors' remuneration charged to the Group Income Statement and individual directors' remuneration and pension benefits for the year ended 28 February 2007 are given on page 39. Directors' share options and the interests of the directors and secretary in the share capital of the company are shown on pages 40 to 41.

**Directors' Remuneration**

	Basic Salary €000	Other Remuneration €000	Benefits in Kind €000	Annual Bonus €000	Pension Contributions €000	Total 2007 €000	Total 2006 €000
<b>Executive Directors</b>							
Brendan Dwan	338	-	20	231	116	<b>705</b>	558
Brendan McGuinness	363	-	38	249	124	<b>774</b>	609
James Muldowney	269	-	19	186	94	<b>568</b>	452
Maurice Pratt	638	29	17	496	226	<b>1,406</b>	1,200
<b>Total</b>	<b>1,608</b>	<b>29</b>	<b>94</b>	<b>1,162</b>	<b>560</b>	<b>3,453</b>	2,819

Average number of Executive Directors 4 4

	Basic Fees €000	Other Fees €000	Benefits in kind €000	Total 2007 €000	Total 2006 €000
<b>Non-Executive Directors</b>					
John Burgess	60	-	-	<b>60</b>	52
Liam FitzGerald	60	-	-	<b>60</b>	52
John Hogan	60	20	-	<b>80</b>	72
Richard Holroyd	60	-	-	<b>60</b>	52
Philip Lynch	60	20	-	<b>80</b>	72
Tony O'Brien	176	-	21	<b>197</b>	190
Breege O'Donoghue	60	-	-	<b>60</b>	52
<b>Total</b>	<b>536</b>	<b>40</b>	<b>21</b>	<b>597</b>	542

Average number of Non- Executive Directors 7 7

Total Directors' Remuneration 4,050 3,361

**Directors' Pension Benefits**

Executive Directors	Employer Contributions		Increase in Accrued Pension in Year €000	Transfer Value of Increase		Total Accrued Pension at Year End	
	DC Plan €000	DB Plan €000		2007 €000	2006 €000	2007 €000	2006 €000
Brendan Dwan	13	103	7	<b>150</b>	101	<b>182</b>	168
Brendan McGuinness	14	110	8	<b>160</b>	104	<b>217</b>	201
James Muldowney	6	88	5	<b>49</b>	44	<b>31</b>	25
Maurice Pratt	6	220	13	<b>91</b>	174	<b>63</b>	49
<b>Total</b>	<b>39</b>	<b>521</b>	<b>33</b>	<b>450</b>	423	<b>493</b>	443

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## Directors and their interests

The interests of the directors and secretary in the share capital of Group Companies at the beginning of the year (or date of appointment if later) and the end of the year were:

### Interests in C&C Group plc Ordinary shares of €0.01 each

	28 Feb 2007	28 Feb 2006
<b>Directors</b>		
John Burgess	-	-
Brendan Dwan	639,005*	1,039,005*
Liam FitzGerald	13,100	9,400
John Hogan	9,636	9,461
Richard Holroyd	-	-
Philip Lynch	30,289	30,102
Brendan McGuinness	1,209,146	1,196,395
James Muldowney	313,142	309,840
Tony O'Brien	1,700,000	1,697,290
Breege O'Donoghue	46,926	41,162
Maurice Pratt	1,010,658	1,000,000
<b>Total</b>	<b>4,971,902</b>	<b>5,332,655</b>

\* 700,000 of these shares are held non-beneficially at 28 February 2006 and 450,000 are held non-beneficially at 28 February 2007.

### Company Secretary

Noreen O'Kelly	135,500	134,000
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The Directors and Secretary have no beneficial interests in any of the Group's subsidiary undertakings.

Between 28 February 2007 and 30 April 2007 the following transactions took place in the directors' interests.

John Burgess acquired 97,000 ordinary shares on 2 March 2007 at €10.10 per share to bring his total shareholding to 97,000.

Richard Holroyd acquired 3,105 ordinary shares on 1 March 2007 at €10.57 per share to bring his total shareholding to 3,105.

Philip Lynch acquired 30,000 ordinary shares on 1 March 2007 at €10.75 per share to bring his total shareholding to 60,289.

Breege O'Donoghue acquired 5,000 ordinary shares on 2 March 2007 at €10.15 per share to bring her total shareholding to 51,926.

### Interests in Share Options – Executive Share Option Scheme

#### Share Options over Ordinary Shares of €0.01 each in C&C Group plc

	01 Mar 2006	Granted during Year	28 Feb 2007	Weighted Average Option Price
<b>Directors</b>				
Brendan Dwan	403,100	-	403,100	2.52
Brendan McGuinness	426,200	60,000	486,200	3.01
James Muldowney	343,600	-	343,600	2.51
Maurice Pratt	1,350,900	142,700	1,493,600	2.88
<b>Company Secretary</b>				
Noreen O'Kelly	210,900	-	210,900	2.56

Options granted at €2.26 in May 2004 are exercisable in the period from 15/05/2007 to 14/05/2011. Options granted at €3.56 in June 2005 are exercisable in the period from 20/06/2008 to 19/06/2012. Options granted at €6.52 in June 2006 are exercisable in the period from 16/06/2009 to 15/06/2013.

**Interests in Share Options – Long Term Incentive Plan**  
**Share Options over Ordinary Shares of €0.01 each in C&C Group plc**

	01 Mar 2006	Granted during Year	Share Price at Grant Date	28 Feb 2007
<b>Directors</b>				
Brendan Dwan	-	30,400	€6.52	<b>30,400</b>
James Muldowney	-	24,400	€6.52	<b>24,400</b>
Maurice Pratt	44,365	38,100	€6.52	<b>82,465</b>
	44,365	92,900		<b>137,265</b>
<b>Company Secretary</b>				
Noreen O'Kelly	-	17,700	€6.52	17,700

The above are nil cost options and are exercisable in the period from 12/01/2009 to 15/12/2009.

The market price of the Company's shares at 28 February 2007 was €10.50 and ranged during the year from €5.42 to €13.90.