

PEOPLE

Morgan Advanced Materials' employees are critical to its success and the workforce comprises people with highly unique skills and abilities. Set out below are the Group's People Policies, how they have been implemented, with a review of their effectiveness.

People Policies and their implementation

The Group supports the Universal Declaration of Human Rights, and the Group's Human Rights Policy commits the Group to protect the rights of everyone who works for it and all those who have dealings with it. The principles of the Policy cover child labour, forced labour, health and safety, freedom of association, discrimination, discipline, working hours and compensation and the Policy is published on the Group's website. Morgan Advanced Materials plc does not unfairly discriminate and respects human rights. Our employee policies are set locally to comply with local law within the overall Group framework. The Morgan ethics hotline enables employees who are aware of or suspect issues under the Group's Human Rights Policy to report these confidentially.

Talent

One of the Group's key execution priorities for the next 18 months is to increase investment in people management, key functional and technical skills and the development of future leaders. The Group is planning to strengthen leadership capability and deepen functional capabilities across the business, including in materials science and within the sales function. Senior leaders will be benchmarked externally, new talent will be introduced and future leadership candidates will be identified from within the business. The Group will invest more in training and create clear career paths for technologists and engineers. The annual intake of graduate trainees will be increased to 50 a year by 2020.

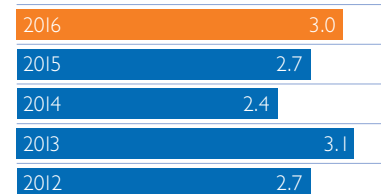
Following the announcement of the Group's intention to move to a global structure and in order to support the execution of that reorganisation targeted talent reviews were completed, resulting in internal promotions, development opportunities and recruitment during 2016. Due to the reorganisation in the early part of 2016 the normal talent review process was deferred until 2017 to allow the new organisation to embed. In 2017 the talent review process will itself be reviewed to ensure the Group is fully able to meet its stated objective of driving business performance through highly effective business development, sales, technology innovation, and commercial leadership. The Group continued to prioritise the global graduate development programme in 2016.

A key area of focus is the improvement of sales effectiveness through identifying the specific behaviours that contribute to a salespersons' successful performance in Morgan. Through identifying these behaviours or competencies, we will be able to build personal learning and development plans that will enable our sales teams to focus on the areas that matter most to our customers. During 2016 an assessment of the current sales organisation has been conducted, including a survey of people involved in the sales process to better understand their job roles and skills.

The Group continues to strengthen existing relationships with leading universities working in materials science, providing opportunities for employees as well as undergraduate and postgraduate students. This includes the establishment of the Carbon Science Centre of Excellence at Pennsylvania State University, USA, and the Centre of Excellence for Metals and Joining in Hayward, California, which will serve as a focal point for academic collaboration on joining technologies with key university faculties worldwide.

TOTAL LOST TIME

% of working time



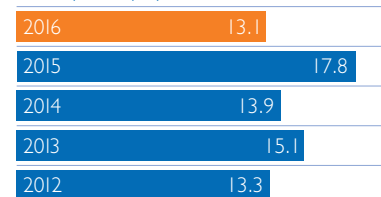
EMPLOYEE TURNOVER

% per year



TRAINING

Hours per employee



CORPORATE RESPONSIBILITY

continued

Recruitment

During 2016, the Group continued to develop its recruitment channels and processes. These include its online presence and assessment processes, and formal assessments at senior levels to help inform recruitment decision-making. Whether recruiting internally or externally, selection is based on many factors including relevant education, work experience, competencies, potential, and performance record. The Group does not unfairly discriminate and it respects human rights.

The Group has operated its global graduate programme for a fifth successive year. Graduates initially join our businesses in Asia, Europe and North America and take part in a common development programme that builds current and future capability, and gives access to international assignments and opportunities. The Chief Executive Officer and other members of the Executive Committee attend the development programmes.

The Group continues to create market leading undergraduate development opportunities, nurturing the pipeline for its global graduate programme. For the year 2016/17 Morgan Advanced Materials has been acknowledged by the Group's undergraduates and the market, via the undergraduate employer review site Rate My Placement, as a top company for undergraduate programmes. This is the first time Morgan has been recognised and demonstrates the excellent development opportunities the Group provides undergraduates.

Training and development

Overall training hours per employee have reduced by 26% to 13.1 hours per person. This was expected as training hours normalised following the large investment in training during 2015 with the launch of 'thinkSAFE', Morgan's behavioural safety programme. Morgan provides Group-wide and Division-based training where appropriate.

In 2016 the Group launched two new Company-wide training programmes, 'thinkSAFE'+ and the Environment, Health and Safety e-learning.

A train-the-trainer programme, 'thinkSAFE'+ is aimed at enhancing leaders' and managers' coaching and mentoring skills to engage employees in striving for a zero harm culture. Over 200 leaders, managers and supervisors attended the programme in 2016. The EHS e-learning training is focused on gas safety, one of the Group's high-risk priority areas, and is available in 17 languages. These programmes are covered in further detail in the Environment, health and safety section on pages 41 to 48.

Also at Group level, the global Advanced Leadership Programme is in its second year. Designed for high-potential and high-performing managers it is focused on building leadership capability and connecting future leaders deeply to Morgan's strategy and its execution. The Graduate Leadership Programme, which is a pipeline for future leaders within the business, was redesigned based on business needs and two additional modules were added to the programme for 2016. The Responsible Business Programme (RBP) is the Group-wide ethics and compliance programme, launched in 2010, with the core elements of policies, training, risk assessments, monitoring and assurance. The training content covers human rights, anti-bribery and ethics, anti-trust and contract risk management and is refreshed on an annual basis. This programme is covered in further detail on pages 38 to 40.

Division-based development programmes are provided where appropriate to supplement the Group programmes. For example, in the Thermal Products Division, the Ascend and Velocity leadership development programmes, which were developed in Asia, are being updated to be rolled out globally.

Reward, recognition and awards

The Group recognises the accomplishments of its people individually and as teams, and makes awards to acknowledge achievement, loyalty, and innovation. In 2016, recognition awards continued to be made across local businesses as well as to senior management, with awards linked to business performance.

The principle of pay for performance is applied to the Group's compensation approach and the Company sets compensation levels using external benchmarking and relevant commercial considerations that are both competitive in the countries in which they operate and affordable. Morgan offers short-term performance incentives globally to managers and technical and functional experts. The Executive Committee and senior management also have long-term incentives tied to personal and commercial performance. At plant level, most sites offer incentives to their workforce that result in payments based on meeting locally-set performance targets.

Morgan regularly reviews bonus arrangements and benefits to ensure they encourage and reward commercial and personal performance.

Communication

The Group recognises the continued importance of prioritising and improving employee communication across the Group. For example, in 2016 the Thermal Products Division increased the number of employee briefings and forums covering business results, business strategy, business improvement and safety. Videos, poster campaigns and newsletters have also continued to be a strong feature of communication activity.

Morgan continues to have formal and informal consultative arrangements globally, according to local requirements and regulations. The 20th annual European Employee Forum was held in May 2016, and was attended by site employee representatives from France, Germany, Hungary, Italy and the UK.

People Policy effectiveness

At the end of the year, Morgan employed 8,900 people. The Group additionally contracted with 800 people on short-term arrangements to provide the flexibility for the Group's businesses to react quickly to changes in market conditions. The Group's employee turnover was 11.7% in 2016, excluding disposals (2015: 13.6%), 1.0% of the workforce was made redundant during the year (2015: 1.4%).

The Group's geographical employee spread is as follows:

GEOGRAPHICAL SPREAD		
	2016	2015
USA	30%	30%
UK	13%	14%
China	15%	15%
Other Europe	20%	18%
Other North America	7%	7%
South America	4%	4%
Rest of World	11%	12%

Breakdown of employees by gender at 31 December 2016 was as follows:

TOTAL WORKFORCE 8,900		
Male	6,297	71%
Female	2,603	29%
Senior managers – 14		
Male	12	86%
Female	2	14%
Directors – 7		
Male	5	71%
Female	2	29%

The Strategic Report, as set out on pages 10 to 51, has been approved by the Board.

On behalf of the Board

PAUL BOULTON
COMPANY SECRETARY & GENERAL COUNSEL

23 February 2017

