

Corporate responsibility continued

People

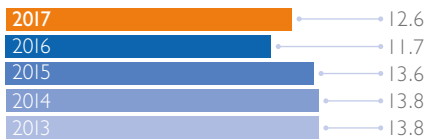
Total lost time

% of working time



Employee turnover

% per year



Training

Hours per employee



Morgan Advanced Materials plc has circa 8,800 employees, working across the globe in all major markets and regions. The Group's employees are critical to its success and the workforce is built upon people with highly unique skills and abilities. Set out below are the Group's people policies, how they have been implemented, together 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 Advanced Materials plc Ethics Hotline enables employees who are aware of or suspect issues under the Group's Human Rights Policy to report these confidentially.

The Company promotes equal opportunities for all employees and job applicants and does not unlawfully discriminate on the grounds of their sex, pregnancy/maternity leave, marriage/civil partnership status, gender reassignment, race, disability, sexual orientation, age, religion or belief.

The Company will make reasonable adjustments to accommodate any employees who have a disability within the meaning of the Equality Act 2010 where the Company is aware of such disability.

Investment in people

One of the Group's six execution priorities in 2017, which will continue into 2018, is to increase investment in people development including key functional and technical skills and the development of future leaders.

There was significant investment and progress on this execution priority in 2017. Building on work from previous years and the reorganisation to a Divisional and global business unit structure, the focus has been to continue the assessment of existing capability and close gaps through recruitment and development.

Setting clear expectations is a critical requirement to ensure the recruitment, development and performance of leaders is aligned to strategic requirements. The launch of the Leadership behaviours at the 2017 senior leader conference provided that clarity. The behaviours focus on our ambition for the future, how we build strong teams and being relentless in driving performance.

These three areas support the change in the culture required to successfully deliver our strategy. In 2017 we have focused on supporting our employees to understand the behaviours and begin to demonstrate them.

In 2018 our top 300 leaders will participate in a globally consistent performance management process which measures what is achieved and how it is achieved, through the integration of our leadership behaviours. This will reinforce the importance of role modelling our expected behaviours.

Functional projects have been continued and commenced for sales and technology respectively. The sales assessment enabled detailed planning to define future role requirements and competencies. A similar assessment was conducted with the technology population, which has informed future capability needs.

Our leadership and functional expectations have been applied to new role specifications, recruitment and development activities. In 2017, new roles have been created, with a number of external hires and internal promotions across our senior leader population, strengthening our leadership and functional capability. Sales requirements have enabled the alignment of our sales employees to roles where they can leverage their strengths and add greater value.

Following our global reorganisation and the strengthening of our senior leadership team we have started team development activities. This is centred around team understanding of style and capability to enable more effective working practices. This initiative will continue in 2018 as we work to enable not only individuals, but teams to sustain Morgan as a high performing, healthy company.

Our focus on leadership development has continued though, for example in the Thermal Products Division, the Ascend and Velocity leadership development programmes. In 2018 a review of our leadership programmes will be undertaken to drive greater global consistency and alignment to our future capability needs and leadership behaviours.

We have also introduced a global e-learning platform to provide easily accessible business skills based training across all locations. This has been used initially to support our revised performance management approach.

Assessment of our sales population has identified that we have gaps, and we have started the definition of training requirements, with training to be designed and deployed in 2018. Similar assessment of our technology population has identified areas of focus for 2018.

The Group graduate development programme aims to empower these individuals to drive their own growth and career development in Morgan, so they can become Morgan's future functional and business leaders.

Over a period of 2.5 years, participants are provided with a blend of development opportunities including:

- International and regional training covering business, technical and leadership skills
- Exposure to and networking with senior leaders
- Mentoring, feedback, and regular coaching conversations related to career aspirations
- Learning on the job through a wide variety of cross functional, high responsibility projects, international collaboration and exposure to a variety of roles.

Communications

During a period of increased change, it is important to increase communications. The introduction of quarterly calls for our top 100 leaders has enabled a greater two-way connection. Feedback indicates greater levels of engagement and improved awareness of Group messaging and initiatives. In addition to our annual senior leader conference, the technology function ran a conference focused on innovation, collaboration and an external mind-set.

In May 2017 we held our annual European Employee Forum meeting inviting site representatives to meet with senior leaders and engage in discussion on important topics.

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. Recognition awards continue to be made across local businesses as well as to senior management, with awards linked to business performance.

The principle of pay for performance underpins 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, 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.

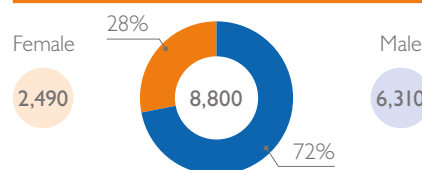
Morgan regularly reviews bonus arrangements and benefits to ensure they encourage and reward commercial and personal performance.

During 2017 the Group introduced a new reward and recognition scheme, the Chairman's Awards. This is an annual awards scheme to reward distinctive contributions made by Morgan employees. There were six categories where we recognised and rewarded achievements; Material Science, Application Engineering, Customer Focus, Functional Excellence, Ethical and Safe Working. The Executive Committee selected one winner per category, and the Chairman and the CEO awarded prizes.

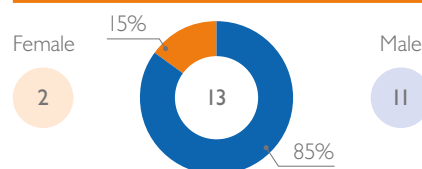
Geographical spread

	2017	2016
USA	34%	30%
UK	11%	13%
China	15%	15%
Other Europe	17%	20%
Other N.A	11%	7%
South America	3%	4%
ROW	9%	11%

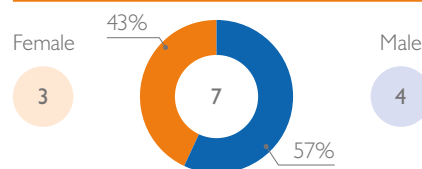
Total workforce



Senior managers



Directors



The Strategic Report, as set out on pages 10 to 53, has been approved by the Board.

On behalf of the Board

Stephanie Mackie
Company Secretary
27 February 2018