

# Remuneration Report

## Remuneration Committee

### Role and Membership

The Remuneration 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 Dr Atkinson. The other members of the Committee over the year were Mr Hamill, Mr Temple, Mr Abbott (until his resignation from the Board on 13 July 2006), Dr Lennertz (until his resignation from the Board on 14 July 2006), and Mr Barker, who joined the Committee on 14 July 2006. The Chairman was invited to attend Committee meetings during the year. The Committee met five times during the year. Attendance by individual Committee members is detailed in the Report of the Directors on page 16.

During the year ended 31 March 2007, 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 Remuneration Committee has taken advice from the following:

- Kepler Associates, who provided advice and data in respect of the Executive Directors' salary reviews, and have also provided the data required for the measurement of performance targets relating to the various executive share-based plans. 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 – HR, who advised on remuneration of senior managers; and
- the Company Secretary, who 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; and
- 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:

Variable	Fixed
• Annual bonus;	• Basic salary;
• Long Term Incentive Plan; and	• Pension; and
• Executive Incentive Plan.	• Other benefits.

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.

Mr Lawson, who was Chairman until his retirement from the Company on 9 October 2006, has pension arrangements which relate to his previous service as an Executive Director. Details of Mr Lawson's service contract are set out on page 21 of this report.

## 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

A new annual bonus plan has been implemented for the year ended 31 March 2007 with the aim of ensuring that the incentives for Executive Directors and senior managers are competitive and more closely aligned to the Company's financial performance.

For Executive Directors, the plan links bonus to financial performance, primarily based on PBT but also on growth in Group Sales. The performance 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. In the light of market developments the Committee decided to cap annual bonuses for Executive Directors 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 2007, the Executive Directors were awarded bonuses of 58.7% of salary.

The Remuneration Committee has discretion to vary bonus payments for participants but only in exceptional circumstances. This discretion was not applied in respect of bonuses for the financial year. Annual bonus payments are not pensionable.

## 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 2007. The Award is subject to the performance condition detailed in the paragraph below and is conditional on their continued employment with the Group for three years, except in certain circumstances. 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 1,542,118 ordinary shares in the Company on 14 June 2006.

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 was the measure most 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.

## 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 award of shares (the 'Award') was made on 1 February 2006. The Award is subject to the performance condition detailed in the paragraph below and is conditional on participants' continued employment with the Group for three years, except in certain specified circumstances.

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 Award will not vest. For full vesting of the award PBT must be £155m in the 2008/09 financial year. 20% of the Award 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 Remuneration 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 ('LTIOP')

No awards were made under the LTIOP in the year ended 31 March 2007 and no further awards will be made under this plan.

Participants were awarded options each financial year ended March 2003, 2004, 2005, and 2006, with a ten year life 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.

## Remuneration Report continued

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. TSR is calculated in common currency.

The comparator group for the grants made in the financial years ended 2003, 2004 and 2005 comprised:

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

Rexel ceased to be part of the comparator group during the financial year ended 31 March 2005 and the Committee agreed not to replace Rexel in the group. For the grant made in the financial year ended 31 March 2006, therefore, it did not form part of the comparator group nor will it for the purposes of performance measurement going forward.

### Executive Shareholding Guidelines

Executive shareholding guidelines have been introduced whereby Executive Directors are required to 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.

### 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 the cap on benefits (the 'earnings cap'). The Committee reviewed the implications of the new pension tax regime from 6 April 2006 on the Company's pension arrangements and has not assumed any additional costs or liabilities as a result of the legislation.

### Disclosure of Directors' Pension Benefits for the Year Ended 31 March 2007 [audited]

	Age at 31 March 2007 Years	Accrued pension as at 31 March 2007 £	Increase/ [Decrease] in accrued pension benefits £	Transfer value as at 31 March 2007 <sup>(c)</sup> £	Transfer value as at 31 March 2006 <sup>(c)</sup> £	Increase/ [Decrease] in transfer value less Directors' contributions <sup>(d)</sup> £
RA Lawson <sup>(a)(b)</sup>	62	64,229	(18,037)	1,263,000	1,700,000	(437,000)
S Boddie	47	6,335	3,695	72,000	30,000	32,226
I Mason	45	30,294	3,326	314,000	282,000	22,226

(a) Mr Lawson left the scheme on 20 July 2001, and did not accrue any benefit in the year. He retired on 6 April 2006, and these pension figures represent the pension he is currently receiving. Mr Lawson's accrued pension and transfer value have reduced during the year as he took a tax-free cash lump sum of £375,000 in exchange for part of his pension, as permitted by the Scheme rules. If he had not taken the cash lump sum the transfer value at 31 March 2007 would have been £1,685,000.

(b) Generally, 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. However, for Mr Lawson it reflects the pension actually in payment at the end of the year.

(c) Transfer values have been calculated in accordance with Guidance Note 11 (Version 9.2) issued by the actuarial profession.

(d) 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.

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;
- 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; and
- 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.

Where payment of a pension on retirement is limited by 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 Boddie and Mr Mason have each elected to receive a salary supplement in lieu of all of their unapproved pension entitlements, details of which are included in a table shown on page 21.

The table below 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 2007;
- 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.

### 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 21.

### 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 a service agreement with Mr Mason on 1 March 2001. This agreement replaced all prior arrangements. The Company entered into a service agreement with Mr Boddie on 25 May 2005.

The Company entered into a service agreement with Mr Lawson as Chairman of the Company on 20 July 2001. This agreement replaced all prior arrangements. The agreement provided for six months' notice by the Company and by Mr Lawson. His service agreement terminated on 9 October 2006. No compensation for loss of office was paid.

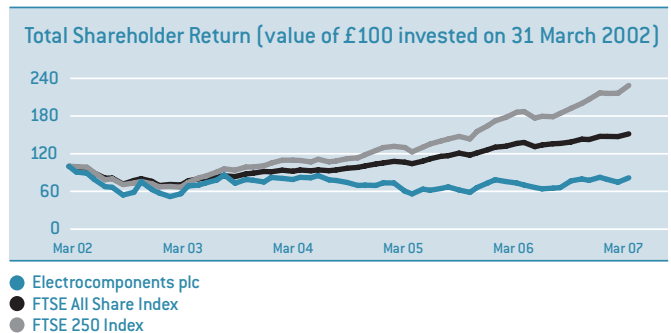
Letters of appointment are provided to the Chairman and Non-Executive Directors providing for an initial three year term. The Chairman's letter of appointment provides for a six month notice period and the Non-Executive Directors a three month notice period.

### 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. Any fees payable in relation to such appointment may be retained by the Executive Director. Neither of the Executive Directors held such a position during the financial year.

### 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.



### Directors' Remuneration for the year ended 31 March 2007 (audited)

#### Salary, Annual Bonus and Other Benefits

	Salary 2007 £	Salary 2006 £	In lieu of Pension 2007 £	In lieu of Pension 2006 £	Benefits 2007 £	Benefits 2006 £	Bonus 2007 £	Bonus 2006 £	Total 2007 £	Total 2006 £
<b>Emoluments of the Chairman</b>										
R A Lawson <sup>(a)</sup>	105,000	180,000	–	–	21,809	29,442	–	–	126,809	209,442
H Mamsch <sup>(a)</sup>	105,000	–	–	–	–	–	–	–	105,000	–
<b>Emoluments of Executive Directors</b>										
S Boddie <sup>(b)(c)</sup>	333,750	186,667	83,305	46,275	14,957	8,599	196,645	150,000	628,657	391,541
I Mason <sup>(b)</sup>	498,750	482,250	62,256	60,102	23,393	22,408	293,500	75,000	877,899	639,760
<b>TOTALS</b>	<b>1,042,500</b>	<b>848,917</b>	<b>145,561</b>	<b>106,377</b>	<b>60,159</b>	<b>60,449</b>	<b>490,145</b>	<b>225,000</b>	<b>1,738,365</b>	<b>1,240,743</b>
<b>Fees of Non-Executive Directors</b>										
K Abbott									13,000	36,000
L Atkinson <sup>(d)</sup>									49,667	46,000
T G Barker <sup>(d)</sup>									49,667	46,000
K Hamill									39,667	36,000
F D Lennertz									16,000	45,000
N J Temple <sup>(d)</sup>									49,667	36,000
<b>TOTALS</b>									<b>1,956,033</b>	<b>1,485,743</b>

(a) Mr Lawson served as Chairman until 9 October 2006 and Mr Mamsch joined the Company as a Director and Chairman designate on 1 September 2006 before becoming Chairman on 9 October 2006. Until his retirement, Mr Lawson had use of a company car and mobile phone and received life assurance.

(b) 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 ended 31 March 2007, Mr Boddie and Mr Mason elected to receive salary supplements of £83,305 and £62,256 respectively (2006: £46,275 and £60,102) in lieu of the balance pension entitlements.

(c) Mr Boddie's 2006 salary relates to the seven months from his appointment on 1 September 2006.

(d) Dr Atkinson, as Chairman of the Remuneration Committee, and Mr Barker, as Chairman of the Audit Committee, each receive an additional fee of £10,000 per annum. In addition Mr Temple was awarded an ex gratia payment for work undertaken as Chairman of the Nomination Committee in lieu of Mr Lawson, dealing with the issues surrounding the appointment of Mr Lawson's successor.

No compensation for loss of office was paid during the year ended 31 March 2007.

# Remuneration Report continued

## Share Options (audited)

	Scheme	Date of Grant	Vesting Date	Expiration Date	Exercise Price	Shares under option 1 April 2006	Granted in FY07	Exercised in FY07	Lapsed in FY07	Shares under option 31 March 2007
S Boddie	Savings Related	04-Jul-06	01-Sep-09	28-Feb-10	196.0p	–	2,862	–	–	2,862
	Long Term Incentive Option Plan <sup>(a)</sup>	13-Jun-05	12-Jun-08	12-Jun-15	251.0p	400,000	–	–	–	400,000
<b>Total</b>						<b>400,000</b>	<b>2,862</b>	<b>–</b>	<b>–</b>	<b>402,862</b>
I Mason	Savings Related	28-Jun-03	01-Sep-08	28-Feb-09	260.0p	6,125	–	–	–	6,125
	Long Term Incentive Option Plan <sup>(a)</sup>	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	552,300	–	–	–	552,300
		16-Jun-03	15-Jun-06	15-Jun-13	349.0p	545,272	–	–	–	545,272
		11-Jun-04	10-Jun-07	10-Jun-14	365.0p	525,000	–	–	–	525,000
		13-Jun-05	12-Jun-08	12-Jun-15	251.0p	550,000	–	–	–	550,000
<b>Total</b>						<b>2,178,697</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,178,697</b>

(a) Awards made under the Long Term Incentive Option Plan are subject to performance conditions set out on pages 19 and 20.

## Share Awards (audited)

	Notes	Scheme	Date of Award	Shares awarded at 1 April 2006	Shares awarded in FY07	Vested in FY07	Lapsed in FY07	Shares awarded at 31 March 2007
S Boddie	(a)	Executive Incentive Plan	1-Feb-06	400,000	–	–	–	400,000
	(b)	Long Term Incentive Plan	14-Jun-06	–	100,000	–	–	100,000
	<b>Total</b>				<b>400,000</b>	<b>100,000</b>	<b>–</b>	<b>500,000</b>
I Mason	(a)	Executive Incentive Plan	1-Feb-06	800,000	–	–	–	800,000
	(b)	Long Term Incentive Plan	14-Jun-06	–	200,000	–	–	200,000
	<b>Total</b>				<b>800,000</b>	<b>200,000</b>	<b>–</b>	<b>1,000,000</b>

(a) Awards made under the Executive Incentive Plan are subject to performance conditions and a vesting period set out on page 19.

(b) Awards made under the Long Term Incentive Plan are subject to performance conditions and a vesting period set out on page 19.

The closing mid-market price of the shares on 31 March 2007 was 289.5p. During the year, the price of shares varied between 225p and 304p. The mid market price of the Company's shares on 4 July 2006, being the date the Savings Related Options were granted was 231.75p. The mid market price of the Company's shares on 14 June 2006, being the date the Long Term Incentive Plan awards were made, was 236.75p.

By Order of the Board

Dr Leslie Atkinson

Chairman of the Remuneration Committee

30 May 2007