

→ Directors' Remuneration Report (continued)

Compliance statement

The Company has complied with the principles and provisions relating to Directors' Remuneration in the UK Corporate Governance Code, and this Remuneration Report has been prepared in accordance with the Large and

Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Regulations").

Accordingly, the Remuneration Report sets out both the details of remuneration

arrangements for directors in 2013 and also the Company's Directors' Remuneration Policy, both as prescribed by the Regulations. The sections of the Remuneration Report that are subject to audit are indicated.

Policy Report

Remuneration Policy – Executive Directors

The table below summarises the policy for remuneration elements for Executive Directors:

<p>General Policy</p> <p>(this section does not technically form part of the policy and is for information only)</p>	<ul style="list-style-type: none"> • The policy of the Board is to: • attract, develop, motivate and retain talented people at all levels across the Group; • give employees the periodic opportunity to own Communisis shares through the Communisis Sharesave Scheme; and • provide consistency and alignment within the Company's approach to performance-based pay and our overall executive compensation strategy.
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This policy will take effect from 9 May 2014 (being the date of the Company's 2014 Annual General Meeting) provided that the policy is approved by the Company's shareholders.

Element and purpose	Policy	Operation and opportunity	Performance measures
<p>Base salary</p> <p>This is the core element of pay that reflects the individual's role and position within the Group and reflects capability and contribution.</p>	<ul style="list-style-type: none"> • Base salaries are reviewed periodically against companies of similar size and complexity, and any salary increases are applied in line with the outcome of the relevant review with effect from 1 July in a financial year. • Base salaries are paid monthly in cash. 	<ul style="list-style-type: none"> • Any salary increases in the policy period will be made following consideration of business performance and, as a cap, no increase will take an Executive Director's salary above the median salary for Chief Executives in the FTSE SmallCap plus 10%, determined using data available to the Committee at that time. • Current annual salaries are set out in the summary of implementation of policy on page 56 below. 	<ul style="list-style-type: none"> • N/A
<p>Pension</p> <p>To aid retention and remain competitive within the marketplace.</p>	<ul style="list-style-type: none"> • Provide a competitive employer sponsored pension plan. • Pension contributions are paid in relation to membership of the defined contribution section of the Communisis Pension Plan, as a salary supplement in lieu of pension contributions, or as a Company contribution to personal pension arrangements. 	<ul style="list-style-type: none"> • Pension contributions are set at a maximum level of 12% of base salary per annum. 	<ul style="list-style-type: none"> • N/A

Element and purpose	Policy	Operation and opportunity	Performance measures
<p>Benefits</p> <p>To aid retention and remain competitive within the marketplace.</p>	<ul style="list-style-type: none"> Benefits comprise PHI, private medical cover, car or car allowance provision and fuel card. The Committee reserves the ability to introduce new benefits where it concludes that it is in the interests of Communis to do so, having regard to the particular circumstances and to market practice, provided that the maximum aggregate value of all benefits in a year will not exceed the maximum amount stated in this table. The Committee may agree that the Company will meet such HM Revenue-qualifying relocation expenses as it considers appropriate up to £8,000. 	<ul style="list-style-type: none"> In any year the values of benefits for Executive Directors may vary in line with the cost of providing insurance and other benefits without the Committee taking action. A limit on the maximum cash value of all benefits has been set at £40,000 per annum for each Executive Director. Actual levels of benefits will be disclosed each year in the "single figure" table. 	<ul style="list-style-type: none"> N/A
<p>Annual Performance Bonus</p> <p>To motivate employees and incentivise delivery of annual performance targets.</p>	<ul style="list-style-type: none"> Bonus levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other major transactions where the Committee considers it to be necessary in its opinion to make appropriate adjustments. 	<ul style="list-style-type: none"> The Committee will not set a maximum annual bonus level in excess of 100% of base salary for the duration of this policy. Awards are paid in cash. No bonus is paid at the threshold level of performance, with amounts accruing from that point. 	<ul style="list-style-type: none"> The performance measures applied may be financial or non-financial, and can be corporate, divisional or individual measures set for any year in such proportions as the Committee considers appropriate. The Committee will consider overall Company and financial performance before any element of bonus is paid, and accordingly may moderate the bonus outturn either upwards (without exceeding the 100% of base salary cap) or downwards. The performance measures and targets for the annual performance bonus are described in the notes to this table.

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Element and purpose	Policy	Operation and opportunity	Performance measures
<p>Long-Term Incentives</p> <p>The Company operates the Commisiss Long Term Incentive Plan 2007 ("LTIP") to motivate and incentivise delivery of sustained performance over the long term.</p>	<ul style="list-style-type: none"> Awards can be made on an annual basis with a vesting period of 3 years. Individual awards are normally calibrated by reference to share numbers in practice, rather than the face value of shares within awards. The Company also has scope to operate an HMRC-approved Executive Share Option Scheme. Although there is no plan to make awards to Executive Directors under this plan at present, the Company reserves the right to do so subject to the £30,000 limit on HMRC approved options available under this plan. Any such awards would be taken into account in making any awards under the LTIP in the same year. 	<ul style="list-style-type: none"> The maximum value of LTIP awards which may be granted in any financial year is awards over shares with a value equivalent to 150% of base salary. The threshold level of vesting for LTIP awards is 25% of the total award. 	<ul style="list-style-type: none"> Performance measures applied to LTIP awards are reviewed from time to time to ensure they remain appropriate and aligned with shareholders' interests. The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual). The performance measures and targets applied for LTIP awards made in 2013 and proposed for 2014 are set out in the notes to this table.
<p>All-employee share plans</p> <p>To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Company and align their interests with those of the shareholders.</p>	<ul style="list-style-type: none"> Company operated Sharesave plan. This is an all-employee share plan approved by HMRC and follows the usual form for such plans. Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees. 	<ul style="list-style-type: none"> The exercise price of the options is usually equal to the market price of the shares at the date of invitation to participate less a maximum discount of 20%. The maximum amount that can be invested in the scheme will not exceed the statutory limit from time to time. The options vest on the third anniversary of the commencement of the savings period. 	<ul style="list-style-type: none"> Consistent with normal practice, such awards are not subject to performance conditions.

Remuneration Policy – Chairman and Non-Executive Directors

The table below summarises the remuneration elements for the Chairman and Non-Executive Directors:

Element and purpose	Policy	Operation and opportunity	Performance measures
Chairman and Non-Executive Director fees	<ul style="list-style-type: none"> The fees paid to the Chairman and the fees of the other Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity. The fees payable to the Non-Executive Directors are determined by the Board. The Chairman's fee is determined by the Committee. Non-Executive Directors will not participate in share incentive arrangements. 	<ul style="list-style-type: none"> Fees are paid monthly in cash. The Chairman and his spouse also receive medical insurance. The aggregate fees (and any benefits) of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees (currently £500,000 p.a. in aggregate). Any increases actually made will be appropriately disclosed. 	<ul style="list-style-type: none"> N/A

Notes to the Policy Table

1. Annual Performance Bonus measures

The performance measures for 2013's annual performance bonus are disclosed in the notes to the single figure table.

For 2014, the annual performance bonus will be based on EBIT and strategic business development targets. The EBIT targets will contribute to 50% of the maximum bonus and the strategic business development targets 50%.

These performance measures were selected as being aligned with key financial and/or non-financial metrics from the business plan, with the weighting reflecting the emphasis towards particular strategic developments as the Company continues its current growth path, and over the longer term, should be aligned to the interests of shareholders.

The performance targets for the measures are not disclosed as these are considered to be commercially sensitive by the Board. Given the competitive nature of the Company's sector, it is likely that this information will remain so and will not be subsequently disclosed.

2. Performance Conditions for LTIP awards

LTIP Awards in Financial Year 2014

LTIP Awards to be made to Executive Directors in 2014 will have the following performance conditions:

- 60% of awards will be subject to a share price growth performance condition; and
- 40% will be based on EPS growth.

The share price growth performance condition will have a similar structure to the 2013 award and the EPS performance condition will require growth in EPS over 3 financial years beginning with 2014. Both performance conditions will have targets which the Committee will determine shortly before the awards are made and will include an appropriate level of stretch. The finally determined targets will be disclosed in the Remuneration Report for 2014.

These performance measures were chosen by the Committee as they provide an appropriate balance between shareholder returns and financial performance.

An additional underpin condition will apply such that no LTIP shares will vest unless the Remuneration Committee is satisfied as to the Company's underlying financial performance over the three year LTIP vesting period.

LTIP Awards in Financial Year 2013

LTIP Awards made to Executive Directors in 2013 have the following performance conditions:

- 60% of awards will be subject to a share price growth performance condition; and
- 40% of awards will be subject to a Return on Sales ("ROS") performance condition.

An additional underpin condition will apply such that no LTIP shares will vest unless the Committee is satisfied as to the Company's underlying financial performance over the three year LTIP vesting period.

These measures were chosen after careful consideration by the Committee and taking account of the views that our largest institutional shareholders expressed on this matter. The share price target continues to provide a direct and transparent alignment between shareholders' interests and our executives' incentive pay. The focus on ROS aligns our incentive pay directly with one of our key financial targets.

Share price growth performance condition

This performance condition will be measured over a three year period, commencing with the date of award, and

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vesting will be based on average share price in the final three months of the three year measurement period. Vesting will be in line with the following table:

Average share price at end of three year period	% of Award subject to share price condition vesting
Start to Earn ("STE"), being 10p above base share price	25%
Between STE and 90p	Straight-line vesting
90p	100%

The base share price has been set as 46.775p, being the average share price in the 3 months prior to the award grant date.

ROS performance condition

For this condition, ROS will be measured on the same basis as for the Company's KPIs, over a performance period of three financial years, commencing with FY 2013 and vesting will be based on the ROS in FY 2015.

ROS in FY 2015	% of Award subject to ROS condition vesting
7.5%	25%
Between 7.5% and 10%	Straight-line vesting
10%	100%

3. Differences between the policy on remuneration for directors from the policy on remuneration of other employees

Where Communisis' pay policy for directors differs from its pay policies for groups of employees this reflects the appropriate market rate position for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Executive Directors' remuneration policy.

4. Benefits

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, travel and/or the attendance of a family member at certain events (whether paid for by the Company or another) may technically come within the applicable definition for UK rules and so the Committee expressly reserves the right for the Committee to authorise attendance at such activities within its agreed policies. The Committee emphasises that such benefits are infrequent.

Implementation of Policy in 2013 and 2014 (this section does not technically form part of the policy but does form part of the Implementation Report)

Executive Directors

Base Salary

- Base salaries as of 1 July 2013 were as follows: £350,000 for Andy Blundell (2012 £315,000), £260,000 for Nigel Howes (2012 £240,000) and £260,000 for Dave Rushton (2012 £240,000).

Pension

- From 1 July 2013 the pension entitlement for each Executive Director was set as 12% of base salary. Contributions across arrangements were previously the equivalent of between 8% and 10% of base salary.

Benefits

- Details of the benefits received by Executive Directors are set out in note 2 to the single figure table on page 62.
- There is no intention to introduce additional benefits in 2014.

Annual Performance Bonus

2013 Annual Performance Bonus

- The maximum bonus outturn in 2013 was 100% of base salary, and was based on EBIT and strategic business targets.
- The bonus outturn for 2013 was £225,000 for Andy Blundell, £160,000 for Nigel Howes, £160,000 for Dave Rushton and £0 for John Wells.

2014 Annual Performance Bonus

- The bonus maximum remains unchanged from 2013.
- Performance measures for the 2014 annual performance bonus are summarised in note 1 in *Notes to the Policy Table*.

Long-Term Incentives

LTIPs in 2013

- Andy Blundell received an LTIP grant of 896,942 shares, and Nigel Howes and Dave Rushton a grant of 500,000 shares each.
- These were the first awards made since 2010 for Andy Blundell and Dave Rushton, and since 2011 for Nigel Howes.
- The performance measures and targets attached to this award are described in note 2 in *Notes to the Policy Table*.

LTIPs in 2014

- Award levels as described in the Committee Chairman's letter.
- The performance measures and targets for this award are described in note 2 in *Notes to the Policy Table*.

Non-Executive Directors

2013 Fees

- There were no increases in the fees of the Chairman or of the other Non-Executive Directors during 2013.
- The Chairman received a fee of £90,000, as well as medical insurance benefits for him and his spouse.
- The base fee payable to each Non-Executive Director (other than the Chairman of the Board) was £45,000 per annum, with a further £5,000 payable to the Chairman of each of the Audit and Remuneration Committees, as well as a further £5,000 payable to the Senior Independent Director.

2014 Fees

- There are no increases proposed for 2014.

Approach to recruitment remuneration

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

The following represents principles to be applied by the Committee on recruitment of Executive Directors:

- The starting point for the Committee will be to look to the policy for Executive Directors as set out in the policy table and structure a package in accordance with that policy. Consistent with the Regulations, the caps contained within the general policy for fixed pay will not apply to a recruit although the Committee would not envisage exceeding those caps in practice;

- For a new appointment, base salary may be increased over time following progress and development in the role rather than being set directly at the level of a previous incumbent or at market level;
- For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment, as appropriate;
- For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate and/ or to make a contribution towards legal fees in connection with agreeing employment terms;
- The annual performance bonus plan and LTIP will operate as outlined in the general policy in relation to any newly appointed Executive Director, including the maximum award levels. Any recruitment related awards which do not replace awards with a previous employer will be made under the existing plans and subject to the plan limits;
- All awards for external appointments to compensate for awards forfeited on leaving a previous employer, whether made under the annual performance bonus, LTIP or otherwise, will be capped at the commercial value of the amount forfeited and will take account of the nature, time-horizons and performance requirements of those awards. In particular, the Committee's starting point will be to ensure that any awards being forfeited which remain subject to outstanding performance requirements (other than where substantially complete) are bought-out with replacement requirements and any awards with

service requirements are bought out with similar terms. However, exceptionally the Committee may relax those obligations where it considers it to be in the interests of shareholders and those factors are, in the view of the Committee, equally reflected in some other way, for example through a discount to the face value of the awards forfeited. It will only include guaranteed or non-prorated amounts under the annual performance bonus where the Committee considers that it is necessary to secure the recruitment.

A new Non-Executive Director would be recruited on the terms explained above in respect of the main policy for such directors.

Service contracts

Executive Directors

The Committee's policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination at normal retirement age, and should otherwise be terminable by the Company on no more than 12 months' notice and by the director on six months' notice. The service agreements of all Executive Directors comply with that policy. None of the service agreements include provision for compensation payments on early termination. Whether any such compensation would be payable and the amount of any compensation would be determined according to the law of contract as it applies to the particular circumstances of an individual case. Contracts do not contain change of control provisions. The Committee reserves flexibility to alter these principles if necessary to secure the recruitment of an appropriate candidate but would expect a return to these principles within a reasonable timeframe.

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The date of each Executive Director's contract is:

	Contract date
Andy Blundell	2 November 2009
Nigel Howes	13 September 2010
Dave Rushton	9 May 2011

Non-Executive Directors

Each Non-Executive Director is engaged for initial and subsequent periods of three years up to a total of nine years and annually from then on. These engagements can be terminated by either party as follows:

- on six months' notice in the case of the Chairman;
- on three months' notice in the case of both Jane Griffiths and Peter Harris; and
- at any time at the discretion of either party in the case of Michael Firth.

The Non-Executive Directors cannot participate in the Company's share option schemes, are not entitled to any pension benefit and are not entitled to any payment in compensation for early termination of their appointment.

The date of original appointment of each Non-Executive Director and the effective date of their latest letter of appointment is:

	Date of original appointment	Latest appointment date
Peter Hickson	10 December 2007	9 May 2013
Michael Firth	2 December 2002	9 May 2013
Jane Griffiths	17 May 2012	17 May 2012
Peter Harris	1 July 2013	

Termination policy summary

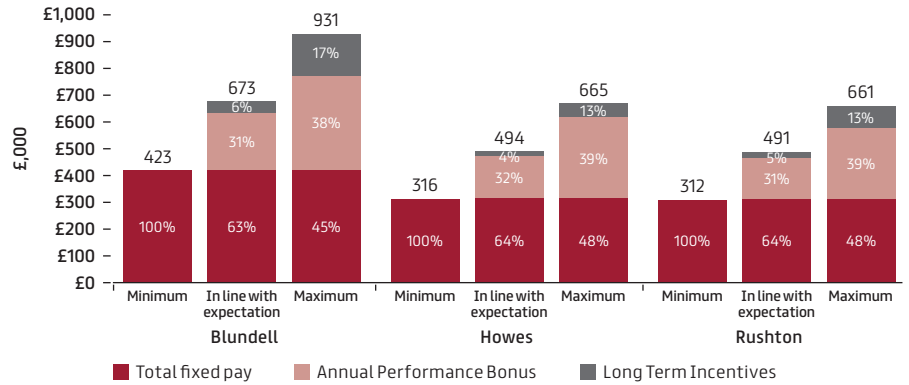
It is appropriate for the Committee to consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the annual performance bonus and LTIP plans. The potential treatments on termination under these plans are summarised below.

Incentives	If a leaver is deemed to be a 'good leaver'; i.e. leaving through voluntary redundancy, serious ill health or death or otherwise at the discretion of the Committee	If a leaver is deemed to be a 'bad leaver'; i.e. leaving for disciplinary reasons or to join a competitor	Other exceptional cases; e.g. change in control
Annual Performance Bonus	Committee has discretion to award a pro-rated bonus.	No awards made	Pro-rated bonus
Long Term Incentive Plan ("LTIP")*	Will receive a pro-rated award subject to the application of the performance conditions at the date of cessation (performance conditions to be determined by the Committee).	All awards will normally lapse.	Will receive a pro-rated award subject to the application of the performance conditions at the date of cessation, subject to standard Committee discretions to increase vesting taking into account relevant factors.

External appointments

None of the Executive Directors, with the exception of Nigel Howes, is a director of any company apart from subsidiaries of Communis. Nigel Howes' external appointments are outlined on page 34. During 2013 he received £6,000 for his role as Non-Executive Chairman of Acceleris Marketing Communications Limited.

Communis Total Remuneration Opportunity



Indicative total remuneration levels

The chart below aims to show how the remuneration policy set out above for Executive Directors is applied using the following assumptions.

Minimum	<ul style="list-style-type: none"> Consists of base salary, benefits and pension. Base salary is the current base salary. Benefits measured as benefits paid in 2013 as set out in the single figure table. Pension entitlements measured as 12% of base salary receivable either as a contribution or in cash. 																				
	<table border="1"> <thead> <tr> <th>£'000</th> <th>Base Salary</th> <th>Benefits</th> <th>Pension</th> <th>Total Fixed</th> </tr> </thead> <tbody> <tr> <td>Andy Blundell</td> <td>350</td> <td>31</td> <td>42</td> <td>423</td> </tr> <tr> <td>Nigel Howes</td> <td>260</td> <td>25</td> <td>31</td> <td>316</td> </tr> <tr> <td>Dave Rushton</td> <td>260</td> <td>21</td> <td>31</td> <td>312</td> </tr> </tbody> </table>	£'000	Base Salary	Benefits	Pension	Total Fixed	Andy Blundell	350	31	42	423	Nigel Howes	260	25	31	316	Dave Rushton	260	21	31	312
£'000	Base Salary	Benefits	Pension	Total Fixed																	
Andy Blundell	350	31	42	423																	
Nigel Howes	260	25	31	316																	
Dave Rushton	260	21	31	312																	
In line with expectation	<p>Based on what the director would receive if performance was in line with expectation (excluding share price appreciation and dividends):</p> <ul style="list-style-type: none"> Annual performance bonus: consists of the on-target bonus (60% of base salary). LTI: consists of the threshold level of vesting (25% for both the share price and RoS performance measures). Recent policy has been to make LTI awards every 3 years which has been recognised here by using one-third of the total number of shares granted. Currently only Dave Rushton participates in the Sharesave scheme. This has been valued using an expected value of 30% of the total award. 																				
Maximum	<p>Based on the maximum remuneration receivable(excluding share price appreciation and dividends):</p> <ul style="list-style-type: none"> Annual performance bonus: consists of the maximum bonus (100% of base salary). LTI: assumes maximum vesting of awards (100% of total award). Recent policy has been to make LTI awards every 3 years which has been recognised here by using one-third of the total number of shares granted. Sharesave valued on the same basis as in the 'in line with expectation' column. 																				

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Statement of consideration of employment conditions elsewhere in the Group

Consideration of pay and employment conditions generally in the Group are continuously taken into account when setting Executive Directors' remuneration. The Committee receives regular updates from the HR Director on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. There is also oversight of the all-employee Sharesave scheme which Executive Directors and all other Group employees can participate in on the same terms and conditions.

The Company did not consult with employees in drawing up this Remuneration Report.

Statement of consideration of shareholder views

Each year, the Committee takes into account the approval levels of remuneration related matters at our Annual General Meeting in determining that the current directors' remuneration policy remains appropriate for the Company.

The Committee also seeks to have a productive dialogue with investors on developments in the remuneration aspects of corporate governance generally, and any changes to the Company's executive pay arrangements in particular.

Implementation Report for 2013 – Unaudited Information

Remuneration Committee

During 2013, the Committee comprised:

- Michael Firth (Chairman);
- Peter Hickson;
- Jane Griffiths; and
- Peter Harris (appointed 1 July 2013).

The Committee met on five occasions and attendances are given in the table on page 41.

The Committee's principal responsibilities are:

- recommending to the Board the remuneration strategy and framework for the Executive Directors and senior managers;
- determining, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers; and
- overseeing any major changes in employee benefit structures throughout the Group and reviewing remuneration trends across the Group.

The Chief Executive Officer is invited to attend meetings of the Committee, except when his own remuneration is being discussed.

The Committee has formal terms of reference which can be viewed on the Company's website, www.communisis.com

Advisers

FIT Remuneration Consultants LLP, signatories to the Remuneration Consultants Group's Code of Conduct, were appointed by the Committee following consideration of FIT's experience in this sector. FIT provides advice to the Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and accordingly the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2013 were £30,219 (ex VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

At the Committee's request, administrative advice and support was provided by the Company Secretary, the Company's HR Director and the Company's Tax Manager.

Pinsent Masons LLP (the Company's legal advisers) also provided advice to the Committee in the year on matters of compliance with relevant legislation. Pinsent Masons LLP additionally provided advice to the Company in relation to corporate and commercial legal matters.

Relative importance of spend on pay

Year	Profit distributed by way of dividend (£'000)	Overall expenditure on pay (£'000)
2012	2,854	57,874
2013	3,499	67,053
% Change	22.6%	15.9%

1 Profit distributed by way of dividend has been taken as the dividend paid in respect of the relevant financial year. For 2013 this is the interim dividend paid (£1,166,000) and the proposed final dividend of £2,333,000. No share buy-backs were made in either year.

2 Overall expenditure on pay has been taken as the total employee costs (wages and salaries, social security costs, and pension costs) as set out in Note 5.3 Employee benefits expense in the notes to consolidated financial statements.