DIRECTORS' REMUNERATION REPORT

The Remuneration Committee ('the Committee') is responsible for setting the appropriate remuneration for the Group Chairman, the executive Directors and the Group Secretary, and recommending and monitoring the level and structure of remuneration for senior management, being the first layer of management below Board level. A copy of the Committee's Terms of Reference is available on the Company's website, www.cooksongroup.co.uk.

The current members of the Committee are all the non-executive Directors, namely Jeff Hewitt, Jan Oosterveld, Barry Perry and John Sussens, who also chairs the Committee. All the members of the Committee are deemed to be independent. The Group Secretary acts as Committee Secretary. The Chairman, Chief Executive and Group Finance Director are invited to attend Committee meetings as appropriate.

In formulating its policies and deciding individual remuneration levels, the Committee was advised during the year by the Chief Executive, the Group Secretary and by the external advisers Kepler Associates ('KA') and Hewitt New Bridge Street ('HNBS'), and the law firm Clifford Chance LLP ('CC'). KA and HNBS were appointed directly by the Committee and CC was appointed by the Company on the Committee's behalf. HNBS and CC also provide other limited advice to the Company, in their specialist areas of share award valuation and share schemes respectively.

Remuneration policy for executive Directors

The Committee has established employment and remuneration practices for the Company's executive Directors aimed at fostering a high performance culture. In formulating remuneration policy, the Committee has regard to the international scale and nature of the Group's operations and takes into consideration guidelines issued by its leading shareholders and bodies such as the Institutional Shareholders' Committee, the Association of British Insurers ('ABI') and the National Association of Pension Funds. The remuneration packages of the executive Directors are benchmarked against their peers and have been designed to ensure that a substantial proportion of remuneration is linked to performance.

The Committee considers the efficacy of the Group's executive remuneration policy each year and commissions more formal reviews as it considers appropriate. The last such comprehensive review was undertaken in 2006, when KA were asked to review the Group's executive remuneration policy to ensure that it continued to provide a strong alignment with the delivery of value to shareholders and reflected market best practice. The review demonstrated that the overall remuneration package was competitive in terms of both structure and quantum. However, the review concluded that certain changes should be made to the Long-Term Incentive Plan ('LTIP'). Further information on these changes, which were made in 2007, is given below.

Annual salary and benefits in kind

Base salary is set by reference to market rates in the relevant country for jobs of similar complexity and responsibility. The Chairman's fee and the salaries of the Chief Executive and Group Finance Director are benchmarked against salaries within two FTSE 250 comparator groups, the first focusing on sector comparators and the second on companies of similar size. The salaries of the executive Directors are normally reviewed on 1 January each year. In response to market conditions the executive Directors' approved 2009 salary increases of 4% have been deferred until 1 July 2009, in line with an extensive Group salary freeze for the first half of 2009.

Benefits in kind receivable by the executive Directors principally comprise company car allowances, life assurance benefits and medical insurance. These benefits are similar to those provided to other Company executives in the UK.

Variable remuneration

The remuneration programme is structured such that variable, performance-related remuneration potentially represents more than half of total remuneration.

Annual incentive

In line with the Group's other senior executives, the executive Directors are eligible to receive an annual incentive calculated as a percentage of base salary and based on achievement against specified financial targets. Each year the Committee establishes the financial performance criteria for the forthcoming year. These criteria are set by reference to the Group's financial budget and prior year actual financial results. The Committee considers that attainment of these targets is important in the context of achievement of the Group's longer-term, strategic goals.

The annual incentive has a threshold level of performance below which no award is paid, a target level at which executive Directors are entitled to a payment equal to 50% of their base salary and a maximum performance level at which a maximum award worth 100% of base salary is earned.

For the financial year 2008, the executive Directors' annual incentive was based on Group headline earnings performance, the calculation of which is shown in note 18 to the consolidated financial statements. For 2008, performance was slightly over the threshold level and so annual bonuses equivalent to 15% of base salary will be paid to the executive Directors for 2008. These are reported in the Directors' remuneration table on page 49.

The Remuneration Committee has determined that for 2009 the executive Directors' annual incentive will again be based on Group headline earnings.

LTIP and other share incentive plans

The LTIP was introduced in 2004 and is the only long-term incentive plan under which awards are made to the executive Directors. It rewards executives for delivering superior Total Shareholder Return ('TSR'), defined as the increase in the value of a share, including re-invested dividends, and (from 2007 onwards) headline earnings per share ('EPS') growth, and as such is intended to align executive remuneration with shareholders' interests.

The LTIP has two elements: firstly, executive Directors are eligible to receive a conditional annual allocation of shares worth up to 100% of base salary ('Performance Shares'); secondly, executive Directors can elect to invest all or part of their annual incentive in ordinary shares of the Company ('Investment Shares') in return for which they receive a conditional allocation of shares worth up to 2.25 times the pre-tax equivalent of the annual incentive so invested ('Matching Share Award').

The LTIP was amended with shareholder approval on 17 February 2009 so that shares purchased by executives under a rights issue can be designated as Investment Shares and qualify for a Matching Share Award. The value of the Matching Share Award relating to shares purchased under a rights issue will, as with any other Matching Share Award, be increased as if the executive had invested a pre-tax amount in shares under the rights issue. The executive Directors will be required to retain all of the Cookson ordinary shares that they held at the time of the rights issue for a period of 36 months after the rights issue in order for a Matching Share Award based on shares purchased in the rights issue to be able to vest.

LTIP and other share incentive plans (continued)

Subject to the overall limit explained below, shares purchased by executives using any annual incentive can continue to count as Investment Shares and qualify for a Matching Share Award in addition to any shares purchased in a rights issue which are designated as Investment Shares. The Committee has specified that the total annual maximum value of Investment Shares (however sourced) that can qualify for a Matching Share Award for the awards to be made in 2009 will be subject to an overall limit of 100 per cent. of an executive's salary.

In addition to the overall limit, the Committee has decided that only 63% of shares taken up under the recent rights issue can be designated as Investment Shares under the LTIP in recognition of the significantly discounted price of the shares issued in the rights issue.

For awards made after 7 March 2007 the Remuneration Committee has the discretion to award participants the dividends that would have been paid on the number of shares that vest in respect of dividend record dates occurring during the period between the award date and the date of vesting.

Performance Shares and Matching Share Awards can vest after three years, with the proportion of shares vesting being based on the Company's performance against specified performance conditions. For awards made in 2006, vesting was dependent upon the Group's three-year TSR performance relative to that of the companies of its comparator group, the FTSE 250 excluding Investment Trusts, as detailed below:

TSR ranking relative to FTSE 250 excluding Investment Trusts	Performance Shares Vesting Percentage	Matching Shares Vesting Ratio (Matching Shares: Investment Shares)
Below Median	0%	0
Median	25%	0.5:1
Upper Quintile (top 20%)	100%	2.25:1
Between Median and Upper Quintile	Pro rata between 25% and 100%	Pro rata between 0.5:1 and 2.25:1

The performance period applicable to these awards ended on 31 December 2008. The Company's TSR performance during this three-year performance period was assessed against the comparator group and it was determined that the Company's performance was below median. Accordingly the 2006 LTIP awards will lapse on the vesting date of 6 April 2009.

In 2007, the Remuneration Committee broadened the performance condition by including headline EPS growth. For awards made in 2007 and for subsequent awards, vesting of 50% of shares awarded will be based on the TSR performance measure described above and 50% on headline EPS (the calculation of which is shown in note 18 to the consolidated financial statements) growth over a three-year period. The two measures will operate independently.

Vesting of Performance Shares and Matching Share Awards under the 2007, 2008 and 2009 LTIP awards will be based on TSR performance in accordance with the following schedule:

TSR ranking relative to FTSE 250 excluding Investment Trusts	Performance Shares Vesting Percentage	Matching Shares Vesting Ratio (Matching Shares: Investment Shares)
Below Median	0%	0
Median	12.5%	0.25:1
Upper Quintile (top 20%)	50%	1.125:1
Between Median and Upper Quintile	Pro rata between 12.5% and 50%	Pro rata between 0.25:1 and 1.125:1

Vesting of Performance Shares and Matching Share Awards under the 2007, 2008 and 2009 LTIP awards will be based on headline EPS growth, as compared with the compound annual growth in the Retail Prices Index ('RPI'), in accordance with the following schedule:

Annual Compound Headline EPS Growth above RPI	Performance Shares Vesting Percentage	Matching Shares Vesting Ratio (Matching Shares: Investment Shares)
Below 3%	0%	0
3%	12.5%	0.25:1
At or above 10%	50%	1.125:1
Between 3% and 10%	Pro rata between 12.5% and 50%	Pro rata between 0.25:1 and 1.125:1

Matching Share Awards will only vest if the Investment Shares originally purchased have been retained.

The Committee obtains independent external advice to assess whether the Company has met the TSR performance condition at the end of the relevant performance period and to confirm that the companies which make up the index and the measurement of the Company's performance are both in accordance with the rules of the LTIP. Measurement of the Group's TSR takes place over a performance period commencing on the first day of Cookson's financial year in which the award is granted. Thus, for grants made in 2008, the performance period commenced on 1 January 2008 and will end three years later, i.e. 31 December 2010. TSR is measured as the percentage increase in a return index (net of tax) between the beginning and end of the performance period. The return index at the beginning of the performance period is the average of the return index on each weekday in the three-month period prior to the start of the performance period. The same three-month averaging method is used to ascertain the return index at the end of the performance period. The companies are then ranked, in descending order, according to their TSR. If Cookson is ranked at or above median against the comparator group then some proportion of the awards is eligible to vest.

The Group's headline EPS will be calculated on a consistent basis and the Committee will have discretion to adjust for exceptional items as it deems appropriate. Growth in headline EPS will be annualised percentage growth over the performance period (comparing headline EPS for the base year, the calendar year prior to the award date, with the final year, the calendar year three years after the base year), expressed as compound annual growth, above the compound annual growth in RPI.

Prior to the vesting of any award, the Committee has also stipulated that, as an additional hurdle, it needs to be satisfied that vesting has been justified by the underlying financial performance of the Group over the performance period.

Allocations were made under the LTIP to the executive Directors in March 2008, as shown on page 50. Messrs Butterworth and Salmon purchased Investment Shares under the Matching Share element of the LTIP in 2008.

In addition to the executive Directors, senior divisional and corporate executives are allocated Performance Shares under the LTIP and members of the Group's Executive Committee and senior corporate executives are also given the opportunity to participate in the Matching Share element.

In prior years, the Group operated a number of other executive and all-employee share plans under which certain awards and options are outstanding, although neither of the current executive Directors holds options or awards under these plans. Under the executive share option schemes the Company granted share options, with an option exercise price fixed by reference to the market price prevailing at the time of grant, the exercise of which were subject to an EPS performance condition. The last executive share option grant was made in 2003 and the Company does not intend to make any further grants under the schemes. The Company operated two all-employee share plans, the UK and International Sharesave Plans which were closed to new participants in 2004. Further details of the awards and options outstanding under these share plans are given in note 39 to the consolidated financial statements.

In 2007, the Company implemented a Deferred Bonus Plan in place of the LTIP for certain corporate managers. Under this plan, executives receive an allocation of deferred shares to the value of a percentage of their annual bonus. These shares, which will be sourced from existing shares, will vest after three years, although an executive's allocation may lapse if he or she ceases employment in certain circumstances before the end of the three-year period. The executive Directors do not participate in this plan.

The Directors are considering what adjustments, if any, it would be appropriate to make to oustanding share-based incentives as a result of the rights issue, including to the number of shares granted under outstanding options or awards, to any associated exercise price and to the calculation of any applicable performance conditions. Any such adjustments shall be made in accordance with the rules of the relevant plan and where required by plan rules, adjustments shall be made with the prior approval of HMRC, and/or the Company's Auditor.

Under the rules of the LTIP and executive share option schemes, the Company has the discretion to satisfy the majority of awards either by the transfer of existing shares or by the allotment of newly-issued shares. The decision on how to satisfy awards is taken by the Board, which considers the most prudent and appropriate sourcing arrangement for the Company.

Option exercises under the UK and International Sharesave plans are satisfied by the allotment of newly-issued shares. Any awards that vest under the Deferred Bonus Plan will be met from the transfer of existing shares.

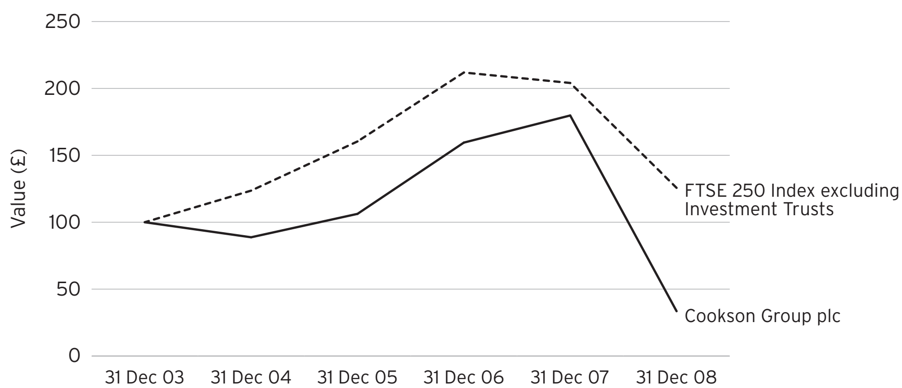
As at 31 December 2008, 372,008 shares were held in the Company's employee share ownership trust ('ESOP'). During the recent rights issue the Trustees of the ESOP sold sufficient of the rights in the market to fund the take-up of the balance of the rights. As at 9 March 2009, the ESOP therefore holds 2,472,683 shares. The Trustees of the ESOP purchase shares in the open market as required, to meet liabilities for the provision of existing shares to satisfy options and awards that vest.

The rules of each of Cookson's share-based incentive schemes, including the LTIP, and the pre-existing share option and Sharesave Plans, contain limitations on the total number of options over new shares that can be awarded in accordance with the ABI guidelines. In the last 10 years less than 1% of the Company's current issued share capital has been allotted to settle obligations arising from the exercise of executive share incentives.

Details of the awards outstanding under the Company's share plans as at 31 December 2008 and the associated exercise prices are given in note 39.2 to the consolidated financial statements.

Performance graph

The graph below compares Cookson's TSR over the last five years with the return on the FTSE 250 Index (excluding Investment Trusts). This index has been chosen as the comparator index to reflect the size, international scope and diversity of the Group's businesses and is the comparator group against which Cookson's performance is measured for the TSR performance condition of the LTIP.



This graph shows the value, by 31 December 2008 of £100 invested in Cookson Group plc on 31 December 2003 compared with the value of £100 invested in the FTSE 250 Index excluding Investment Trusts. The other points plotted are the values at intervening financial year-ends.

Shareholding guidelines

The Remuneration Committee encourages executive Directors to build and hold a shareholding in the Company equivalent in value to at least one times salary. To this end, executive Directors will normally only be able to sell a maximum of up to 50% (measured as the value after tax) of any Performance Shares or Matching Share Awards vesting under the LTIP, until this criterion has been met.

Directors' service contracts

Both of the executive Directors have contractual notice periods from the Company of 12 months. Neither of the executive Directors' contracts contains any change of control provisions and they both contain a duty to mitigate should the Director find an alternative paid occupation in any period during which the Company must otherwise pay compensation on early termination. The following paragraphs summarise the main conditions of the contracts of the Directors.

Executive Directors

Both of the current executive Directors have UK service contracts which have 12 months unexpired terms and provide for 12 months' notice being given. Mr Salmon's contract was dated 14 June 2004 and Mr Butterworth's 25 May 2005. Each contract provides for compensation to be paid on early termination by the Company based on one times salary, pension allowance and benefits payable half in a lump sum and the balance in six separate monthly instalments commencing six months after leaving, mitigated by any salary earned from any new paid occupation.

Non-executive Directors

In accordance with the Code, each non-executive Director is appointed for an initial fixed term of three years subject to their election at the Company's first AGM following their appointment. Thereafter, subject to approval of the Board and their re-election at the appropriate AGM, they are appointed for a further three-year term.

	Date of appointment	Date of retirement	AGM at which term expires	Unexpired notice period
Non-executive Directors				
Jeff Hewitt	01/06/05	–	2012	Not required
Jan Oosterveld	15/06/04	–	2010	Not required
Barry Perry	01/01/02	–	2011	Not required
John Sussens	01/05/04	–	2010	Not required

The Group Chairman, Mr Beeston, was appointed on 1 April 2003 for a fixed period which was due to expire at the conclusion of the AGM in 2008. This was extended in 2007 and is now due to expire at the conclusion of the AGM in 2011. He is entitled to 12 months' notice from the Company. Any compensation for loss of office would be based upon his annual fee. The remaining non-executive Directors are not entitled to receive compensation for loss of office at any time.

All Directors are subject to retirement, and election or re-election, in accordance with the Company's Articles of Association.

The Board sets the remuneration of the non-executive Directors after considering the role and responsibilities of each Director and the practice of other companies. The non-executive Directors do not participate in Board discussions on their own remuneration. The Chairman's remuneration is set by the Remuneration Committee.

External appointments

Executive Directors are permitted to hold positions as non-executive directors of other companies provided that these do not lead to conflicts of interest. The Board sanctions each such request on a case-by-case basis. Fees received are retained by the executive Director concerned. In 2008, Mr Salmon received fees of £55,000 for his role as non-executive director of United Utilities Group plc.

No Directors had any material interest in a contract of significance (other than service agreements) with the Company or any subsidiary company during the year.

Pension arrangements

Messrs Butterworth and Salmon are not entitled to participate in any of the Group's pension arrangements. In accordance with their contracts they received pension allowances of 25% and 30% respectively of their base salaries in 2008 to enable them to make their own pension provision. Mr Butterworth's pension allowance in 2008 amounted to £78,375 (2007: £71,250), whilst Mr Salmon's pension allowance in 2008 amounted to £154,980 (2007: £123,000). This information is audited by the Company's Auditor.

Directors' remuneration

The following table details the remuneration payable to each Director in respect of the year ended 31 December 2008, together with comparative totals in respect of the year ended 31 December 2007.

	Base salary and non-executive Directors' fees £	Benefits in kind [1] £	Annual Incentive bonuses [2] £	2008 Total remuneration £	2007 Total remuneration £
Chairman (non-executive)					
Robert Beeston	164,000	338	–	**164,338**	164,000
Executive Directors					
Mike Butterworth	313,500	16,388	47,025	**376,913**	589,997
Nick Salmon	516,600	31,986	77,490	**626,076**	1,024,725
Non-executive Directors[3]					
Jeff Hewitt	55,000	–	–	**55,000**	55,000
Jan Oosterveld	40,000	56	–	**40,056**	40,000
Barry Perry	40,000	–	–	**40,000**	40,000
John Sussens	55,000	–	–	**55,000**	55,000
Total Directors' remuneration	1,184,100	48,768	124,515	**1,357,383**	1,968,722

Notes

1. Benefits in kind comprise mainly the assessed benefits arising from the contractual payments of medical insurance, life assurance and company car allowances.
2. The Annual Incentive bonuses awarded to Messrs Butterworth and Salmon for 2008 were based on the Group's achievement of an above-Threshold level of performance in respect of Group Headline Earnings for 2008.
3. Details of the annual fees payable to non-executive Directors can be found on page 41.
4. In addition to the above, ex gratia pensions of £11,375 (2007: £10,926) were paid to former Directors in 2008.
5. The information in the above table is audited by the Company's Auditor.

Directors' interests

The beneficial interests of the Directors and their families in the ordinary shares of the Company as at 31 December 2008 and 9 March 2009 were as shown below:

Ordinary 10p shares	Post-rights issue 9 Mar 2009 [1] No.	31 Dec 2008 No.	31 Dec 2007 No.
Robert Beeston	2,275,000	175,000	70,000
Nick Salmon	3,129,477	240,729	93,777
Mike Butterworth	1,183,637	91,049	36,722
Jeff Hewitt	142,753	10,981	5,750
Jan Oosterveld	105,846	8,142	4,019
Barry Perry	33,800	2,600	2,600
John Sussens	260,000	20,000	2,500

Notes

1. In the period from 1 January 2009 to 9 March 2009 all the Directors took up their rights under the rights issue.
2. Full details of Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours.
3. None of the Directors, nor their spouses nor minor children, held non-beneficial interests in the ordinary shares of the Company during the year.
4. The information in the above table is audited by the Company's Auditor.

LTIP allocations

Details of the executive Directors' allocations of shares under the LTIP are shown in the table below:

Director, grant date and type of award	Total share allocations outstanding as at 31 Dec 2007 No.	Performance Shares allocated during the year No.[1]	Matching Shares allocated during the year No.[1]	Shares vested during the year No.	Total share allocations outstanding as at 31 Dec 2008 No.	Market price of shares on day before award (p)	Performance period	Vesting date
Executive Directors								
Mike Butterworth								
02/08/05								
Performance Shares	40,636	–	–	40,636	**–**	336.00	01/01/05-31/12/07	02/08/08
06/04/06								
Performance Shares	46,543	–	–	–	**46,543**	553.25	01/01/06-31/12/08	06/04/09
Matching Shares	46,600	–	–	–	**46,600**	553.25	01/01/06-31/12/08	06/04/09
03/04/07								
Performance Shares	45,746	–	–	–	**45,746**	623.00	01/01/07-31/12/09	03/04/10
Matching Shares	61,212	–	–	–	**61,212**	623.00	01/01/07-31/12/09	03/04/10
31/03/08								
Performance Shares	–	48,755	–	–	**48,755**	643.00	01/01/08-31/12/10	31/03/11
Matching Shares	–	–	99,727	–	**99,727**	643.00	01/01/08-31/12/10	31/03/11
Totals	240,737	48,755	99,727	40,636	**348,583**			
Nick Salmon								
04/04/05								
Performance Shares	116,603	–	–	116,603	**–**	397.50	01/01/05-31/12/07	04/04/08
Matching Shares	57,964	–	–	57,964	**–**	397.50	01/01/05-31/12/07	04/04/08
06/04/06								
Performance Shares	86,308	–	–	–	**86,308**	553.25	01/01/06-31/12/08	06/04/09
Matching Shares	141,991	–	–	–	**141,991**	553.25	01/01/06-31/12/08	06/04/09
03/04/07								
Performance Shares	78,972	–	–	–	**78,972**	623.00	01/01/07-31/12/09	03/04/10
Matching Shares	153,032	–	–	–	**153,032**	623.00	01/01/07-31/12/09	03/04/10
31/03/08								
Performance Shares	–	80,342	–	–	**80,342**	643.00	01/01/08-31/12/10	31/03/11
Matching Shares	–	–	154,942	–	**154,942**	643.00	01/01/08-31/12/10	31/03/11
Totals	634,870	80,342	154,942	174,567	**695,587**			

Notes

1. In 2008 Messrs Butterworth and Salmon received potential maximum allocations of Performance Shares worth one times their respective base salaries. Under the Matching Share award element of the LTIP they used their 2007 Annual Incentive payments to purchase 28,293 shares and 43,958 shares respectively, and received maximum allocations of Matching Share Awards based on these amounts which had a maximum potential value on the date of award equivalent to circa two times their respective base salaries. The allocations were made to Messrs Butterworth and Salmon on 31 March 2008 and the allocations were calculated based upon the closing mid-market price of Cookson's shares on the day before the awards were made. Cookson's mid-market closing price on the 31 March 2008 was 664p.
2. The April 2005 market prices shown for shares on the day before the awards were made have been multiplied by 10 to reflect the impact of the share consolidation on 26 May 2005 on the Company's share price. On this date every 10 ordinary 1p shares held by shareholders were exchanged for 1 new 10p ordinary share.
3. The mid-market closing price of Cookson's shares ranged between 74.75p and 776p during 2008 and on 31 December 2008 was 126.75p.
4. The performance criteria which apply to the vesting of share allocations under the LTIP are summarised on pages 46 and 47.
5. The performance period for the LTIP awards made in 2005 ended on 31 December 2007. The Company's TSR performance during the 3-year performance period was assessed against the comparator group and it was determined that the Company's performance was above the upper quintile. The Remuneration Committee was satisfied that the vesting of these awards was justified by the underlying financial performance of the Group over the performance period. Accordingly the 2005 LTIP awards vested fully on the third anniversaries of their award dates. Mr Salmon's awards vested on 4 April 2008. The mid-market closing price of Cookson's shares was 679p on this date; the value of shares transferred to Mr Salmon was therefore £1,185,310. Mr Butterworth's award vested on 5 August 2008 being the first dealing day following the end of the formal close period for the Group's half yearly results. The mid-market closing price of Cookson's shares was 621p on this date; the value of shares transferred to Mr Butterworth was therefore £252,350. The total aggregate value of shares transferred to Messrs Butterworth and Salmon as a result of LTIP awards vesting in 2008 was therefore £1,437,660. Messrs Butterworth and Salmon both sold sufficient shares on vesting to meet their associated tax liabilities.
6. The performance period for the LTIP awards made in 2006 ended on 31 December 2008. The Company's TSR performance during the 3-year performance period was assessed against the comparator group and it was determined that the Company's performance was below median. Accordingly the 2006 LTIP awards will not vest on 6 April 2009 and the awards will lapse.
7. The Remuneration Committee is considering what adjustments, if any, it would be appropriate to make to the number of shares allocated under the outstanding LTIP awards and the calculation of the associated performance conditions following the recent rights issue. Any such adjustments would be made in accordance with the plan rules. Pending this review, none of the information given in the table or associated notes has been adjusted for the effect of the rights issue.
8. The information in the table is audited by the Company's Auditor.

On behalf of the Board

John G Sussens
Chairman, Remuneration Committee
9 March 2009