

Corporate governance report

“Following the demerger in December 2012, the Board of Vesuvius plc has established a sound corporate governance structure for the new stand-alone business. ”

JOHN MCDONOUGH CBE, CHAIRMAN

INTRODUCTION FROM THE CHAIRMAN

DEAR SHAREHOLDER

Maintaining good governance is a key priority for Vesuvius and much of the framework we have adopted builds on the solid structure that Cookson Group plc had set out in this regard prior to the demerger. The Corporate Governance Report provides a detailed review of the Company's approach and the systems we have put in place.

BOARD

As reported in my Chairman's statement we have built a strong Board for the new Company. We are delighted to have welcomed two women onto the Board, Nelda Connors and Jane Hinkley. We continue to look at diversity in its broadest sense; this is reflected in the range of backgrounds and experience of our Board members. We believe that it is important to get the right balance of independence, skills and knowledge, both on the Board and across our businesses. All our Board appointments have been, and will continue to be, made on merit to ensure that at all times we have the most effective team to lead the Company in delivering long-term shareholder value.

As Chairman, I recognise my role in ensuring that the Company is led by an effective Board. Key to this is not only the calibre of the Directors appointed, but also ensuring they attain an appropriate understanding of the business, continue to refresh their skills and knowledge and are able to devote sufficient time to their roles. It is also important that there be clear definition and structure of the Board's ongoing responsibilities and priorities. It is critical that open and transparent debate is encouraged, and that the Non-executive Directors work effectively with the management team to achieve long-term success.

RISK MANAGEMENT AND CONTROLS

The Board recognises the importance of maintaining a keen focus on risk. Its annual review for 2012 of the effectiveness of the Group's system of risk management and internal control covered the whole of the year, including a review of the results of the work of the Internal Audit function and the senior management's self-certification exercise. This process required senior financial and operational management throughout the Group to certify the effectiveness of internal controls within the businesses for which they are responsible, together with their compliance throughout the whole year with the Group's (and Cookson's, as appropriate) policies and procedures.

REMUNERATION

In setting the remuneration policy and structure for the new Group, we were mindful of the current environment around executive remuneration and the need to clearly link pay to the delivery of performance. We set out more details on our approach in our Remuneration Report on pages 76 to 92.

Yours sincerely

JOHN McDONOUGH CBE

Chairman

28 March 2013