

## REMUNERATION COMMITTEE – TERMS OF REFERENCE

### 1. Membership

- 1.1 The board of directors of the company (the “**Board**”) has resolved to establish a committee of the Board to be known as the remuneration committee.
- 1.2 The committee shall comprise at least three members appointed from the independent non-executive members of the Board. Members of the committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chair of the remuneration committee.
- 1.3 Members of the committee should have no personal financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross directorships and no day to day involvement in running the business of the Group. The members of the remuneration committee should be listed each year in the committee’s report to shareholders and when they stand for election or re-election, the proxy cards should indicate their membership of the remuneration committee.
- 1.4 In addition to the members of the committee it will be normal for the following to attend meetings, save that they shall not be involved in any decision or be present at any discussion in relation to their own remuneration or performance:
- the chair of the company;
  - the chief executive of the company; and
  - the human resources director.
- The chair of the remuneration committee may also invite others to attend. Any non-executive director shall be entitled to attend meetings of the remuneration committee and shall be given notice of all meetings.
- 1.5 The Board and the committee shall review membership of the committee annually.
- 1.6 The Board shall appoint the committee chair who shall be an independent non-executive director and, before such appointment, shall have served on a remuneration committee for at least 12 months. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The chair of the Board shall not be chair of the committee.

### 2. Secretary

The company secretary, or his or her nominee, shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### 3. Quorum

The quorum necessary for the transaction of business shall be two members. Meetings may be held by telephone conference.

### 4. Notice of meetings

- 4.1 Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members.
- 4.2 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee in good time for each meeting. Supporting papers shall be sent to committee members at the same time.

- 4.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## 5. Minutes of meetings

- 5.1 The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 5.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.3 Draft minutes of committee meetings shall be agreed with the committee chair and then circulated promptly to all members of the committee. Once approved, minutes should then be circulated to all other member of the Board, unless it would be inappropriate to do so in the opinion of the committee chair.

## 6. Annual general meeting

The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities and any questions arising from the annual report of the company's remuneration policy and the practices which form part of the company's annual report. He or she should also ensure that the company maintains good contact with shareholders about remuneration in the same way as for other matters.

## 7. Duties

- 7.1 During their tenure, each of the committee members shall consider their duties and responsibilities under section 172 of the Companies Act 2006 in performing their role. The committee shall set the framework or broad policy for, and review the level and structure of, the remuneration of the company's chief executive, chair, the executive directors, the company secretary and senior management.
- 7.2 When setting and reviewing such policy and levels, the committee shall take into account all factors which it deems necessary, including:
- 7.2.1 all relevant legal regulatory requirements, the provisions and recommendations of the 2018 UK Corporate Governance Code (the "**Code**") and associated guidance;
  - 7.2.2 the need to support the long-term sustainable success of the company and the alignment to the company's purpose and values;
  - 7.2.3 the need to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
  - 7.2.4 the company's risk appetite and risk management strategy ensuring that the policy is aligned to the company's risk policies and systems;
  - 7.2.5 the strategy of the company and how the policy reflects and supports the long-term strategy; and
  - 7.2.6 any shareholding requirements, including vesting and holding periods, and any post-employment shareholding requirements for executive directors, the company secretary and senior management that encompass both unvested and vested shares.
- 7.3 The committee shall:
- 7.3.1 when determining executive director remuneration policy and practices, address the following factors set out in Provision 40 of the Code: clarity; simplicity; risk; predictability; proportionality; and alignment to culture;
  - 7.3.2 when determining remuneration schemes and the remuneration policy, enable the use of discretion by the committee to override formulaic outcomes and include provisions to enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so;

- 7.3.3 approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
  - 7.3.4 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the committee shall determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior management and the performance targets to be used;
  - 7.3.5 determine the policy for, and scope of, pension arrangements for each executive director and other senior management and review the same, considering:
    - 7.3.5.1 the alignment of pension contribution rates, or payments in lieu, for such individuals with those available to the workforce;
    - 7.3.5.2 the pension consequences and associated costs to the company of basic salary increases and any other changes in pensionable remuneration or contribution rates, particularly for directors close to retirement, when compared with workforce arrangements;
  - 7.3.6 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
  - 7.3.7 within the terms of the policy (as applicable) and in consultation with the chair and/or chief executive as appropriate, determine the total individual remuneration package of each executive director, the company secretary and other members of senior management including bonuses, incentive payments and share options or other share awards and, in determining such packages, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules and associated guidance;
  - 7.3.8 review and note annually the remuneration trends across the company or Group;
  - 7.3.9 exercise any discretion or judgment on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of company and individual performance, and wider circumstances;
  - 7.3.10 oversee any major changes in employee benefits structures throughout the company or Group;
  - 7.3.11 agree the policy for authorising claims for expenses from the chief executive and chair;
  - 7.3.12 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
  - 7.3.13 obtain reliable, up-to-date information about remuneration in other companies. The committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;
  - 7.3.14 review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;
  - 7.3.15 engage with the workforce to explain how the pay policy of the entire workforce has been taken into account when setting pay and how executive remuneration aligns with the wider company pay policy;
  - 7.3.16 ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code are fulfilled;
  - 7.3.17 not make payments to executive directors that fall outside the approved remuneration policy, unless expressly approved separately by shareholders; and
  - 7.3.18 through the chair of the Board, ensure that the company maintains contact as required with the company's major shareholders on significant matters related to the committee's areas of responsibility.
- 7.4 The committee shall produce a report to enable the Board to present to shareholders annually the committee's work and activities, number of meetings and member

attendances and other matters relating to executive remuneration that shall be put to shareholders for approval at the annual general meeting. Such report shall include the information required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the Code (including the matters listed in Provision 41), the Listing Rules (as published by the Financial Conduct Authority) and any other relevant statutory, regulatory or governance codes and shall incorporate:

- 7.4.1 an annual statement by the committee's chair and annual report on directors' remuneration (together, annual remuneration report); and
  - 7.4.2 the directors' remuneration policy when it must be submitted for approval in accordance with paragraph 7.5 (directors' remuneration policy) and, in any other case, either the directors' remuneration policy, a summary of such policy or details of when the directors' remuneration policy was approved and where it can be found on the company's website.
- 7.5 The committee shall submit for approval by the Board and shareholders a directors' remuneration policy (to be included in the company's annual report as appropriate):
- 7.5.1 every three years;
  - 7.5.2 in any year in which there is a change relative to the prior year;
  - 7.5.3 if shareholder approval was not achieved when last submitted; or
  - 7.5.4 if majority shareholder approval was not achieved on the last submitted annual remuneration report;
- 7.6 If the committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company or individual directors;
- 7.7 The committee shall, subject to delegation of authority by the Board, engage in appropriate discussions as necessary with shareholders if 20 per cent. or more of votes have been cast by shareholders against a resolution to approve the annual remuneration report or directors' remuneration policy or any long-term incentive scheme at any annual general meeting or general meeting, as the case may be, and agree with the Board any appropriate disclosure, including in the annual report.
- 7.8 In carrying out its duties:
- 7.8.1 the committee should consult the chair and/or chief executive about its proposals and have access to professional advice inside and outside the Company;
  - 7.8.2 be sensitive to pay and employment conditions elsewhere in the Group, especially when determining annual salary increases, pension arrangements, bonuses and share schemes; and
  - 7.8.3 follow the provisions in the Code.
- 8. Reporting responsibilities**
- 8.1 The committee chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and on any other issues on which the Board has requested the committee's opinion. The committee chair shall also formally report to the Board on how the committee has discharged its responsibilities.
- 8.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9. Other matters**
- 9.1 Notwithstanding the quorum requirements for the committee, all members of the committee should endeavour to attend all meetings of the committee at which matters of general remuneration policy or the contents of the committee's annual report to

shareholders are discussed.

9.2 The committee shall:

- 9.2.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.2.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 9.2.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non-listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and the EU Market Abuse Regulation as well as guidelines published by the Investment Association and the Pension and Lifetime Savings Association and any other applicable rules, as appropriate; and
- 9.2.4 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

9.3 The committee shall make publicly available the committee's terms of reference by placing them on the company's website.

## **10. Authority**

- 10.1 Specific authority is delegated to the committee to decide on all elements of remuneration for the chair of the company and the executive directors, including pension rights and any compensation payments.
- 10.2 The remuneration of non-executive directors shall be a matter for the chair and the executive members of the Board (and not the remuneration committee) to consider within the remuneration policy and make recommendations to the Board.
- 10.3 The Board authorises the committee to:
  - 10.3.1 seek any information it requires from any employee of the company in order to perform its duties;
  - 10.3.2 carry out all duties set out in these terms of reference, to have unrestricted access to the company's documents and information and to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference, including the advice of independent remuneration consultants; and
  - 10.3.3 have the right to publish in the company's annual report, details of any issues that cannot be resolved between the committee and the Board.

**Approved by the Board on 27 November 2019**