

### **3. BOARD COMMITTEES**

#### **B. Remuneration Committee**

##### **Terms of Reference**

(As approved at the Board Meeting on 14 November 2019)

#### **1. General Statement**

The Remuneration Committee ("the Committee") makes recommendations to the Board on Group Policy on executive remuneration.

The Committee determines on behalf of the Board the terms of service (using this expression in its widest sense), including the terms upon which such service is terminated, of (a) the Chairman and the Executive Directors of the Company, (b) the members of the Executive Committee and the Group Financial Controller, and (c) such senior executives as the Committee shall from time to time resolve as being within its remit ("the Executives").

The remuneration of the Non-Executive Directors shall be a matter for the Chairman and the executive members of the board.

The Committee determines the design of, and targets for, share plans and other long-term incentive plans, and makes or approves awards under them, whether to Executives or other employees.

In so doing, the Committee will endeavour to encourage the Executives to enhance the Group's performance, ensuring that they are fairly rewarded for the contribution they each make to such performance.

In determining Group Policy, the Committee takes into account all factors which it deems necessary, including pay and conditions elsewhere in the Company. The Committee will review the ongoing appropriateness and relevance of the remuneration policy.

The Committee will report and account to shareholders annually on Directors' remuneration generally. The Committee will maintain contact with the Company's principal shareholders through the Chairman of the Company and/or the Chairman of the Committee.

The Chairman of the Committee shall attend the Company's Annual General Meeting, prepared to respond to any shareholders' questions on the Committee's activities or on the Directors' Remuneration Report, which is moved as a resolution at the Annual General Meeting.

The Chairman of the Committee shall ensure that, by such means as he or she may consider as most appropriate in the circumstances, members of the Board are kept informed of the Committee's activities, decisions and recommendations as regards all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit, where action or improvement is needed.

The Chairman of the Committee shall arrange for a periodic review of the Committee's performance and, at least, annually review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes the Committee considers necessary to the board for approval.

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##### **2. Composition, Quorum and Access to External Advice**

The Committee shall consist only of independent Non-Executive Directors and shall have a minimum of three members. The Chairman of the Company shall not be a member of the Committee.

A quorum shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

The Committee may delegate the exercise of some or all of its powers or discretions to the Chairman of the Committee or one or more other of its members, as it may decide to be appropriate.

The members of the Committee will serve at the discretion of the Board, following the recommendation of the Nomination Committee, in consultation with the Chairman of the Committee, and may be removed by the Board. Appointments shall be for a period of up to three years extendable by additional three-year periods. After nine years, appointments will only be extendable by additional one year periods.

The Board appoints the Chairman of the Committee and determines the period for which he or she holds office. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Only members of the Committee have the right to attend Committee meetings. The Group Chairman, Chief Executive, other Executive Directors and other members of senior management may attend by invitation.

No-one shall count towards a quorum or be present when their own remuneration or appointment is being discussed.

The Company Secretary is Secretary to the Committee and is responsible for servicing the meetings to ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues and producing the minutes, which will include the names of those present and in attendance. In the absence of the Company Secretary, the Deputy Company Secretary or some other person nominated by the Company Secretary and acceptable to the Committee shall act as secretary.

Minutes of the Committee shall be circulated to all members of the Committee as soon as practical after meetings and tabled for approval at the next subsequent meeting. The Chairman of the Committee shall report to the Board on its proceedings after each meeting, subject to there being no conflict of interest.

The Committee has authority, at the cost of the Company, to select and appoint remuneration consultants to assist it in the discharge of its responsibilities and to provide, recommendations, information and data as the Committee or its Chairman may request. The annual report of the Group's remuneration policy should identify such consultants and state whether they have any other connection with the Group;

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The Committee shall have access to such other information and advice, at the cost of the Company, both from within the Group and externally, as, after discussion with the Group Chairman, it deems necessary. The Committee shall be provided with appropriate training opportunities.

The Committee shall review its own performance, constitution and terms of reference at least once a year to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

#### **3. Meetings**

The Committee shall meet at least four times in each year and otherwise as required. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members. Unless otherwise agreed, 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 and any other person required to attend no fewer than two working days plus the preceding weekend prior to the date of the meeting. The members of the Committee can waive this requirement if all consent.

#### **4. Terms of Reference**

After consultation, where appropriate, with the Chief Executive and the Group Chairman, the Committee shall: -

- (i) determine and recommend to the Board the Group's policy on executive remuneration, ensure that the remuneration policy is put to shareholders for approval at the AGM at least once every three years, and ensure that remuneration arrangements for Directors are operated within this approved policy. The term "executive remuneration" is deemed to include levels of pay, service contracts and all other benefits, including (without limitation) share options and other long term incentive plans of any kind ("LTIPs"), pensions, allowances, gratuities, life assurances, bonuses and severance packages for Executive Directors and other Executives as appropriate;
- (ii) oversee any major changes in employee benefit structures throughout the Group and review and note annually the remuneration trends across the Group;
- (iii) deal in all respects with:
  - (a) the terms of service of the Chairman and the Executive Directors and any other Executives including their remuneration, as defined in (i) above,
  - (b) the termination of their employment having regard to the severance policy adopted by the Board, (and, in this respect, the Committee shall consider the advantages of providing explicitly in the service contract for compensation commitments in the event of early termination, except in the case of removal for misconduct; and, where there is no explicit provision for compensation commitments, the Committee shall, within legal constraints, tailor their approach to the individual circumstances, dealing fairly where cases of departure are not due to poor performance, whilst not rewarding poor performance and having regard to reducing compensation to reflect

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the departing director's duty to mitigate loss, where reasonable in the circumstances);

- (c) the policy for authorising claims for expenses from the Chairman, Chief Executive and Executive Directors;
- (iv) report and account directly to shareholders, on behalf of the Group Board, for Directors' remuneration by way of the Company's annual report (to form part of the Directors' report);
- (v) review the design of all new equity schemes for approval by the Board and shareholders;
- (vi) approve the terms of, and basis of participation in, short and long term incentive schemes for which the Chairman and/or the Executive Directors and/or senior executives are eligible; to set performance criteria for the granting, vesting or execution of awards or options under any existing or new share plan or other LTIP; and to review annually the bonus arrangements for the Executives;
- (vii) grant options or awards under any share plan (other than All Employee Share Plans);
- (viii) delegate to such person or persons, as the Committee may deem appropriate, the administration powers necessary to give effect to the grant of options or share awards decided upon by the Committee;
- (ix) grant or delegate the power to grant dispensations in respect of leavers exercising rights under LTIPs;
- (x) determine whether the performance measures for any equity incentive plans, performance-related pay schemes and other cash based incentive plans for Executives operated by the Company have been satisfied;
- (xi) in determining remuneration packages and arrangements, consider any relevant legal requirements, and the provisions of the Combined Code, as well as the UK Listing Authority's Rules and any associated guidance;
- (xii) keep under review market practice on notice periods under Executive Directors' service agreements;
- (xiii) consider the pension consequences of, and (where relevant) the contribution payable by, the Company to any funded supplementary pension scheme relating to proposed salary increases for Executive Directors;
- (xiv) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any advisers to the Committee;
- (xv) from time to time, as deemed appropriate, obtain reliable, up-to-date information in order to review the Company's position on remuneration and benefits with other comparable companies, bearing in mind that any improvements in remuneration and terms as a result should reflect improved performance;

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- (xvi) ensure that all short- and long-term incentives for Executives and senior management are consistent with and support sound, risk management and are aligned with customer and shareholder interests; and
- (xvii) ensure that the provisions regarding disclosure of information, including pensions, as set out in the Listing Rules, Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code, are fulfilled.