

## Remuneration Committee – Terms of Reference

### 1. Constitution

- The remuneration committee (Committee) is constituted as a committee of the board of directors (Board) in accordance with the articles of association of the Company.
- The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

### 2. Membership

- The Committee shall comprise at least three independent Non-Executive Directors, each of whom shall be appointed by the Board in consultation with the Chairman of the Remuneration Committee. Members will not be appointed for a fixed term. Their appointment will, however, be reviewed annually in accordance with the Board's policy of annual reappointment of Non-Executive Directors.
- All members of the Committee shall be Non-Executive Directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.
- The Board should appoint the Committee Chairman who shall be an independent Non-Executive Director and determine the period for which they shall hold office. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Company, if a member of the Committee, shall not be eligible to be appointed as Chairman of the Committee.
- The Chief Executive, Chief Financial Officer, Group Human Resources Director, Group Reward and Capability Director and external advisers may be invited to attend any meeting of the Committee; others may be called upon to attend by prior arrangement with the Chairman of the Committee. Invitees have no right to attend.
- Any Non-Executive Director, including the Chairman of the Company may attend any meeting of the Committee.

### 3. Secretary

- The Members of the Committee shall appoint/remove the Secretary of the Committee. The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

### 4. Quorum

- The quorum necessary for the transaction of business shall be two members present in person, or linked by telephone or video conference facilities. 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.
- A resolution in writing signed by all the Committee members for the time being shall be as valid and effective as if the same had been passed at a duly convened meeting of the Committee and may consist of two or more documents in like form each signed by one or more members of the Committee.

## 5. Meetings

- The Committee shall meet as its business requires but not less than twice a year and at such other times as determined by its members or the Chairman.

## 6. Notice of Meetings

- Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof.
- 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, any other person required to attend and all other Non-Executive Directors, no fewer than four working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and other attendees as appropriate, at the same time.
- Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

## 7. Minutes of Meetings

- The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- Minutes of Committee meetings shall be circulated to all members of the Committee and to all other members of the Board, unless it would be inappropriate to do so.

## 8. Annual General Meeting

- The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

## 9. Duties

The Committee shall carry out the following duties for the Company and the Group as appropriate:

- Determine and agree with the Board the framework and policy for the remuneration and benefits of the Chief Executive, Executive Directors and such other senior executives as it is designated to consider, review on an ongoing basis the relevance of the policy, the balance between fixed and variable reward and ensure that the policy is put to shareholders for approval at least every three years;
- In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements and recommendations of the UK Corporate Governance Code (the Code) and associated guidance. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance, both at the corporate and individual level, and are, in a fair and responsible manner, rewarded for their individual contributions to the long-term success of the Company. It shall also liaise with the Succession and Nominations Committee to ensure that the remuneration of newly-appointed executives is within the Company's overall policy;
- Uphold an objective of its policy 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. The remuneration policy should have regard to the risk appetite of the Company and alignment of the Company's long-term strategic goals;

- Recommend to the Board the remuneration of the Chairman. The remuneration of Non-Executive Directors, including that of the Chairman following recommendation by the Committee, shall be a matter for the Executive Directors. No director or manager shall be involved in any decisions as to his or her own remuneration;
- Determine the design and targets for any performance-related pay schemes operated by the Company within the remit of the Committee ensuring targets are stretching, yet achievable and rigorously applied.
- Ensure there is adequate provision for withholding and recovery of awards to protect against reward for failure, and recommend to the Board for approval.
- Ask the Board, when appropriate, to seek shareholder approval for any long-term incentive arrangements;
- Monitor and assess performance conditions in respect of any performance-related reward elements operated by the Company which is within the remit of the Committee;
- Within the terms of the agreed policy and, where relevant following consultation with the Chief Executive and/or the Chairman, determine the total individual remuneration package of each Executive Director and other senior executives including, where appropriate, bonuses, incentive payments, expenses policy, share plans and executive shareholding requirements;
- In relation to the Executive Directors and other senior executives, determine the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments and, where appropriate, make recommendations to the Board in respect of such benefits in respect of the Chairman. In determining pension benefits have regard to the associated costs to the Company of salary increases and other changes to the pension
- In determining such packages and arrangements, review competitor companies arrangements but ensure that automatic increases are not implemented, thereby avoiding the "ratchet" effect;
- Exercise any discretion or judgment on remuneration issues in accordance with the remuneration policy.
- Be aware of and oversee any major changes in employee benefit structures throughout the Company and Group;
- Ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the FCA Listing Rules, the Code and other relevant statutory, regulatory or governance codes, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration should identify such consultants and state whether they have any other connection with the Company;
- Act as the sole body instrumental and authorised to exercise any power or discretion vested in the Board under any share option or incentive scheme of whatever nature established for the benefit of employees of the Group from time to time;
- 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;
- Ensure that contractual terms on termination, and any payments made, are within the agreed policy, fair to the individual and the Company and Group, that failure is not rewarded and that the duty to mitigate loss is appropriately recognised;
- When setting remuneration policy for directors, review and have regard to the remuneration trends across the Group especially when determining annual salary increases;
- The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its remit where action or improvement is needed;
- Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- Through the Chairman of the Board, ensure that the Company maintains contact as

required with its principal shareholders about remuneration.

- Be provided with appropriate and timely training, both in the form of an induction programme for new members and an on-going basis for all members including ensuring members are kept apprised of market practice and regulatory and governance developments.

## 10. Authority

- The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- The Committee may obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall have full authority to appoint, and determine the remit and terms of appointment of, remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board.
- Although the Committee can seek the advice and assistance of any of the Company's executives and the services of the Company Secretariat, it needs to ensure that this role is clearly separated from their role within the business.
- The Committee is authorised to obtain information on the remuneration of any employee of the Group.
- The Committee is authorised to obtain, at the Company's expense legal or other independent advice from advisers of its own choosing.
- The Committee is authorised to secure the attendance of any person with relevant experience and expertise at Committee meetings if it considers it appropriate.

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