

## **Remuneration Committee – Terms of Reference**

(adopted by the Board on 18 December 2003  
and last updated on 10 December 2020)

### **Directors' duties**

It is the duty of the Company's Directors to promote the success of the Company for the benefit of members as a whole. Directors must have regard to sections 171 to 177 of the Companies Act 2006 which set out Directors' Duties in more detail. In doing so Directors must have regard, amongst other things, to the following:-

- a. the likely consequences of any decision in the long term;
- b. the interests of the Company's employees;
- c. the need to foster business relationships;
- d. the impact of the Company's operations on community and environment;
- e. the desirability of the Company maintaining reputation for high standards of business and conduct; and
- f. the need to act fairly as between members.

### **1. Membership**

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least three members, all of whom shall be independent Non-Executive Directors.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, Group Chief Executive, Group Finance Director, Group Business Development Director, Group Company Secretary and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3. Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent. In exceptional circumstances an appointment may be extended beyond this provided the Board considers that the individual Committee member remains independent.
- 1.4. The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director. The Chairman of the Committee upon appointment shall have been a serving Non-Executive Director of the Company for at least 12 months before being appointed Chairman of the Committee. 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 who shall be an independent Non-Executive Director. The Chairman of the Board shall not be Chairman of the Committee.

### **2. Secretary**

- 2.1. The Company Secretary shall act as the Secretary of the Committee.

### **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be two. 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.

#### **4. Meetings**

- 4.1. The Committee shall have at least three scheduled meetings a year and shall meet at such other times as the Chairman of the Committee shall require.

#### **5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting.

#### **6. Minutes of Meetings**

- 6.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

#### **7. Annual General Meeting**

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities including the Remuneration Policy Report and Annual Report on Remuneration.

#### **8. Duties**

The Committee shall:

- 8.1. prepare and submit for approval to shareholders a detailed policy on Directors' remuneration in accordance with the requirements of the Companies Act 2006. This policy should cover the remuneration of the Group Chief Executive, Chairman, the Executive Directors, the Group Company Secretary and the senior executive management team (Ops Exec). The remuneration of Non-Executive Directors shall be a matter for the Chairman and the Executive Directors. No Director or manager shall be involved in any decisions as to their own remuneration;
- 8.2. ensure that any payment to a Director is in strict accordance with the Remuneration Policy Report as approved by shareholders (current version approved at the 2017 Annual General Meeting) and unless required to be submitted sooner, to be renewed by shareholders in accordance with the provisions of the Companies Act 2006 every third year (with the next scheduled approval to be at the 2020 Annual General Meeting).

- 8.3. in determining such policy, take into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code, associated guidance and the views of the Company's shareholders. 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 and are, in a fair and responsible manner, rewarded for their individual contributions to the sustainable and long-term success of the Company;
- 8.4. when setting remuneration policy for Directors, review and have regard to the remuneration trends across the Company affecting the Company's wider employee population as well as the wider employment market;
- 8.5. review the ongoing appropriateness and relevance of the remuneration policy;
- 8.6. 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. To achieve this, the Committee will receive an update from Group HR at least annually on wider employee remuneration and related policies.
- 8.7. 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. The Committee shall ensure that any performance related pay schemes are structured to drive executive management to deliver sustainable long-term growth in shareholder value;
- 8.8. review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, 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 executives and the performance targets to be used. The Committee shall ensure that awards are merited particularly given the context of ongoing business performance to ensure that they are not disproportionate and potentially viewed as rewarding failure;
- 8.9. Operate the rule of malus and clawback under the provisions of the rules of the Company's long term incentive schemes and the Company's annual bonus plan.
- 8.10. Develop and oversee a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares for Executive Directors.
- 8.11. determine the policy for, and scope of, pension arrangements for each Executive Director and other senior executives;
- 8.12. 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. The Committee will ensure that any such termination payments are in strict accordance with the Remuneration Policy Report as approved by its shareholders;
- 8.13. within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of the Chairman, each Executive Director and other senior executives including bonuses, incentive payments and share options or other share awards;
- 8.14. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and associated guidance, along with the views, in so far as it relates to emerging best practice, of major investors and investor guidance bodies;
- 8.15. oversee any major changes in employee benefits structures throughout the Company or Group;

- 8.16. agree the policy for authorising claims for expenses from the Chairman, Chief Executive and other Directors of the Company;
- 8.17. ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' remuneration reporting requirements required by the Companies Act 2006, the UK Corporate Governance Code and other legislation are fulfilled;
- 8.18. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference (including fees) for any remuneration consultants who advise the Committee. As at the date of adoption of these terms of reference, the Committee has appointed Mercer as its remuneration advisor;
- 8.19. 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; and
- 8.20. Work and liaise as necessary with all other Board committees.

## **9. Reporting Responsibilities**

- 9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee Chairman shall annually prepare an annual statement to be submitted to the Company's shareholders in the Company's Annual Report setting out a summary of the work done by the Committee during the financial year under review and its application of the agreed Remuneration Policy (including the exercise of any discretion) and any proposals for changing that Policy.
- 9.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.4. The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's Annual Report and ensure that the policy report is put to shareholders for a binding vote at every third AGM (current policy approved at the 2017 AGM and unless required to be submitted to shareholders earlier due to a need to change that policy) and that the annual remuneration report is put annually to shareholders for an advisory vote at every AGM. The annual remuneration report is to comply with reporting obligations under the Companies Act 2006, UK Corporate Governance Code and The Companies (Miscellaneous Reporting) Regulations 2018 (including reporting on the CEO's pay ratio and share price impact reporting).
- 9.5. Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about Executive remuneration.
- 9.6. In the event of any remuneration resolution submitted to shareholders (including the approval of share schemes) receive an against vote of at least 20% of votes cast, then the Committee will endeavour to engage with shareholders to determine the basis for that opposition and work to build a consensus on executive remuneration.

## **10. Other**

- 10.1. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 10.2. The Committee shall 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.

- 10.3. The Committee shall give due consideration to the laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and any other applicable Rules, as appropriate.
- 10.4. The Committee shall, at least once a year, review its own performance by reference to its objectives for that year, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11. Authority**

- 11.1. 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.
- 11.2. In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.

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