

## **Terms of Reference - Remuneration Committee**

### **1. Membership**

- 1.1. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the HR Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3. The Board shall appoint the Committee Chairman, who shall be an independent non-executive director and shall have served on a remuneration committee for at least 12 months prior to appointment as Committee Chairman. 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 would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be the Committee Chairman.

### **2. Secretary**

- 2.1. 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 the issues.

### **3. Quorum**

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

### **4. Meetings**

- 4.1. The Committee shall meet at least twice a year and otherwise as required.

### **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, shall be forwarded to each member of the Committee and any other person required to attend no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### **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 to members of the Committee promptly and to all other non-executive directors unless it would be inappropriate to do so in the opinion of the Committee Chairman.

## **7. Interaction with Members**

- 7.1. The Committee Chairman shall attend the Annual General Meeting prepared to answer member questions on the Committee's activities.
- 7.2. The Committee Chairman shall engage, as appropriate, with members on significant matters related to the duties of the Committee.

## **8. Duties**

The Committee should carry out the duties detailed below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee shall:

- 8.1. have delegated responsibility for setting the remuneration policy and practices for all executive directors, the Chairman (in consultation with the executive directors), Company Secretary and senior executives who are members of ExCo including pension rights and any compensation payments. The remuneration of non-executive directors shall be a matter for the executive directors. No director or manager shall be involved in any decisions as to their own remuneration;
- 8.2. in determining such policy and practices, 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 (Code) and associated guidance and the PRA / FCA Code on Remuneration Practices. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully, having regard to the views of all relevant stakeholders;
- 8.3. design remuneration policy and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the company's long term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances;
- 8.4. when considering remuneration policy and practices for directors, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture;
- 8.5. review the ongoing appropriateness and relevance of the remuneration policy;

- 8.6. 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, the Company Secretary and senior executives who are members of ExCo, including bonuses and incentive payments. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance, and wider circumstances;
- 8.7. review annually the criteria for identifying identified staff as required by PRA, FCA regulation and the list of identified staff;
- 8.8. review annually the remuneration of identified staff to ensure it remains appropriate and meets the regulatory requirements;
- 8.9. 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 remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the parent company but within any budgetary restraints imposed by the Board. The Committee shall exercise independent judgement when evaluating third party advice and when reviewing views from executive directors or senior management;
- 8.10. have full responsibility to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the company. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants;
- 8.11. recommend to the Board the design of, and targets for, any performance related pay schemes operated by the Group for each executive director, the Company Secretary and other senior executives who are members of ExCo and approve the total annual payments made under such schemes. For any such schemes, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for executive directors, the Company Secretary and senior executives who are members of ExCo, and the performance targets to be used;
- 8.12. determine whether the annual company pay award increase agreed by the Executive Remuneration Committee should be applied to deferred STIP monies;
- 8.13. recommend to the Board the policy for, and scope of, pension arrangements for each executive director, the Company Secretary and other senior executives who are members of ExCo;
- 8.14. ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.15. review workforce remuneration and related policies and oversee any major changes in employee benefits structures throughout the Group;

- 8.16. agree the policy for authorising claims for expenses from the directors;
- 8.17. work and liaise as necessary with all other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly.

## **9. Reporting Responsibilities**

- 9.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.
- 9.3. The Committee shall produce a report to be included in the company's annual report which includes the information required to be disclosed under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Code, in so far as they are applicable to the company. The Committee shall ensure that it is put to members for approval at the AGM. 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.

## **10. Other Matters**

The Committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2. 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;
- 10.3. give due consideration to laws and regulations and the provisions of the Code;
- 10.4. 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 for approval.

## **11. Authority**

- 11.1. The Committee is authorised by the Board to obtain, at the parent company's expense, outside legal or other professional advice on any matters within its terms of reference.