



Terms of Reference for the Remuneration Committee

(reviewed December 2018)

1. Membership

- 1.1 The Committee is appointed by the Board on the recommendation of the Nomination Committee from amongst the independent Non-Executive Directors. The Chair of the Board may serve as an additional member provided he or she was independent on appointment as Chair but may not chair the Committee. A quorum shall be two members present in person, by telephone, audio or video link or similar real time communication facility, while recognising that wherever possible there should be a minimum of three members attending in line with current best practice. The Board shall appoint any member of the Committee (other than the Chair of the Board), which save in exceptional circumstances shall be a member who has served on the Committee for at least 12 months, to act as Chair.
- 1.2 The term of appointment to the Committee shall be three years. Members may be re-appointed after their initial term for up to two further periods of three years provided that they continue to be independent. The Chair of the Committee will not normally remain in post beyond nine years from their first appointment to the Board.
- 1.3 Membership shall be reviewed annually as part of the annual performance evaluation of the Committee.

2. Attendance at Meetings

- 2.1 Only members of the Committee have the right to attend Committee meetings.
- 2.2 The Chair of the Board, if he or she is not a member of the Committee, and the Chief Executive shall have the right to address any meeting of the Committee, and other individuals may attend for all or part of any meeting by invitation of the Chair of the Committee.
- 2.3 No individual may participate in deliberations in which their remuneration is being directly discussed or in decisions which directly affect their personal remuneration.
- 2.4 The Secretary of the Company shall act as Secretary to the Committee.

3. Frequency of Meetings

- 3.1 The Committee shall meet at least twice a year and at such other times as the Chair of the Committee shall require.
- 3.2 Meetings of the Committee shall be called by the Secretary to the Committee at the request of the Committee Chair.
- 3.3 The Secretary shall be responsible for circulating information and papers in a timely manner to enable the Committee to give proper consideration to issues.

4. Minutes of Meetings

- 4.1 The Secretary shall keep appropriate minutes of the Committee's proceedings, including the names of those present and in attendance.

- 4.2 Draft minutes shall be circulated promptly to all members of the Committee and once approved will be circulated to all members of the Board unless it would be inappropriate to do so.
- 4.3 A resolution in writing signed by all Committee members will be as effective as a resolution passed at a Committee meeting.

5. Authority

- 5.1 The Committee has delegated authority from the Board in respect of the functions and powers set out in these terms of reference. In performing its duties, the Committee may:-
- 5.1.1 take such internal and external advice as it considers appropriate to determine any aspect of remuneration, terms of service and incentives; and/or
- 5.1.2 sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.
- 5.2 The Committee may appoint remuneration consultants and/or commission and/or purchase such reports, surveys or information as may be necessary to allow it to perform its duties. In doing so, it shall determine the terms of reference and engagement of external advisers including remuneration consultants, and shall ensure appropriate disclosures relating to such advisers and consultants are included in the Company's annual remuneration report, including whether they have any other connection with the Company or individual directors.

6. Responsibilities

- 6.1 The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that the remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 6.2 In particular, the Committee shall:-
- 6.2.1 determine the Company's remuneration policy for the remuneration of the Chair of the Board, the Executive Directors and senior management;
- 6.2.2 in determining the policy, consider and comply with all relevant legal and regulatory requirements from time to time, and with the provisions and recommendations of the UK Corporate Governance Code and the FCA's Listing Rules and associated guidance.
- 6.2.3 in determining the policy, and when determining annual remuneration, ensure that, without paying more than is necessary, it:-
- (i) is designed to achieve an appropriate balance between fixed and performance-related remuneration, and immediate and deferred remuneration;
 - (ii) is designed to incentivise attract, retain and motivate individuals of the quality required to promote the long term success of the Company;
 - (iii) rewards individuals in a fair and responsible manner for their contributions to the success of the Company, linking rewards to corporate and individual

performance and driving behaviour that is consistent with the Company's purpose, values and desired culture;

- (iv) gives the Committee discretion to override formulaic outcomes that might otherwise reward poor performance and recover or withhold sums in circumstances where it has specified it would be appropriate to do so;
- (v) is linked to the business strategy of the Company and its long term strategic goals;
- (vi) takes into account wider workforce remuneration and related policies; and
- (vii) is aligned with the Company's risk appetite, risk management strategy, risk policies and systems.

6.3 The Committee shall be responsible for ensuring:-

6.3.1 that the remuneration policy is submitted to shareholders in general meeting, and for periodically reviewing its ongoing appropriateness and relevance. In doing so, it shall have regard to the views of shareholders and other stakeholders and (through the Chair) maintain contact as required and engage with its principal shareholders and institutional investors about remuneration; and

6.3.2 that the annual report contains a clear description of its work, how it has addressed the requirement to engage with shareholders and the wider workforce in relation to remuneration matters, and includes relevant pay ratios in accordance with current regulation.

6.4 The Committee shall ensure that all payments or proposed payments to directors are consistent with the latest remuneration policy approved by shareholders from time to time;

6.5 The Committee will be responsible for setting remuneration policy and monitoring the level and structure of remuneration for the Executive and senior management below Board level.

6.6 The Committee will:

6.6.1 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, ensuring that such performance-related elements are transparent, stretching and rigorously applied;

6.6.2 review the design of all long term incentive plans for approval by the Board and shareholders; determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to each Executive Director and participant from senior management, and the performance targets to be used, and monitor the amount of such awards to be made to these participants, and the performance targets to be used;

6.6.3 design agreed safeguards, for example, clawback, to protect against rewarding failure, and adopt appropriate risk management of incentive arrangements to ensure performance-related payments reflect actual achievement;

6.6.4 determine the policy for, and scope of, pension arrangements for each Executive Director and senior manager and the level of contributions by the Company, and monitor the pension arrangements for the Executive and senior management. In

doing so, it shall have regard to pension contribution rates available to the workforce;

- 6.6.5 ensure that contractual terms on termination, and any compensation payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is recognised;
 - 6.6.6 within the terms of the agreed remuneration policy and in consultation with the Chair and/or Chief Executive as appropriate, determine the total individual remuneration package of each Executive Director including base salary, bonuses, incentive payments and share options or other share or share-based awards;
 - 6.6.7 review and note annually the remuneration trends across the Group and have regard to these when setting remuneration, especially when determining annual salary increases;
 - 6.6.8 oversee any major changes in employee benefits structures throughout the Group;
 - 6.6.9 agree the policy for authorising claims for expenses from directors; and
 - 6.6.10 ensure proper disclosure of remuneration as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Companies Act 2006 and any other relevant regulations which may come into force from time to time.
- 6.7 in carrying out their responsibilities, each member of the Committee shall act in a way which he or she considers, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole.
- 6.8 The remuneration of the Non-Executive Directors (other than the Chairman) is a matter for the Board.

7. Reporting and Evaluation Procedures

- 7.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting.
- 7.2 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.
- 7.3 The Committee Chair shall liaise with the Chief Executive on Remuneration Committee matters, and may also seek information from the Secretary and other members of senior management. Where it seeks advice and assistance from any such person, the Committee will take steps to address any potential conflict of interest and to ensure that this role is distinct from that person's role within the business.
- 7.4 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 shall work and liaise with other Board Committees as necessary
- 7.5 The Committee shall report annually on the Company's remuneration policy and practices which will form part of the Company's Annual Report for submission as appropriate to shareholders at the Company's AGM. The report shall be prepared having regard to, and shall include such information as may be required by, the Companies Act (and associated

regulations), the UK Corporate Governance Code, the FCA Listing Rules and any other statutory, regulatory or governance code applicable to the Company from time to time.

7.6 The Chair of the Committee shall attend the Company's AGM and shall be available to answer questions from shareholders.

7.7 The Terms of Reference shall be made available to shareholders by being placed on the Company's website.

8. Other matters

8.1 The Committee shall have access to sufficient resources in order to fulfil its duties, including access to the Company Secretariat as required;

8.2 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.