

## **REMUNERATION COMMITTEE TERMS OF REFERENCE**

### **1. Purpose**

- 1.1 UK Premium Listed companies are required to comply with the BEIS Directors' Remuneration Reporting Regulations (the "Remuneration Regulations") when making disclosures regarding directors' remuneration. As an AIM listed company, the Company is not required to apply the Remuneration Regulations, and hence is not required to present a Directors' Remuneration Report within its Annual Report in accordance with those rules.
- 1.2 Nevertheless, the Board considers it appropriate for the Company to provide Shareholders with information with respect to Executive remuneration and for ensuring that the remuneration framework of the Group:
- has coherent remuneration policies and practices which are observed;
  - remains effective in supporting the Company's business objectives, is in line with best practice, and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to attract, motivate and retain employees of the highest calibre;
  - links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components; and
  - incentivises Executive Directors to meet the Company's strategic objectives, such that a significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's strategic business drivers (which can be easily measured, understood and accepted by both Executives and Shareholders) and appropriate external comparator groups.
- 1.3 The primary purpose of the Remuneration Committee (the "Committee") is to support and advise the Company's Board in fulfilling these responsibilities to Shareholders by:
- determining Executive Director remuneration policy;
  - determining the remuneration of Executive Directors; and
  - determining the terms of any share options or long term incentive scheme, administering such schemes and making awards thereunder.
- 1.4 In accordance with the 2018 UK Corporate Governance Code (the 'Code'), the Committee will also review the remuneration policy for senior management (defined within the Code as the first layer of management below main Board level). This has been determined as the Group Management Board, membership of which comprises (in addition to Executive Directors), divisional Managing Directors and certain other Group function heads, plus the Company Secretary.

## **2. Composition**

- 2.1 The Committee shall comprise of a minimum of two independent non-executive Directors of the Company only, who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement. In addition, the Chairman of the Company can only be a member if they were independent on appointment.
- 2.2 The Board shall appoint the Committee Chairman and determine the period for which office shall be held. Before appointment as Committee Chairman, the appointee should have served on a remuneration committee for at least 12 months. The Chairman of the Company shall not be eligible to be Chairman of the Committee.
- 2.3 In the absence of the Committee Chairman, the members shall elect one of their number (except the Chairman of the Company) as Chairman for that meeting.

## **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 or exercisable by the Committee.

## **4. Frequency of meetings**

- 4.1 The Committee shall meet not less than three times a year and at such other times as the Chairman of the Committee shall require.

## **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be summoned by the Chairman of the Committee at the request of any member thereof.
- 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 in the week prior to the date of the meeting.

## **6. Minutes of meetings**

- 6.1 The proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, shall be minuted.
- 6.2 Minutes of Committee meetings shall be circulated to all members of the Committee. Minutes, agenda and supporting papers, will be made available to any Director upon request to the Chairman, providing no conflict of interest exists.
- 6.3 The Company Secretary shall be the Secretary to the Committee.

## **7. Annual general meeting**

- 7.1 The Committee Chairman shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

## **8. Duties and responsibilities**

- 8.1 The Committee shall determine and agree with the Board the framework or broad policy for the Remuneration of the Executive Directors and also for the Group Management Board as it is designated to consider. The remuneration of non-executive Directors shall be a matter for the Board. No Director or manager shall be involved in any decisions as to his or her own remuneration.
- 8.2 In determining such policy, the Committee shall take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the Executive Directors, and where appropriate members of the Group Management Board, are rewarded for their individual contributions to the success of the Company in a fair and responsible manner and provided with appropriate incentives to encourage enhanced performance.,
- 8.3 The Committee shall determine targets for any performance-related Executive Director pay schemes operated by the Company and shall review and approve any similar performance-related schemes for the Group Management Board.
- 8.4 Within the terms of the agreed policy, the Committee shall determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses, incentive payments, share options, pension arrangements, termination payments and compensation commitments. The Committee will also determine the individual remuneration package of each member of the Group Management Board (who is not an Executive Director), and in doing so shall review as appropriate the recommendations from the Executive Directors.
- 8.5 The Committee will review and approve the design of all long term incentive plans and review and approve the total proposed payments for each such plan.
- 8.6 In conjunction with the CFO, the Company Secretary and, if relevant, the Trustee, the Committee will administer the Long Term Incentive Plan and/or LTGP in accordance with the plan rules.
- 8.7 In determining such packages and arrangements, the Committee will give due regard to the requirements and recommendations of the Remuneration Regulations, the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and any similar guidance or regulations, albeit it is recognised that, as an AIM listed company, the Company is not required to fully apply such regulations.
- 8.8 The Committee will 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. Where appropriate, the Committee will also engage with the workforce to explain how executive remuneration aligns with wider Company pay policy.
- 8.9 The Committee will give due regard to the requirements and recommendations of the Remuneration Regulations, the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and any similar guidance or regulations (albeit it is recognised that, as an AIM listed company, the Company is not required to fully apply such regulations) when determining the disclosures to be included within the Board Report on Remuneration. As a minimum, the Committee will ensure that a suitably detailed Directors' Remuneration Report is incorporated in the Company's Annual Report.

## **9. Authority**

- 9.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Group in order to perform its duties.
- 9.2. 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 including the advice of independent remuneration consultants, to secure the attendance of external advisers at its meetings if it considers this necessary, and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys that it deems necessary to help it fulfil its obligations.

These terms of reference will be subject to review by the Board of Directors and can only be changed by the Board of Directors.