

THE REMUNERATION COMMITTEE

TERMS OF REFERENCE

Reference to “the Committee” shall mean the Remuneration Committee.

Reference to “the Board” shall mean the Board of Directors.

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 3 members. If the Committee is made up of this minimum number, all of its members 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 Chief Executive, the head of human resources 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 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.
- 1.4. The Board shall appoint the Committee Chairman who shall be an independent non-executive director. 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 Board shall not be Chairman of the Committee.

2. Secretary

- 2.1. The Company Secretary or their 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 2. 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 meet at least twice 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 Secretary of the Committee at the request of any of its members.

- 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, any other person required to attend and all other non-executive directors, no later than 5 working 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 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.

8. Duties

The Committee shall:

- 8.1. determine and agree with the Board the framework or broad policy for the remuneration of the company's Chief Executive, Chairman, the executive directors, the company secretary and such other members of the executive board as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- 8.2. in determining such policy, take into account all factors which it deems necessary, including:
 - 1) the appropriate balance between fixed and performance-related remuneration, and between immediate and deferred remuneration;
 - 2) the need to promote the long-term success of the Company without paying more than is necessary;
 - 3) the views of shareholders and other stakeholders, and
 - 4) the Company's risk appetite and risk management strategy.

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 success of the Company;

- 8.3. when setting remuneration for directors, have regard to pay and employment conditions across the Company, especially when determining annual salary increases;
- 8.4. review the ongoing appropriateness and relevance of the remuneration policy;
- 8.5. 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;

- 8.6. 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 monitor and assess any performance conditions applicable to any long-term incentive awards and ensure that the performance conditions are clearly linked to the strategy and enhancement of shareholder value and are fully explained;
- 8.7. put in place appropriate recovery provisions (clawback or malus) to protect against rewards for failure, and ensure that any performance-related payments reflect actual achievements;
- 8.8. ensure that all incentive arrangements are aligned to the Company's risk policies and systems;
- 8.9. determine the policy for, and scope of, pension arrangements for each executive director and other senior executives and in particular review the pension consequences and associated costs to the Company of basic salary increases and any other changes to pension arrangements;
- 8.10. approve the terms of the service contracts, the duration of which shall not exceed one year's notice period, for executive directors and other members of the executive board and any material amendments to those contracts;
- 8.11. determine the policy for, and scope of, termination payments and compensation commitments for each executive director and other members of the executive board. Ensure that there is a clear policy to link non-contractual payments to performance;
- 8.12. ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, and in accordance with legal and regulatory requirements; ensure that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 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 each executive director and other members of the executive board including salary, bonuses, incentive payments and share options or other share awards, pension arrangements and other benefits in cash or in kind. Ensure, where relevant, that any payments made to executive directors are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval;
- 8.14. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the FRC's UK Corporate Governance Code and the FCA's UK Listing Rules and associated guidance;
- 8.15. review and note annually the remuneration trends across the Company or Group, and keep abreast of external remuneration trends and market conditions;
- 8.16. oversee any major changes in employee benefits structures throughout the Company or Group;
- 8.17. agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- 8.18. exercise appropriate discretion or judgement on remuneration issues in accordance with the remuneration policy;

- 8.19. engage in appropriate discussions as necessary with institutional investors on policy or any other aspects of remuneration;
- 8.20. consider such other matters as are referred to the Committee by the Board;
- 8.21. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee: 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 which it deems necessary to help it fulfil its obligations; and
- 8.22. 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 shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee shall:
 - 1) Produce an annual report of the company's remuneration policy and practices which will form part of the company's annual report and which shall include:
 - i. An annual statement from the Committee Chairman providing a summary of the Company's remuneration policy and the annual report on remuneration;
 - ii. The directors' remuneration policy; and
 - iii. An annual report on directors' remuneration.

The directors' remuneration policy and the annual report on directors' remuneration should include the information required to be disclosed by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies Act 2006 (including any regulations made under that Act), the Code, the Listing Rules (as published by the Financial Conduct Authority) (Listing Rules) and any other relevant statutory, regulatory or governance codes are fulfilled;

- 2) Submit the directors' remuneration policy for approval by the board and shareholders:
 - i. Every three years;
 - ii. In any year in which there is a change to the policy;
 - iii. If shareholder approval was not obtained when last submitted; or
 - iv. If majority shareholder approval was not achieved on the last submitted annual report on directors' remuneration;
- 3) Submit the annual report on directors' remuneration for approval by the board and shareholders annually;

- 9.4 If the Committee has appointed remuneration consultants, identify in the annual report on directors' remuneration, the name of the consultants and state whether they have any connection with the Company.
- 9.5 The Committee shall ensure, through the Chairman of the Board, that the Company maintains contact as required within its principal shareholders about remuneration.

10 Other

The Committee shall:

- 10.1 Have access to sufficient resources to carry out its duties, including access to the company secretariat for assistance as required.
- 10.2 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and the design and operation of share schemes including but not limited to the provisions of the FRC's UK Corporate Governance Code, the requirements of the FCA's Listing Rules, and the Disclosure and Transparency Rules as well as guidelines published by Institutional Shareholder Services, the Investment Association, the National Association of Pension Funds, the GC100, and any other applicable rules, as appropriate.
- 10.3 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 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 have access to the Company's documents and information, and to obtain, at the company's expense, any outside legal or other professional advice.

Appendix III

THE REMUNERATION COMMITTEE

MEMBERS

Neil Carson (chairman)
Gill Barr
Giles Kerr
Nicholas Wiles