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## Remuneration Committee Terms of Reference

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### 1. Membership

- 1.1 Members of the Remuneration Committee (the "Committee") shall be appointed from time to time by the Board on the recommendation of the Nominations and Governance Committee and shall consist of not less than three members. All members shall be independent non-executive directors. In addition, the Chairman of the Board may be a member of the Committee provided he or she was considered independent at the time of appointment as Chairman. The Chairman of the Board may not be the Committee Chairman. At least one member shall have recent relevant remuneration committee experience.
- 1.2 The chairman of the Committee, who shall be an independent non-executive director, shall be appointed from time to time by the Board. In case of the temporary absence of the chairman, one of the Committee members nominated by the chairman or elected by the other members of the Committee shall act as chairman. Before appointment, the chairman of the Committee should have at least twelve months experience of serving on a remuneration committee. Where at any meeting of the Committee an equal number of votes have been cast for and against any resolution, the chairman of the Committee shall be entitled to a casting vote.
- 1.3 The quorum shall be any two members.
- 1.4 Members of the Committee shall be identified in the Company's annual report.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group Head of Human Resources and external advisors may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.6 No individual shall be involved in any decisions as to their personal remuneration.

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## **2. Secretary**

- 2.1 The Secretary of the Committee shall be appointed from time to time by 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 issues.
- 2.2 The Secretary of the Committee shall ascertain at the beginning of each meeting if any conflict of interest exists and will minute it accordingly.

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## **3. Authority of the Committee**

- 3.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

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## **4. Frequency of meetings**

- 4.1 Meetings of the Committee shall be held as required, but not less than two times a year.

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## **5. Duties and Responsibilities of the Committee**

- 5.1 The Committee, giving full consideration to the principles of good governance, and specifically the code of best practice contained in the UK Corporate Governance Code 2018, and the FCA Remuneration Code, shall be responsible on behalf of the Board for developing and maintaining formal and transparent policies on remuneration for the Company's workforce that is aligned with the Company's culture, the framework in which that policy is applied, and its cost.
- 5.2 The Committee will periodically review remuneration policies to ensure that they continue to be compliant with the relevant corporate governance and regulatory requirements, including the FCA Remuneration Code.
- 5.3 In particular, the Committee shall on behalf of the Board:-
  - 5.3.1 review and approve the general principles of the Company's remuneration policies, and:-
    - (i) determine the application of the policies to the executive directors;

- (ii) ensure that remuneration policies have regard to the risk appetite of the Company and are aligned to the Company's long-term strategic goals; and
  - (iii) review the application of the policies to senior management, brokers, employees engaged in control functions, and other employees including compliance with the FCA Remuneration Code;
- 5.3.2 ensure that the implementation of the Company's remuneration policies is subject to review;
- 5.3.3 consider the relationship between incentives and risk including review of the Enterprise Risk Management Framework to assess risks which may be affected by remuneration policies; consult with the Board Risk Committee on matters as required by the Enterprise Risk Management Framework, Risk Management Policies and other policies in place; and work with, but not be bound by, the Board Risk Committee to ensure that risk and risk appetite are properly considered in setting remuneration policy;
- 5.3.4 review wider workforce pay and consider the mechanisms for explaining to the workforce how executive pay and any related policies are aligned with the wider workforce remuneration;
- 5.3.5 keep under review the Company's gender and ethnic pay gaps, and oversee the implementation of actions identified as being required;
- 5.3.6 ensure that the remuneration of each executive director is in accordance with the most recent remuneration policy to have been approved by shareholders in accordance with the Companies Act 2006 (the "Approved Policy") and :-
  - (i) determine that the specific remuneration packages for each of the executive directors and the Chairman of the Board, including pension rights and all benefits whether in cash or in kind, fixed for a term or performance related, immediate or deferred;
  - (ii) approve any variation of the specific remuneration packages for any of the executive directors;
  - (iii) approve the terms and authorise the execution of any relevant documentation;
  - (iv) consider wider workforce pay when setting executive pay; and ensure that the pension contributions of executive directors are aligned with those available to the wider workforce.

- 5.3.7 determine and approve the rules of any new employee share scheme or other equity based long term incentive programme or recommend any changes to such rules;
- 5.3.8 determine and approve the rules of any new performance-related pay schemes and approve the total annual payments made under such schemes;
- 5.3.9 review and approve the total incentive pools for all non-broking employees but not on an individual basis, save with respect to the senior management population (see 5.3.10);
- 5.3.10 review and approve, after consultation with the Chief Executive, the level and structure of remuneration for senior management. The definition of "senior management" for this purpose includes those members of the Executive Committee (other than the executive directors), and the first layer of management below that level;
- 5.3.11 as part of the review in 5.3.4 and 5.3.9 above, review and approve the level and structure of remuneration for the heads of control functions;
- 5.3.12 on the basis of the principles set out in 5.1 (and where relevant in accordance with the Approved Policy), in relation to the Company's incentive schemes including share options and other awards on each occasion on which options or awards are granted:-
  - (i) set the performance criteria to be applied to those options or awards and determine the extent to which such performance targets have been satisfied;
  - (ii) determine the allocation of options or awards to executive directors;
  - (iii) review the allocation of options or awards to senior management; and
  - (iv) approve the terms and authorise the execution of any relevant documentation;;
- 5.3.13 keep under review a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;
- 5.3.14 exercise any discretion specified in the rules of the plans and generally oversee their administration;
- 5.3.15 determine, on the basis of the principles set out in 5.1 and in accordance with the Approved Policy, any compensation

payments to be made to any executive director on the termination or variation of his/her employment, ensuring that failure and/or poor performance is not rewarded and that the duty to mitigate loss is recognised;

5.3.16 advise, and where appropriate, make recommendations to the Board of the Company:

- (i) as to developments in best practice relating to the remuneration of all employees;
- (ii) on the basis of those developments to recommend appropriate changes to the authority of the Committee; and
- (iii) investigate and report and/or make recommendations regarding, any matter in any way connected with the matters which the Committee is to determine or on which it is to advise, or which is referred to the Committee by the Board of the Company; and

5.3.17 the Committee shall not determine the remuneration of any non-executive director, other than the Chairman of the Company.

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## **6. Reporting Procedures**

- 6.1 A note of the decisions of the Committee signed by the chairman of the Committee shall be a sufficient record and conclusive evidence of the validity of the Committee's decisions.
- 6.2 The Secretary of the Committee shall circulate the minutes of the meetings of the Committee to all members of the Board as appropriate.
- 6.3 The Chairman of the committee shall attend each AGM and shall be available to answer questions raised by shareholders at the AGM.
- 6.4 The Committee shall review and approve the Report on Directors' Remuneration including all disclosures required under the relevant legislation, codes, guidance and rules.

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## **7. Procedural and Other Matters**

- 7.1 The Committee will arrange for the periodic reviews of its own performance and at least annually, review its own performance and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

- 7.2 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.
- 7.3 The Committee is authorised to obtain all necessary information from within the Company and shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 7.4 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 7.5 The Committee shall consult the Chairman and/or the Chief Executive about its proposals relating to the remuneration of individuals within its scope (other than the Chairman and Chief Executive).
- 7.6 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.

Approved on: 24 January 2019