

## **REMUNERATION COMMITTEE TERMS OF REFERENCE**

### **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 Chair of the Remuneration Committee. The Committee shall comprise at least three members, all of whom are 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.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, the Group Chief Executive, the Chief People Officer, 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, so long as members (other than the Chairman of the Board if he or she is a member of the Committee) continue to be independent.
- 1.4. The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director. Before appointment as the Committee Chair, the appointee must have served on a remuneration committee for a period of at least 12 months. In the absence of the Committee Chair 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 Chair of the Committee.

### **2. Secretary**

The Company Secretary or their nominee shall function 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**

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

### **4. Frequency of Meetings**

The Committee shall meet at least twice a year and at such other times as the Chair of the Committee or any member 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 the Chair of the Committee or any of the Committee 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 and any other person required or invited to attend, no later than five 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. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and once agreed, to all members of the Board, unless, exceptionally, it would be inappropriate to do so.

## **7. Annual General Meeting**

The Chair of the Committee shall attend the Annual General Meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **8. Duties**

- 8.1. The Committee should perform the duties detailed below for the parent Company, major subsidiary undertakings, and the Group as a whole, as appropriate. The Committee shall:
- 8.2. Have delegated responsibility for determining the remuneration policy for all Executive Directors, the other members of the Group Executive Committee, the Company Secretary, Head of Internal Audit, and the Company's Chairman, including pension rights and any compensation payments, in accordance with the UK Corporate Governance Code.
- 8.3. Establish remuneration schemes that promote long-term shareholding by Executive Directors that support alignment with long-term shareholder interests, with share awards subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- 8.4. Design remuneration policies 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 or share awards under appropriate specified circumstances including external perceptions arising from its decisions when approving the total annual payments made under performance-related pay schemes.
- 8.5. When determining Executive Director remuneration policy and practices, consider the UK Corporate Governance Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality, and alignment to culture.
- 8.6. The Board itself, or where required by the Articles of Association, the shareholders should determine the remuneration of the Non-Executive Directors within the limits set in the Articles of Association. No director or member of the Group's Executive Committee shall be involved in any decisions as to their own remuneration.
- 8.7. In determining such policy, consider all factors which it deems necessary including relevant legal and regulatory requirements, the provision and recommendations of the UK Corporate Governance Code and associated guidance. 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 views of shareholders and other stakeholders, and pay and employment across the Company.

- 8.8 When setting remuneration policy for the Executive Directors other members of the Group Executive Committee and the Company Secretary, the Remuneration Committee should review workforce remuneration and related policies, and the alignment of incentives and rewards with culture.
- 8.9 Review the on-going appropriateness and relevance of the remuneration policy.
- 8.10 Within the terms of the agreed policy and in consultation with the Chairman and/or Group Chief Executive, as appropriate, determine the total individual remuneration package of each Executive Director, the Company Chairman, other members of the Group Executive Committee, the Company Secretary and the Head of Internal Audit, including salary increases, bonuses, incentive payments and share options or other share awards. 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.
- 8.11 Obtain reliable, up-to-date information about the remuneration in other companies of a 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 Company but within budgetary restraints imposed by the Board. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.
- 8.12 Be responsible for establishing the selection criteria, selecting, appointing, and setting the terms of reference for any remuneration consultants who advise the Committee.
- 8.13 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, other members of the Group Executive Committee, and the Company Secretary, and the performance targets to be used.
- 8.14 Approve the share ownership policy for Executive Directors and regularly monitor compliance.
- 8.15 Determine the policy for, and scope of, pension arrangements for each Executive Director, other members of the Group Executive Committee, the Company Secretary, and the Head of Internal Audit, considering pension arrangements for the rest of the workforce.
- 8.16 Ensure that terms on termination to members of the Group Executive Committee, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.17 Agree the policy for authorising claims for expenses from the directors.
- 8.18 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 Chair shall report formally to the Board after each meeting on the nature and content of its discussion, recommendations, and action to be taken, unless a conflict of interest exists.
- 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 ensure that the provision regarding disclosure of information, including pensions, as set out in the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the UK Corporate Governance Code and any other relevant legislation or regulations that apply to the Company, are fulfilled. The Committee shall produce a report of the directors' remuneration policy and practices to be included in the Company's Annual Report and put to shareholders for approval at the annual general meeting, as necessary. If the Committee has appointed remuneration consultants, the Annual Report should identify such consultants and state whether they have any other connection with the Company or individual directors.
- 9.4 Where there is a significant vote against the remuneration policy or directors' remuneration report, the Committee will take any necessary actions to understand the reasons for the vote against and publish an explanation of the reasons and outline what the Committee has done to address the dissent.
- 9.5 The Committee shall report a description of its work, the frequency of, and attendance by members at Committee meetings, in the Annual Report.

## 10. Other

The Committee shall:

- 10.1 Have access to sufficient resources to perform its duties, including access to the Company Secretary 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 on-going basis for all members.
- 10.3 Give due consideration to all relevant laws and regulations, the UK Corporate Governance Code, and any published guidelines or recommendations regarding the remuneration of directors and the formation and operation of share incentive plans, the requirements of the UK Listing Rules, Prospectus Rules, Disclosure and Transparency Rules sourcebook, and any other applicable rules, as appropriate.
- 10.4 The Committee shall, at least once a year, review its own performance, 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.
- 10.5 The Committee shall ensure that the terms of reference of the Committee, including its role and the authority delegated to it by the Board are made available on request, and on the Company's website.

## 11. Authority

- 11.1 The Committee is authorised to seek any information it requires from any employee of the Company to perform its duties.
- 11.2 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 on any matters within its terms of reference.

*References to 'the Committee' shall mean the Remuneration Committee.*

*References to 'the Board' shall mean the Board of Directors.*

*References to the 'Company' or 'Group' shall mean Inchcape plc or the Inchcape Group.*