

## Terms of Reference: Remuneration Committee

*Reference to the 'Company' shall mean Ei Group plc*

*Reference to the 'Committee' shall mean The Remuneration Committee*

*Reference to the 'Board' shall mean The Board of Directors*

*Reference to the 'Code' shall mean The UK Corporate Governance Code dated April 2016 and or July 2018 as appropriate*

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### 1. Membership

- 1.1 The Committee shall comprise of at least 3 members, each of whom shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee.
- 1.2 All members of the Committee shall be non-executive directors who are independent of management and free from any business or other relationship, which could interfere with the exercise of their independent judgment.
- 1.3 The Board should appoint the Committee Chairman. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee. The Chairman of the Board may serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman of the Company. Before appointment as chair of the Committee the appointee should have served on a remuneration committee for at least 12 months.
- 1.4 Care should be taken to minimize the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 1.5 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 and meets the criteria for membership of the Committee.

### 2. Secretary

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.
- 2.2 The Secretary of the Committee shall maintain a record of the members of the Committee who shall be named in the Company's annual report.

### 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 discretion's vested in or exercisable by the Committee.
- 3.2 In the absence of the Committee Chairman and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### 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 members 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, any other person required to attend and all other non-executive directors, no fewer than 5 working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and other attendees as appropriate, at the same time.
- 5.3 The Committee may request the attendance at meetings of the Committee other individuals such as the Chairman of the Board, Chief Executive Officer and external remuneration consultants as appropriate.

## **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 to all members of the Committee and 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 and be 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 Chief Executive Officer, the Chairman of the Company, the executive directors, the Company Secretary and such other members of the Company's executive management team as it is designated to consider. The remuneration of non-executive directors shall be a matter for the executive members of 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, exercise independent judgment and take into account all factors, which it deems necessary including that the executive directors remuneration should be designed to support strategy, promote the long-term sustainable success of the Company, ensure remuneration is aligned to Company purpose and values and that performance related elements should be transparent, stretching and rigorously applied.
- 8.3 Exercise independent judgment and discretion on where to position the Company relative to other companies, but use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and avoid paying more than is necessary.
- 8.4 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. It shall also liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy and that compensation commitments in new directors terms of appointment do not reward poor performance and be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.

- 8.5 Take care to recognise and manage conflicts of interest when receiving views from executive directors or senior managers or consulting the Chief Executive about its proposals and to exercise independent judgment.
- 8.6 Review the on-going appropriateness and relevance of remuneration policy.
- 8.7 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 and ensure that schemes include provisions that would enable the Company to recover sums paid or withhold the payment of any sums, and specify the circumstances in which it would be appropriate to do so.
- 8.8 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 if designated to do so and the performance targets to be used.
- 8.9 Within the terms of the agreed policy and in consultation with the Chairman of the Board and the Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive director and other members of the Company's executive management team, if designated to do so, including, where appropriate, bonuses, incentive payments and other share awards.
- 8.10 Determine the policy for and scope of pension arrangements for the executive directors and members of the Company's executive management team and take account of pension consequences of salary increases.
- 8.11 In determining such packages and arrangements, give due regard to the principles and provisions of the Code including those set out in Schedule A attached as well as the UK Listing Authority's Listing Rules and associated guidance.
- 8.12 Review and note annual remuneration trends across the Company and be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases.
- 8.13 Be aware of and oversee any major changes in employee benefit structures throughout the Company or group.
- 8.14 Agree the policy for authorising claims for expenses from the Chief Executive Officer and Chairman.
- 8.15 Ensure that appropriate disclosure of remuneration including pensions, in accordance with statutory provisions and the Code are fulfilled.
- 8.16 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 fulfil its obligations.
- 8.17 By its Chairman maintain contact as required with the principle shareholders of the Company about remuneration.

## **9. Authority**

- 9.1 The Committee is authorised by the Board to seek any information it required from any employee of the Company in order to perform its duties.
- 9.2 In connection with its duties the Committee may appoint Remuneration Consultants, at the Company's expense.

- 9.3 Although the Committee can seek the advice and assistance of any of the Company's executives, it needs to ensure that this role is clearly separated from their role within the business.

**10. Reporting Responsibilities**

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the company's Annual Report and ensure each year that it is put to shareholder approval at the AGM.

**11. Performance Evaluation**

- 11.1 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.

**12. Availability of Terms of Reference**

- 12.1 The terms of reference of the Committee will be included on the Company's website and will be made available to members on request.

**September 2018**

**Schedule A:** The design of performance-related remuneration for executive directors.

### **Balance**

The remuneration committee should determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the Company. Remuneration incentives should be compatible with risk policies and systems. Upper limits should be set and disclosed.

The Remuneration Committee should consider whether the directors should be eligible for annual bonus and or benefits under long term incentive schemes.

### **Share Based Remuneration**

Traditional share option schemes should be weighed against other kinds of long term incentive schemes. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules.

Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace any existing schemes or, at least, form part of a well-considered overall plan incorporating existing schemes. The total rewards potentially available should not be excessive.

For share-based remuneration the Remuneration Committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the Company, subject to the need to finance any costs of acquisition and associated tax liabilities. In normal circumstances, shares granted or other forms of deferred remuneration should not vest or be paid, and options should not be exercisable, in less than three years. Longer periods may be appropriate. Grants under executive share options and other long-term incentive schemes should normally be phased rather than awarded in one large block.

### **Pensions**

In general, only basic salary should be pensionable. The Remuneration Committee should consider the pension consequences and associated costs to the Company of basic salary increases and any other changes in pensionable remuneration, especially for directors close to retirement.