

**Norcros plc**

**THE REMUNERATION COMMITTEE  
TERMS OF REFERENCE**

**(Adopted by the Board on 7 March 2019)**

**1 Membership**

- 1.1 There shall be a committee of the Board to be known as the Remuneration Committee. Members of the committee shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the chair of the Remuneration Committee. The committee shall be made up of at least 2 members, each of whom are independent non-executive directors. The Chair of the Board may also serve on, and as a member of, the Remuneration Committee if he or she was considered independent at the time of his or her appointment as Chair.
- 1.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Group Chief Executive and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 The Board shall appoint the committee chair who shall be an independent non-executive director. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect the chair of the meeting. The Chair of the Board shall not be chair of the committee.
- 1.4 Appointments to the committee shall be for a period of up to 3 years, which may be extended for 2 further terms of 3 year periods, provided that the members remain independent.

**2 Secretary**

The company secretary or, in his or her absence, someone nominated by the committee shall act as the secretary of the committee. When the remuneration of the secretary is under consideration by the committee, the secretary shall withdraw from the meeting.

**3 Quorum**

The quorum necessary for the transaction of business shall be 2 members. 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 Frequency of meetings**

The committee shall meet at least twice a year and at such other times as the chair 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 2 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 meetings of the committee, including recording 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 to all members of the Board, unless a conflict of interest exists.

## **7 Annual General Meeting**

The chair 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:

- (a) determine and agree with the Board the framework and broad policy for the remuneration of the company's Group Chief Executive, Chair, the executive directors, the senior management and such other members of the executive management as it is designated to consider; the remuneration of non-executive directors shall be a matter for the Chair and the executive members of the Board. No director or manager shall be involved in any decisions as to his or her own remuneration;
- (b) in developing and determining such policy, take into account all factors which it deems necessary; the objective of such policy shall be to support strategy and promote long-term sustainable success; and that remuneration should be aligned to the company's purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy;
- (c) review the on-going appropriateness and relevance of the remuneration policy;
- (d) approve the design of, and determine targets for, any remuneration schemes operated by the company in accordance with Provisions 36-40 of the Code (and approve the total annual payments made under such schemes):
  - The committee will promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose will be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The committee will develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

- The committee's schemes and policies will enable the use of discretion to override formulaic outcomes and also include provisions that will enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.
  - Only basic salary will be pensionable. The pension contribution rates for executive directors, or payments in lieu, will be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, will be carefully considered when compared with workforce arrangements.
  - Notice or contract periods will be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods will reduce to one year or less after the initial period. The committee will ensure compensation commitments in directors' terms of appointment do not reward poor performance. The committee will be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.
  - When determining executive director remuneration policy and practices, the committee will address the following:
    - clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
    - simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
    - risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
    - predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
    - proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and
    - alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.
- (e) in determining such remuneration schemes and any packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules and associated guidance and any other authoritative best practice guidelines for remuneration committees of UK listed companies published from time to time;
- (f) review annually the remuneration trends across the company or Group;
- (g) agree the policy for authorising claims for expenses from the Group Chief Executive and/or the Chair;
- (h) oversee any major changes in employee benefits structures throughout the Group;

- (i) ensure that all provisions regarding disclosure of remuneration, including pensions, as set out the Regulations and the Code, are fulfilled;
- (j) be exclusively responsible for establishing the selection criteria, and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee: and 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 in this regard;
- (k) The committee should take care to recognise and manage conflicts of interest when receiving views from executive directors or senior management or consulting the Chief Executive about its proposals.

## **9 Reporting responsibilities**

9.1 The committee chair 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 produce for approval by the Board a Directors' Remuneration Report that must contain the matters referred to in Provision 41 of the Code:

- an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;
- reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
- a description, with examples, of how the remuneration committee has addressed the factors in Provision 40 of the Code;
- whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
- what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
- what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy;
- to what extent discretion has been applied to remuneration outcomes and the reasons why; and

an annual statement, an annual report on remuneration (Annual Remuneration Report) and the Directors' remuneration policy (Remuneration Policy). Every three years the Remuneration Policy shall be put to shareholders and shall be approved by binding vote of the shareholders at the AGM. The Annual Remuneration Report shall be approved by an advisory vote of the shareholders at each AGM.

9.4 The committee chair shall maintain such contact as is required with the company's shareholders about remuneration, and be a point of contact on remuneration matters for all the company's stakeholders.

## 10 Other matters

The committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that 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 employees of the Group in order 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 matter within its terms of reference.

*In these terms of reference:*

*the expression **senior management** shall be deemed to include such executives in the Group who report directly to the Group Chief Executive, including the company secretary;*

***"Group"** means the company and its subsidiaries and subsidiary undertakings from time to time.*

***"Code"** means the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018.*

***"Regulations"** means the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and any statutory or regulatory provisions that amends, re-states or supplements those regulations.*