

**Norcros plc**

**THE REMUNERATION COMMITTEE  
TERMS OF REFERENCE**

**(Adopted by the Board on 23 April 2015)**

**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 chairman of the Remuneration Committee. The committee shall be made up of at least 2 members, each of whom are independent non-executive directors. The Chairman 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 Chairman.
- 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 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 the chairman of the meeting. The Chairman of the Board shall not be chairman 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 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 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 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 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:

- (a) determine and agree with the Board the framework and broad policy for the remuneration of the company's Group Chief Executive, Chairman, the executive directors, the secretary, senior executives of the Group 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 Chairman 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 determining such policy, take into account all factors which it deems necessary; the objective of such policy shall be to ensure that the remuneration packages for the executive directors and senior executives of the Group are designed to promote the long term success of the Group and at a level required to attract, retain and motivate them and to ensure that they are of the appropriate quality but without paying more than is necessary for this purpose. Equally, the committee should ensure that the executive directors and senior executives of the Group 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, provided that performance-related elements of remuneration packages should be transparent, stretching and rigorously applied;
- (c) review the on-going appropriateness and relevance of the remuneration policy;
- (d) 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 (in accordance with Schedule A of the UK Corporate Governance Code). Schemes should include provisions that would enable the

Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so;

- (e) 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;
- (f) determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- (g) in determining the basis on which the employment of individual executive directors and other senior executives of the Group is terminated, where a service contract does not explicitly provide for compensation commitments or liquidated damages for termination without cause by the company, the committee should within legal constraints tailor its approach in individual early termination cases to the particular circumstances surrounding the termination; the broad aim should be to be fair to the individual and the company but to avoid rewarding failure and to take a robust line on reducing compensation to reflect any obligation to mitigate loss on the part of the departing executive;
- (h) 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 and senior executive of the Group including bonuses, incentive payments and share options or other share awards – and in this context, being sensitive to the wider scene, including pay and employment conditions of other employees in the Group, especially when determining annual salary increases and judging where to position remuneration packages relative to other companies; the committee should be aware of what comparable companies are paying and should take account of relative performance – but the committee should use such comparisons with caution, in view of the risk that they can result in an upward ratchet of remuneration levels without any corresponding improvement in corporate and individual performance, and should avoid paying more than is necessary;
- (i) in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance 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;
- (j) review annually the remuneration trends across the company or Group;
- (k) agree the policy for authorising claims for expenses from the Group Chief Executive and/or the Chairman;
- (l) oversee any major changes in employee benefits structures throughout the Group;

- (m) ensure that all provisions regarding disclosure of remuneration, including pensions, as set out in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code, are fulfilled;
- (n) 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;
- (o) 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 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 produce for approval by the Board a Directors' Remuneration Report that must contain: 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 chairman shall maintain such contact as is required with the Company's principal shareholders about remuneration.

## **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 executives of the Group** shall be deemed to include such executives in the Group who report directly to the Group Chief Executive and the senior members of the head office or central establishment of the company; and

**Group** shall mean the company and its subsidiaries and subsidiary undertakings from time to time.