



REMUNERATION COMMITTEE OF SEVERFIELD PLC

TERMS OF REFERENCE

Adopted by the committee on 1 May 2019

1. Membership

- 1.1 The board shall appoint the committee chairman who shall be an independent non-executive director. The Committee Chair should ordinarily have served on the Remuneration Committee of a company for at least 12 months prior to appointment as Committee Chair. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board. The chairman of the board shall not be chairman of the committee.
- 1.2 The members of the committee shall be appointed by the board of directors on the recommendation of the nomination committee and in consultation with the chairman of the remuneration committee. Appointments to the committee shall be for periods of up to three years, which may be extended for no more than two additional three-year periods provided the members continue to be independent.
- 1.3 The committee shall have at least three members. The chairman of the board of directors may also serve on the committee as an additional member, but not chair the committee, if he or she was considered independent on appointment as chairman.
- 1.4 Only members of the committee have the right to attend committee meetings but other directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.
- 1.5 The members of the committee can be varied at any time by a majority resolution of the existing members of the committee save that any additional appointment must still be an independent non-executive director.

2. Secretary

The company secretary or group HR director or his or her nominee shall be 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 any two members of the committee.

4. Frequency of meetings

The committee will meet at least twice a year. The committee may meet at other times during the year as required.

5. Notice of meetings

- 5.1 Meetings of the committee shall be summoned by the secretary of the committee at the request of the chairman.



- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than two working days before the date of the meeting. Any supporting papers shall be sent to each member of the committee and to other attendees (as appropriate) at the same time.

6. Minutes of meetings

- 6.1 The proceedings and resolutions of the committee meetings, including the names of those present and in attendance shall be minuted by the secretary of the committee.
- 6.2 Draft minutes of each meeting will be circulated promptly to all members of the committee. Once approved, the minutes of each meeting will be circulated to all other members of the board of directors unless, in the opinion of the chairman, it would be inappropriate to do so.

7. Annual General Meeting

The chairman of the committee should make him or herself available at each Annual General Meeting of the company to answer questions concerning the committee's work.

8. Duties and terms of reference

Overriding principles

- 8.1 In carrying out its duties under these terms of reference, the committee shall take into account all factors which it deems necessary, including (where appropriate):
- (a) all relevant legal and regulatory requirements and the provisions and recommendations of the UK Corporate Governance Code and relevant guidance;
 - (b) the views of shareholders and other stakeholders;
 - (c) whether executives are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions, without paying more than is necessary;
 - (d) the need for simplicity, clarity, transparency and predictability in setting the remuneration policy and remuneration arrangements (including the metrics and targets of performance-related aspects of remuneration);
 - (e) the risk appetite and risk management strategy of the Company, and alignment with the Company's risk policies and systems and long-term strategic goals;
 - (f) the need to promote the long-term success of the Company, and the link between remuneration policy (and the potential remuneration outcomes under it) and the delivery of the Company's strategy and the long-term performance of the Company;
 - (g) the alignment of the remuneration policy with the Company's purpose, values and strategy;
 - (h) the remuneration policies and practices applicable to the Company's wider workforce; and



- (i) the ongoing appropriateness and relevance of the remuneration policy.

Determining the remuneration policy for Senior Managers and setting remuneration

- 8.2 The committee shall determine the framework or broad policy for the remuneration of:
- (a) the chairman of the board;
 - (b) executive directors of the Company;
 - (c) members of the Severfield executive committee;
 - (d) the Company Secretary; and
 - (e) any other senior executives of the Company that the committee is determined to have responsibility for,
- (and, together, referred to in these terms of reference as "**Senior Managers**").
- 8.3 The committee shall set the remuneration and benefits, including pension rights and compensation payments, of each Senior Manager within the framework or broad remuneration policy determined by the committee.
- 8.4 In making any determination on any aspect of a Senior Manager's remuneration (including determining any remuneration outcomes), the committee shall exercise independent judgement and ensure that it retains discretion to scale back remuneration outcomes where appropriate.
- 8.5 The remuneration of non-executive directors shall be a matter for the board (within the limits set in the articles of association). No director or senior manager shall be involved in any decisions as to their own remuneration.
- 8.6 The committee shall recommend and monitor the level and structure of remuneration for other senior executives.

Performance related pay and share incentive arrangements

- 8.7 The committee shall approve the design of, and determine targets for, any performance related pay schemes operated by the company in which any Senior Manager is eligible to participate, and approve the total annual payments made under such schemes.
- 8.8 The committee shall review the design of all share incentive plans for approval by the board and shareholders. For any such plans, it shall determine each year whether awards will be made to Senior Managers, and if so, the overall amount of such awards, the individual awards to the Senior Managers, and the performance targets to be used.
- 8.9 The committee shall ensure that the terms of any performance related pay arrangements and (where appropriate) any share incentive arrangements include appropriate powers for the committee to adjust remuneration outcomes at its discretion, and that the committee has appropriate powers of recovery and withholding.

Pension arrangements

- 8.10 The committee shall determine the policy for, and scope of, pension arrangements (including any payments in lieu of pension) for Senior Managers, having regard to the pension arrangements available for the company's wider workforce.



Service contracts and termination payments

- 8.11 The committee shall, together with the nominations committee of the board, review and approve the terms of executive directors' service agreements, and any material amendments to those agreements, with particular regard to notice and contract periods and any provisions relating to entitlement to remuneration.
- 8.12 The committee shall ensure that contractual terms on termination, and any payments made, are fair to the individual and the company, properly reflect the departing individual's performance and the circumstances of their departure, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Share ownership guidelines

- 8.13 The committee shall establish and keep under review appropriate share ownership guidelines or policies for executive directors and (where applicable) other Senior Managers, and consider whether (and, if so, on what basis) and such guidelines or policies should apply post-cessation of employment.

Review of workforce remuneration

- 8.14 The Committee shall review the remuneration policies and practices applicable to the Company's wider workforce. Such review shall consider base pay, benefits, and all incentives and aspects of financial and non-financial reward that drive behaviour.
- 8.15 The committee shall:
- (a) oversee any major changes in employee benefits structures throughout the group; and
 - (b) agree the policy for authorising claims for expenses from the chairman and the Senior Managers.

General

- 8.16 The committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
- 8.17 The committee shall obtain reliable, up-to-date information about remuneration in other companies of comparable scale. The committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary to help it fulfil its obligations within any budgetary restraints imposed by the board.
- 8.18 The committee shall consider such other matters as may be requested by the board of directors.

9. Reporting responsibilities

- 9.1 The committee chairman shall report to the board of directors 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 report to the board on the outcomes of its review of wider workforce remuneration under paragraph 8.14.



Annual directors' remuneration report

- 9.4 The Committee shall, on an annual basis, produce a report of the company's remuneration arrangements in respect of directors to be included in the company's Annual Report and Accounts. If the committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.
- 9.5 In preparing the directors' remuneration report, the committee shall ensure that provisions regarding disclosure of information under by the Companies Act 2006 (including any regulations made under that Act), the UK Corporate Governance Code, the FCA's Listing, Prospectus and Disclosure and Transparency Rules and other relevant statutory, regulatory or governance code, are fulfilled.
- 9.6 The annual directors' remuneration report must be submitted by the board to shareholders for approval on an advisory basis every year.

Directors' remuneration policy

- 9.7 The Committee shall prepare a formal policy in respect of the remuneration arrangements directors of the Company, to be included in the Company's Annual Report and Accounts as part of the annual directors' remuneration report.
- 9.8 The directors' remuneration policy shall include the information that is required to be disclosed the Companies Act 2006 (including any regulations made under that Act), the UK Corporate Governance Code, the FCA's Listing, Prospectus and Disclosure and Transparency Rules and other relevant statutory, regulatory or governance code.
- 9.9 The directors' remuneration policy must be submitted by the board to shareholders for approval on a binding basis at least every three years.

Response to significant votes against any remuneration resolution

- 9.10 If 20% or more of votes have been cast against any binding or advisory resolution relating to any aspect of remuneration (including any resolution referred to in paragraphs 9.6 or 9.9 above), the committee shall assist the board in:
- (a) preparing an explanation of the actions that the company intends to take to consult shareholders to understand the reasons behind the result, to be included in the announcement of voting results on the relevant resolution;
 - (b) within six months of the date of the relevant resolution, publishing an update on the views received from shareholders following the shareholder consultation and the actions that the company has taken in response; and
 - (c) in the next annual report prepared following the relevant resolution (and, if necessary, in the explanatory notes to the resolutions circulated in advance of the next shareholders' meeting), provide a summary of the impact of the feedback received from shareholders on the decisions of the board and/or committee and any actions or resolutions that are proposed.

10. Other matters

- 10.1 The committee shall arrange for periodic reviews of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board of directors for approval.



- 10.2 The committee shall have access to sufficient resources in order to carry out its duties, including access to the HR director and Company Secretary for assistance as required and 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 The committee shall give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non-listed companies and formation and operation of share schemes as appropriate.
- 10.4 The committee shall in conjunction with the chairman of the board, ensure that the company maintains contact as required with its principal shareholders about remuneration.

11. Authority

- 11.1 The committee is authorised by the board of directors to examine any activity within its terms of reference and is authorised to obtain, at the company's expense, legal or professional advice on any matter within its terms of reference. 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.
- 11.2 The committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the committee.

Approved by the board on 1 May 2019