



DeLaRue

## Terms of Reference – Remuneration Committee

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### 1. Constitution

The Board has resolved to establish a Committee of the Board to be known as the Remuneration Committee (the “Committee”).

### 2. Purpose

- 2.1 To determine a policy for Executive Director remuneration capable of attracting and retaining individuals necessary for business success;
- 2.2 To set remuneration for the Chairman of the Board, Executive Directors and Senior Management<sup>1</sup>;
- 2.3 To review workforce remuneration and related policy and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration.

### 3. Membership and Quorum

- 3.1 The Committee shall consist wholly of independent non-executive Directors appointed by the Board. The Committee shall consist of not fewer than three members. A quorum shall be two members;
- 3.2 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. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee;
- 3.3 The membership of the Committee shall be reviewed on an annual basis by the Nomination Committee;
- 3.4 Appointments to the Committee are made by the Board and shall be for such period as the Board shall determine, provided the relevant Director continues to meet the criteria for membership of the Committee;
- 3.5 The Board shall appoint the Chairman of the Committee who shall be an independent non-executive Director. In the absence of the Chairman of the Committee 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 Chairman of the Committee.

### 4. Attendance at Meetings & Secretary

- 4.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Group Director of Human

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Resources and external advisors may be invited to attend for all, or part, of any meeting, as and when appropriate and necessary;

- 4.2 No Director or employee shall be present when his own remuneration is discussed;
- 4.3 The Company Secretary shall be Secretary to the Committee but shall not be present during discussion of the Company Secretary's remuneration.

## 5. **Frequency of Meetings**

Meetings shall be held whenever the Chairman of the Committee deems it necessary but not less than twice a year.

## 6. **Annual General Meeting**

The Chairman of the Committee shall attend the Company's Annual General Meeting to answer questions about Directors' remuneration and the Chairman of the Board should ensure that the Company maintains contact with its principal shareholders about remuneration in the same way as for other matters.

## 7. **Duties**

The duties of the Committee shall be:

- 7.1 To determine the remuneration policy for the Executive Directors (the Policy) and set the remuneration for the Chairman of the Board, the Executive Directors and Senior Management<sup>1</sup>;
- 7.2 To review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the Policy;
- 7.3 To ensure that the Policy promotes the long-term sustainable success of the Company and in doing so, ensure that:
  - Executive remuneration is aligned to the Company's purpose and value and clearly linked to the successful delivery of the Group's long-term strategy;
  - Regard is had to the interests of shareholders and the risk appetite of the Company;
  - The performance of Executive Directors and Senior Management are reviewed against agreed performance objectives.
- 7.4 To ensure Senior Management are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair responsible manner for their individual contributions to the success of the Company, without paying more than is necessary;;
- 7.5 Within the terms of the latest agreed Policy approved by Shareholders, to determine from time to time all elements of the remuneration and conditions of contract for Executive Directors and Senior Managers who report directly to the Chief Executive Officer, together with any exceptionally high remuneration arrangements for other employees. Remuneration shall include, but not necessarily exclusively, be made up of:
  - base salary;
  - profit sharing and specific incentive remuneration schemes/arrangements;
  - participation in share option schemes and share ownership plans;
  - payments in respect of consultancy services;
  - pension arrangements and the level of contributions by the Company;
  - other bonuses and benefits in cash or kind;
- 7.6 To approve the design of any Group incentive plan and weighting/measures for Functional incentive programmes;
- 7.7 To consider non-financial factors or metrics relevant to Executive Directors and Senior Management's remuneration, including recommendations from other Board Committees and discretion to take into account performance on environmental, social and governance matters;

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- 7.8 To approve the setting up of or change to pension scheme rules or benefits or post-employment benefits and to determine the policy for, and scope of, pension arrangements for each executive Director and other senior executives;
- 7.9 To approve the terms and conditions of any service contract with an Executive Director and Senior Management reporting to the Chief Executive Officer including but not limited to, service contracts and consultancy contracts and the duration thereof which should not normally exceed one year's notice period or which should reduce to one year after an initial period, ensuring that the Committee has considered the financial consequences of early termination and the advantages of providing explicitly in the initial contract for specific compensation commitments except in the case of removal for misconduct – ensuring that contractual terms on termination and any potential payments are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is recognised;
- 7.10 To approve the terms of The Chairman of the Board's letter of appointment
- 7.11 To approve individual proposals for termination packages in relation to the Chief Executive Officer, Executive Directors, Senior Management and such other members of the executive management as it is designated to consider, ensuring that they are in line with the latest shareholder approved Directors' Remuneration Policy and aiming to avoid rewarding poor performance and to take account of the individual's obligation to mitigate loss;
- 7.12 To approve disclosures in respect of termination packages for Executive Directors;
- 7.13 To confirm annually that notice should not be given in respect of any rolling service contract;
- 7.14 In determining remuneration policy, to take into account all factors which it deems necessary which may include employee views, shareholder views, relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance;
- 7.15 When setting remuneration for executive Directors, to:
- review remuneration and related policies for the broader workforce to assess alignment between incentives and rewards with De La Rue's culture
  - ensure broader workforce pay is taken into account when setting executive pay and for this to be considered alongside feedback from engagement with the workforce on this subject as appropriate
- 7.16 To review the ongoing appropriateness and relevance of the remuneration policy;
- 7.17 To ensure that any payment approved to be made to the Chairman of the Board, Chief Executive Officer or executive Directors is in line with the latest Directors' Remuneration Policy and if not, that the payment or a revised Directors' Remuneration Policy is put to shareholders for approval;
- 7.18 To obtain reliable, up-to-date information about remuneration in other companies. 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, within any budgetary restraints imposed by the Board;
- 7.19 To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. When appointing advisors, the Committee must understand the nature of other services provided by the prospective advisor, be satisfied that this does not present a conflict of interest and that the advice will be objective and independent;
- 7.20 To 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;

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- 7.21 Subject to delegation of authority by the Board, to determine whether the disclosure of any information on performance conditions would be commercially sensitive;
- 7.22 To oversee any major changes in employee benefit structures throughout the Company or Group;
- 7.23 To agree the policy for authorising claims for expenses from the Directors.

## 8. **Executive Incentive Schemes**

- 8.1 To consider and resolve upon all grants of options under the Company's executive incentive share option schemes (including phantom schemes) and share ownership plans, taking into account the views of the Executive Directors and ensuring that options are not offered at a discount save as permitted by the UKLA Listing Rules;
- 8.2 To decide any dispute or question relating to an option or the exercise thereof;
- 8.3 To exercise discretion to determine if, and on what terms, a participant may exercise options after he has ceased to be in full-time service for reasons other than those specified in the relevant scheme rules which permit automatic exercise after termination;
- 8.4 To make any decisions that are required under the rules of any of the Company's share option schemes (including phantom or share ownership plans) or the guidelines of investors or their representative bodies. To make such alterations or additions to any scheme rules as do not require shareholders' consent as it considers necessary or desirable, subject to the limits set out in the relevant scheme rules.

## 9. **Sharesave**

- 9.1 To consider and resolve upon all grants of options under the Company's sharesave schemes, including, but not limited to, deciding upon whether options should be granted at a discount, taking into account the views of the executive Directors;
- 9.2 To approve the appointment of the savings carrier/administrator for sharesave schemes;
- 9.3 To decide any dispute or question relating to an option or the exercise thereof.

## 10. **In carrying out its duties the Committee shall:**

- 10.1 Be aware of what comparable companies pay taking account of the relative performance of these companies and the Company;
- 10.2 Ensure, with the help of information provided from external sources and from sources within the Company, that the base salary element is competitive and fair, reflecting each Executive Director's or senior manager's responsibilities, experience, performance and market value;
- 10.3 Ensure that the formulae for any short and longer-term incentive schemes support the achievements of business objectives and provide a motivating reward to executive Directors/senior managers for outstanding achievement taking into account:
  - the achievability of the target
  - justifiability in terms of the Company's performance
  - the corresponding returns on the shareholders' investment over the same period
  - the provisions of the UK Corporate Governance Code
- 10.4 Ensure that any awards under the Company's executive incentive share option schemes/share ownership plans are consistent with the Company's overall performance and comply with statutory and listing requirements, consideration being given to investors and their representative bodies;
- 10.5 Provide an objective and independent assessment of the benefits granted to executive Directors.

## 11 **Consultation**

- 11.1 The Committee shall consult the Chairman of the Board and/or Chief Executive Officer about its proposals relating to the remuneration of other executive Directors;

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- 11.2 The Committee is authorised to seek any information it requires from any employee and in that respect all employees shall be directed to meet any request made by the Committee. The Group Director of Human Resources shall provide such support to the Committee as may be required by the Chairman of the Committee.

## 12 Conflict of Interests

- 12.1 The non-executive Directors shall play no part in deciding their own remuneration which shall be decided by the Board;
- 12.2 The Chairman of the Board and non-executive Directors shall not participate in any employee benefit or share option scheme or share ownership plan.

## 13. Reporting Procedures

- 13.1 Agendas and papers for meetings will normally be circulated by the Company Secretary at the direction of the Chairman of the Committee at least five days before the meeting. All non-executive Directors, whether or not members of the Committee, will receive copies of the agenda and papers for a meeting;
- 13.2 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board;
- 13.3 The Chairman of the Committee shall provide, at the next Board meeting, an oral report on each meeting of the Committee;
- 13.4 The Committee shall report on its responsibilities and activities and the frequency of, and attendance by members at, Committee meetings in the Annual Report;
- 13.5 The Committee will report on the process for explaining and obtaining feedback from employees on executive pay
- 13.6 The terms of reference of the Committee, including its role and the authority delegated to it by the Board, shall be made available on the Company's website;
- 13.7 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 13.8 The Committee shall submit for approval by the Board and shareholders a Directors' Remuneration Policy (to be included in the Annual Report and Accounts as appropriate):
- every three years, or
  - in any year in which there is a change relative to the prior year; or
  - if shareholder approval was not achieved when last submitted; or
  - if majority shareholder approval was not achieved on the last submitted Annual Report on Remuneration (see below)
- 13.9 The Directors' Remuneration Policy should include the information on Directors' remuneration required to be disclosed by the Companies Act (including regulations made thereunder), the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and any other relevant statutory, regulatory or governance codes;
- 13.10 The Committee shall submit for approval by the Board and shareholders an Annual Report on Remuneration to be included in the Annual Report and Accounts, which should include the information on Directors' remuneration required to be disclosed by the Companies Act (including regulations made thereunder), the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and any other relevant statutory, regulatory or governance codes.

## 14 Other Matters

The Committee shall:

- 14.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 14.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

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