

REMUNERATION COMMITTEE - TERMS OF REFERENCE



Constitution

The Board of Hill and Smith PLC ('the Company') has established, in line with Corporate Governance best practice, a committee of the Board, henceforth known as the Remuneration Committee ('the Committee').

1. Membership

- 1.1 The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors. The Chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 The Board shall appoint the Committee Chair who shall be an independent Non-executive Director and shall have served on the Committee for a period of 12 months prior to their appointment as Chair. In the absence of the Committee Chair 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 Chair of the Board shall not be Chair of the Committee.

2. Secretary

The Company Secretary or his or her nominee shall act as 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 two.

4. Frequency of Meetings

The Committee shall meet at least twice a year and otherwise as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair.
- 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 three 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 Committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be approved by the Chair.

7. Annual General Meeting

The Committee Chair should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

8. Duties

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

The role of the Committee is as follows:

Remuneration of Directors and Senior Executives

- 8.1 **Determine** the remuneration policy for the Company's Chair, Chief Executive and the Executive Directors, including pension rights and any compensation payments and, where necessary, recommend this to the Board to put forward for resolution by the members;
- 8.2 The objective of such policy shall be to attract, retain and motivate Executive Directors of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and be aligned to the Company's long-term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate performance and the long-term success of the Company, and consideration should be given to other non-financial metrics, including but not limited to an individual's personal performance and development;
- 8.3 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, and appropriate guidance (including but not limited to the UK Corporate Governance Code and associated guidance; the Director's Remuneration Disclosure Rules; and guidelines published by the Association of British Insurers and the National Association of Pension Funds and other proxy groups);
- 8.4 In determining such policy, review and have regard to pay and employment conditions across the group;
- 8.5 **Approve** changes to Executive Directors' terms and conditions of service, location, remuneration package, including salary, bonus etc.
- 8.6 **Approve** changes to The Executive Board terms and conditions of service, location, remuneration package, including salary, bonus etc. following a recommendation from the Group CEO.

Workforce Remuneration

- 8.7 **Review** workforce remuneration (where 'workforce' is defined as persons engaged under an employment contract or contract, or other arrangement to do work or provide services personally) and related policies and consider:
 - the reward, incentives and conditions available to the company's workforce when deciding the pay of Executive Directors and senior executives and how they promote a culture that is consistent with the Company's strategy and business model;
 - how the Remuneration Committee might explain to the workforce each year how decisions on executive pay reflect wider company pay policy;

- how the Remuneration Committee might feedback to the board on workforce reward, incentives and conditions, and support the latter's monitoring of whether company policies and practices support culture and strategy; and
- review the issue of 'pay principles', base-pay, benefits and all incentives and aspects of financial and non-financial reward that drive behaviours, regardless of status or authority.

Other Duties

- 8.8 **Review** the ongoing appropriateness and relevance of the remuneration policy;
- 8.9 **Approve**, within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive as appropriate, the total individual remuneration package of the Chair, each Executive Director, and such other members of the Executive Board as it is designated to consider including bonuses, incentive payments and share options or other share awards and does not reward poor performance and is linked to the successful delivery of the Company's long-term strategy. The remuneration of non-executive directors shall be a matter for the Chair and the Executive Directors;
- 8.10 **Ensure** remuneration payments that are made to Directors are consistent with the remuneration policy approved by shareholders at that time;
- 8.11 **Ensure** no director or manager is involved in any decisions as to their own remuneration;
- 8.12 **Ensure** contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.13 **Approve** the policy for authorising claims for expenses from the directors.
- 8.14 **Approve** any requirement for Executive Directors to have personal holdings of company shares;
- 8.15 **Approve** any retention by an individual of any financial reward from any external directorship or similar appointments;
- 8.16 **Review** compensation commitments that are due to directors under their terms of appointment in the event of a loss of office, and vary these, by discretion to ensure their appropriateness reflecting any circumstances around conduct or performance;
- 8.17 **Recommend** to the Board a policy on post-employment shareholding.

9. Performance Related Pay and Share Schemes

- 9.1 **Approve** the design of, and determination of targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes, including the consideration of ESG-related conditions, and the consideration of ESG-related conditions in bonus or share scheme performance targets.
- 9.2 **Recommend** to the Board the design of all share incentive plans and/or share option schemes for approval by the Board and shareholders;
- 9.3 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, Company Secretary and other designated senior executives and any performance targets to be used;
- 9.4 For any such plans, determine for awards that have already been made whether the performance conditions have been met and the extent to which awards vest retaining discretion, where necessary, to avoid adverse outcomes when only relying upon formulaic measures.
- 9.5 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity;

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- 9.6 Oversee the selection, appointment and terms of reference of any remuneration consultants who advise the Committee (the Committee having full authority to appoint such consultants in order to fulfil benchmarking responsibilities);
- 9.7 **Ensure** that remuneration schemes contain appropriate malus and clawback provisions under specified circumstances, including payments based on erroneous or misleading data, misconduct, misstatement of accounts, serious reputational damage and corporate failure.

10. Reporting Responsibilities

- 10.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) and the UK Corporate Governance Code, are fulfilled. The Committee shall ensure a policy report, fulfilling the regulations, is included in the Company's annual report and put to shareholders for binding approval at the AGM at least every three years or whenever there is a significant change in remuneration policy. The Committee shall ensure an annual report on remuneration, fulfilling the regulations, is included in the Company's annual report each year and is put to shareholders for an advisory vote every year.
- 10.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.4 Through the Chair of the Committee and/or the Company Secretary (as appropriate), ensure that the Company maintains contact as required with its principal shareholders about remuneration.
- 10.5 The Board or Committee will, at least annually, review the committee's performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes considered necessary.

11. Authority, Advice and Resources

- 11.1 The Committee is authorised by the Board to determine Company policy within its terms of reference giving due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 11.2 In carrying out its duties the Committee is authorised to seek any information it requires from any employee and all employees shall be directed to co-operate with any request made by the Committee. It shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required and is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 11.3 The Committee will 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.

**Approved by the Board
January 2023**