

**Dated**

**June 2019**

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**SCS Group Plc**

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**Remuneration Committee:**

**Terms of Reference**

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## SCS Group Plc ("Company")

### 1. Definitions

In these terms of reference:

"**Board**" means the board of directors of the Company;

"**Committee**" means the remuneration committee of the Board;

"**Group**" means the Company and its subsidiary undertakings from time to time; and

"**Senior Managers**" means, together, each executive director of the Company, each member of the Executive Committee of the Company, the Company Secretary and the Operating Company Board.

### 2. Introduction

The primary purpose of the Committee is to assist the Board in determining the Company's remuneration policies and practices. In performing its duties the Committee will maintain effective working relationships with the Board and HR personnel.

### 3. Membership

- 3.1. The Committee shall comprise at least three members. Each member of the Committee shall be an independent non-executive director. The Chair of the Board may serve on the Committee as a member or additional member provided they were considered independent on appointment as Chair. The Chair of the Board may also serve on the Committee as a member in place of one independent non-executive director in circumstances where there is not appointed sufficient number of independent non-executive directors to otherwise satisfy the membership criteria. 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 Committee.
- 3.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals (such as the Chief Executive Officer, the Head of Human Resources and external advisers) may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 3.3. Appointments to the Committee are made by the Board and shall be for a period of up to three years, extendable by no more than two additional three year periods, so long as members (other than the Chair of the Board, if they are a member of the Committee) continue to be independent.
- 3.4. The Board shall appoint the Chair of the Committee. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of their number 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. The Chair of the Committee should ordinarily have served on the remuneration committee of any company for at least 12 months prior to appointment.

4. **Secretary**

The Company Secretary or their nominee shall act as the secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

5. **Quorum**

The quorum necessary for the transaction of business shall be two.

6. **Frequency of meetings**

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

7. **Notice of Meetings**

7.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair of the Committee.

7.2. 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 or invited to attend and all other non-executive directors, no later than five 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.

8. **Minutes of Meetings**

8.1. The secretary of the Committee shall ensure that a formal record of the proceedings and decisions of all Committee meetings, including the names of those present and in attendance, is maintained.

8.2. The secretary of the Committee shall ascertain, at the beginning of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.

8.3. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless a conflict of interest exists or, in the opinion of the Chair of the Committee, it would otherwise be inappropriate to do so.

9. **AGM**

The Chair of the Committee shall attend the annual general meeting ("**AGM**") to answer any shareholder questions on the Committee's activities.

10. **Duties**

**General**

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

10.2. In exercising any powers, responsibilities or functions delegated to it under these terms of reference, the Committee shall consider:

- 10.2.1. all relevant legal and regulatory requirements and the provisions and recommendations of the UK Corporate Governance Code and associated guidance;
  - 10.2.2. where applicable, the views of the Company's shareholders and other stakeholders;
  - 10.2.3. whether individuals 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;
  - 10.2.4. the need for simplicity, clarity, transparency and predictability in setting the remuneration policy and remuneration arrangements for Senior Managers (including the metrics and targets of any performance-related aspects of remuneration);
  - 10.2.5. 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;
  - 10.2.6. 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;
  - 10.2.7. the alignment of the remuneration policy with the Company's purpose and values; and
  - 10.2.8. the remuneration policies and practices applicable to the Company's wider workforce.
- 10.3. In making any determination on any aspect of remuneration (including determining any remuneration outcomes), the Committee shall exercise independent judgement and ensure that it retains suitable powers of recovery and withholding, and discretion to scale back remuneration outcomes where appropriate.
- 10.4. Where relevant, the Committee shall ensure that any payments are permitted under the latest shareholder approved directors' remuneration policy and, if not, that either a revised directors' remuneration policy or the proposed payment is submitted to shareholders for approval.
- 10.5. The Committee shall engage in appropriate discussions as necessary with shareholders on remuneration policy or any other aspects of remuneration.
- 10.6. The Committee shall recognise and manage conflicts of interest when receiving views from Senior Managers, or when consulting the Chief Executive about its proposals.

#### Remuneration policy

- 10.7. The Committee shall have responsibility for determining the remuneration and benefits policy for all Senior Managers, including pension rights, compensation payments and expenses.
- 10.8. The Committee shall review the on-going appropriateness and relevance of the

remuneration policy.

#### Determining the remuneration package of each Senior Manager

10.9. In consultation with the Chair of the Board and/or the Chief Executive Officer, the Committee shall determine the total remuneration package for each Senior Manager (and each element of their remuneration package), including, as applicable:

- 10.9.1. base salary;
- 10.9.2. the terms of participation in any bonus or profit share arrangements, and the payout under any such arrangements;
- 10.9.3. the terms of participation in any long-term incentive or performance related share plans, and the payout under any such arrangements;
- 10.9.4. pension arrangements, including the levels of any contribution made by the Company; and
- 10.9.5. other bonuses, benefits or payments in kind.

#### Performance-related plans and other share plans

10.10. With respect to all bonus arrangements, long-term incentive plans and/or performance related plans operated by the Company in which any Senior Manager may participate ("**Relevant Plans**"), the Committee shall be responsible for:

- 10.10.1. determining the design of such Relevant Plans;
- 10.10.2. determining whether Senior Managers are eligible from time to time to participate in any Relevant Plans;
- 10.10.3. at each time that awards are to be granted under a Relevant Plan, determining the appropriate level of each Senior Manager's participation in the Relevant Plan for that award cycle, including the overall quantum of their award; and
- 10.10.4. determining the terms applicable to any awards made any Relevant Plan, including any applicable performance targets;
- 10.10.5. monitoring and assessing performance against any performance conditions applicable to awards granted under any Relevant Plans; and
- 10.10.6. designing and, where applicable, invoking appropriate safeguards against excessive or unwarranted remuneration outcomes, including but not limited to appropriate recovery and withholding powers and discretionary powers to scale back remuneration outcomes.

#### Pensions

10.11. The Committee shall determine the policy for, and scope of, pension arrangements for each Senior Manager, having regard to the pension policies and practices in the Company's wider workforce.

#### Service Contracts and Severance

10.12. The Committee shall be responsible for determining the policy for termination payments and compensation payments for Senior Managers, and ensuring that contractual terms on termination, and any payments:

10.12.1. are fair to the individual and the Company;

10.12.2. properly reflect the departing individual's performance and the circumstances of their departure;

10.12.3. do not provide rewards for failure; and

10.12.4. fully recognise the duty of the departing individual to mitigate loss.

#### Share ownership guidelines

10.13. The Committee shall be responsible for determining and monitoring any share ownership requirements for Executive Directors and other Senior Managers (as appropriate).

#### Fees for the Chair of the Board and Non-Executive Directors

10.14. The Committee shall determine the fees and benefits (if any) payable to the Chair of the Board.

10.15. The Board itself or, where required by the Company's articles of association, the shareholders should determine the remuneration of the non-executive directors (other than the Chair of the Board) within the limits set in the articles of association;

#### Remuneration Consultants

10.16. The Committee shall have full authority to obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity. To help 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 at the expense of the Company but within any budgetary restraints imposed by the Board, and the Committee shall at all times exercise independent judgement when considering the advice or recommendations of any such consultants.

10.17. 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.

#### Share-based plans

10.18. The Committee shall review the design of all share incentive plans for approval by the Board and/or shareholders, including any all-employee share plans (but excluding any Relevant Plan).

10.19. The Committee shall be responsible for approving any material amendments or alterations to the terms of any awards or offers made under such share incentive plans.

10.20. Responsibility for the operation and management of such share incentive plans may be sub-delegated to the Company Secretary (or their nominee) and/or to any third-

party share plan administrators or other professional advisers.

#### Review of workforce remuneration

- 10.21. The Committee shall periodically 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.
- 10.22. The Committee shall oversee any major changes in employee benefits structures throughout the Group.

#### 11. General Duties

- 11.1. In carrying out their specific duties set out above, each member of the Committee should also consider their general duties as a director of the Company, including:
  - 11.1.1. their duty to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to all relevant factors;
  - 11.1.2. their duty to exercise independent judgement;
  - 11.1.3. their duty to exercise reasonable care, diligence and skill;
  - 11.1.4. their duty to avoid conflicts of interest; and
  - 11.1.5. their duty to act in accordance with the Company's constitution and only exercise their powers for the purposes for which they were conferred.
- 11.2. No person shall participate in any meeting of the Committee (or relevant part of any meeting) at which any part of their remuneration is being discussed or participate in any recommendation or decision relating to their own remuneration.
- 11.3. The Committee shall work and liaise as necessary with other Board committees.

#### 12. Reporting Responsibilities

- 12.1. The Chair of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 12.2. The Committee shall provide feedback to the Board on reward, incentives and conditions applicable to the Group's wider workforce.
- 12.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.4. 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) and the UK Corporate Governance Code, are fulfilled and produce a report of the Company's remuneration policy and practices ("**Remuneration Report**") to be included in the Company's annual report. 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. The Remuneration Report must include:

- 12.4.1. an annual report on the directors' remuneration (including a statement by the Chair of the Committee) in the financial year being reported on, setting out actual payments to directors, which should be put to an annual advisory vote of the Company's shareholders at the AGM; and
- 12.4.2. a future remuneration policy, which should be put to a binding vote of the Company's shareholders at the AGM at least every three years.

13. **Other Matters**

The Committee shall:

- 13.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 13.2. 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;
- 13.3. arrange for periodic reviews of its own performance and, at least annually, 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 for approval; and
- 13.4. ensure that these terms of reference are made available by placing them on the Company's website.

14. **Authority**

- 14.1. The Committee has the delegated authority of the Board in respect of all of the powers, functions and responsibilities set out in these terms of reference.
- 14.2. The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or to the Company Secretary.
- 14.3. The Committee 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.