

# TERRACE HILL GROUP PLC

("the company")

Company Number SC149799

## THE REMUNERATION COMMITTEE – TERMS OF REFERENCE

### 1 MEMBERSHIP

- 1.1 The Board has resolved to establish a committee of the Board to be known as the Remuneration Committee.
- 1.2 Membership of the Remuneration Committee shall consist of at least two members, each being a non-executive director. The Remuneration Committee shall have the appropriate balance of skills, experience and knowledge of the company to enable them to discharge their duties and responsibilities effectively.
- 1.3 The chairman of the Board may also be a member of, but not chair, the Remuneration Committee provided he or she is considered independent on appointment as chairman and where independence has not been compromised in the interim.
- 1.4 The members of the Remuneration Committee for the time being shall be appointed by the Board in consultation with the chairman of the Remuneration Committee.
- 1.5 Subject to the normal periodic re-election of directors, a member of the Remuneration Committee shall serve a term of three years which may be extended by no more than two additional three year periods, provided that the director still meets the criteria for membership of the Remuneration Committee.

### 2 QUORUM

A quorum shall be two members of the Remuneration Committee. All reasonable efforts shall be made to give notice of meetings of the Remuneration Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

### 3 CHAIRMAN

- 3.1 The Board shall appoint one of the members of the Remuneration Committee who is an independent non-executive director to be the chairman of the Remuneration Committee. The chairman of the Board shall not be the chairman of the Remuneration Committee. If the chairman is not present at a meeting of

the Remuneration Committee, then the remaining members present shall elect one of their number to chair the meeting.

3.2 The chairman of the Remuneration Committee shall be available to answer questions through the chairman of the Board on the report on the Remuneration Committee's activities and matters falling within its terms of reference at the annual general meeting of the company.

3.3 The chairman of the Remuneration Committee shall report to the Board to enable it to report to the company's shareholders on remuneration matters as specified in the Listing Rules and the Combined Code/UK Corporate Governance Code.

#### **4 ATTENDANCE**

4.1 No one other than the chairman of the Remuneration Committee and its members is entitled to be present at a meeting of the Remuneration Committee. Attendance at meetings of the Remuneration Committee by non-members, the chairman of the Board, the chief executive and other members of the Board shall be at the discretion of the Remuneration Committee.

4.2 The chief executive of the company may be invited to attend meetings of the Remuneration Committee to advise its members and shall be invited to discuss the performance of the other executive directors and to make proposals as necessary.

4.3 Professional advisers and other persons with relevant experience, including other executive directors of the company and the head of human resources, may attend all meetings or part of a meeting of the Remuneration Committee by invitation provided that no person shall attend during the Remuneration Committee's deliberations concerning that person's own remuneration. Where remuneration consultants are appointed, a statement should be made available of whether they have any other connections with the company.

4.4 The company secretary shall be the secretary of the Remuneration Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The company secretary shall prepare minutes of the Remuneration Committee meetings and shall circulate them to all members of the Remuneration Committee and to the chairman and other members of the Board, unless a conflict of interest exists.

#### **5 FREQUENCY OF MEETINGS**

The Remuneration Committee shall meet as the chairman, in consultation with the company secretary, shall require and also at regular intervals to deal with

routine matters and, in any event, at least twice in each financial year. Any member of the Remuneration Committee may request a meeting if he/she considers that one is necessary or expedient. Formal meetings, for example, in relation to the formal grant of employee share options may be held by telephone.

## 6 **AUTHORITY**

6.1 The Remuneration Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or director of the company or any consultant or other provider of services to the company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Remuneration Committee including requests to attend meetings of the Remuneration Committee.

6.2 The Remuneration Committee is authorised by the Board to obtain such outside legal or other independent professional advice at the cost of the company and to commission or purchase any relevant reports, surveys or information as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

## 7 **RESPONSIBILITIES**

7.1 The Remuneration Committee shall:

- (a) determine and agree with the Board the framework or broad policy for the remuneration of the chief executive, the chairman of the Board of the company and such other members of the executive management as it is designated to consider. The Remuneration Committee should ensure that appropriate incentives are used to enhance the performance of the executive management and to ensure that they are rewarded in a fair and responsible manner for their individual contributions to the success of the company. At a minimum, the committee should have delegated responsibility for setting remuneration for all executive directors, the chairman of the Board and, to maintain and assure his/her independence, the company secretary. The remuneration of non-executive directors shall be a matter for the chairman of the Board and executive members of the Board. No director or manager should be involved in any decisions as to his/her own remuneration;
- (b) review the framework or broad policy for remuneration to ensure it remains appropriate and relevant and in formulating proposals, be sensitive to the need for an appropriate balance between long and short-term elements of pay;

- (c) 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 the schemes;
- (d) review the design of and changes to all share incentive plans for approval by the Board and shareholders. The Remuneration Committee shall determine whether awards will be made, the overall amount of the awards, the individual awards to members of the executive management and the relevant performance targets. The Remuneration Committee shall exercise any discretion allowed under the plans on behalf of the Board;
- (e) determine the policy for and scope of pension arrangements for members of the executive management;
- (f) ensure that 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;
- (g) within the terms of the agreed policy and in consultation with the chairman of the Board and/or chief executive as appropriate, determine the total individual remuneration package of each member of the executive management including, where appropriate, bonuses, incentive payments and share options or other share awards;
- (h) in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code/UK Corporate Governance Code and the Listing Rules and associated guidance;
- (i) monitor and review annually the remuneration trends across the company and the group;
- (j) be aware of and advise on any major changes in employee benefit structures throughout the company or the group;
- (k) agree the policy for authorising claims for expenses from the chief executive and the chairman of the Board;
- (l) ensure that provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- (m) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- (n) obtain information about remuneration in other companies that is reliable and up-to-date. The Remuneration Committee shall have full authority

to commission any reports or surveys it requires to meet its responsibilities;

- (o) make available its terms of reference explaining clearly its role and the authority delegated to it by the Board; and
- (p) consider any other matter specifically referred to the Remuneration Committee by the Board.

7.2 The Remuneration Committee shall have authority to approve and authorise the execution of all documents (including service contracts) and do all things as may be necessary or desirable for the purpose of carrying out its responsibilities.

7.3 The Remuneration Committee shall not be authorised to appoint or terminate the employment of directors or senior executives or to determine the remuneration of non-executive directors. It shall not be responsible for making nominations to the Board.

## 8 REPORTING PROCEDURES

8.1 The Remuneration Committee shall report to the Board after each meeting on all matters within its terms of reference. The Remuneration Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.

8.2 A summary of the Remuneration Committee's duties and work, including the membership of the committee, the number of committee meetings held and attendance over the course of the year shall be included each year in the company's annual report.

8.3 The Remuneration Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations to the Board.