

Terms of Reference – Remuneration Committee

**LOW & BONAR PLC**  
**REMUNERATION COMMITTEE (the 'Committee')**

**Established pursuant to Article 108 of the Company's Articles of Association**

**TERMS OF REFERENCE**

**1. Membership**

1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least 3 members. All members shall be independent non-executive directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment.

1.2 Only members of the Committee have the right to attend Committee meetings. The Chairman, Group Chief Executive and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director still meets criteria for membership of the Committee.

1.4 The Board shall appoint the Committee Chairman who shall be an independent non- executive director. 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. The Chairman of the Board shall not be chairman of the Committee.

**2. Secretary**

2.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.

**3. Quorum**

3.1. The quorum necessary for the transaction of business shall be 2, except in the case of an urgent matter when a quorum of members is impractical see 3.2 below. 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.

3.2 In the case of an urgent matter when a quorum of members of the Committee is impractical the Committee Chairman will be empowered to (a) convene a meeting with any non-executive director of the Company who is not otherwise a member of the Committee but shall be deemed to be so for the purposes of that meeting, or, (b) if he is unable to so convene a meeting, act at his discretion in exercising all powers of the Committee.

#### **4. Meetings**

4.1. The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.

#### **5. Notice of Meetings**

5.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.

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 no later than 3 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. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

#### **7. Annual General Meeting**

7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

#### **8. Duties**

The Committee shall:

8.1. recommend to the Board the framework or broad policy for the remuneration of the company's Chief Executive, Chairman, the executive directors, the company secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the

Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;

8.2. in recommending such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

8.3. review the ongoing appropriateness and relevance of the remuneration policy. With regard to the executive directors and other members of the executive management as it is designated to consider the Committee shall give particular consideration to:

- the composition of the remuneration package as between salary, bonus pension, share awards, share options and other benefits;

- where the Company aims to stand in relation to similar companies in industry;

8.4. approve the design of targets for any performance related pay schemes operated by the Company in favour of any of those person referred to in paragraph 8.1 above, and the approval of the total annual payments made under the scheme;

8.5. recommend the design of all executive share incentive plans for approval by the Board and shareholders. For any such plans, approve each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;

8.6. approve the policy for, and scope of, pension arrangements for each executive director and other senior executives;

8.7. 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;

8.8. within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, approve the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;

8.9. in approving such packages and arrangements, ensure that due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;

8.10. ensure that all provisions regarding disclosure of remuneration including pensions are fulfilled;

8.11. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee. The Committee shall obtain reliable, up-to-date information about remuneration in other companies and have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;

8.12 review and note annually the remuneration trends across the group;

8.13 oversee any major changes in employee benefit structures throughout the group; and

8.14 agree the policy for authorising claims for expenses from the Chief Executive and Chairman of the Board.

## **9. Reporting Responsibilities**

9.1. The Committee Chairman shall report formally to the Board 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 produce an annual report of the company's remuneration policy and practices which will form part of the company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM.

## **10. Other**

10.1. The Committee shall, at least once a year, review its own performance, 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.

## **11. Authority**

11.1. The Committee is authorised by the Board to seek any information it requires from any employee of the company in order to perform its duties.

11.2. In connection with its duties the Committee is authorised by the Board to obtain, at the company's expense, any outside legal or other professional advice and, within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.