




# Remuneration Committee Terms of Reference - Review

 <b>READING TIME:</b>	6 mins
 <b>ACTION:</b>	To challenge, shape & scrutinise
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## THE PAPER

### 1 MEMBERSHIP

1.1 The Remuneration Committee (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 such as the Chief Executive, the Chief People Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

1.3 Appointments to the Committee 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.

1.4 The Board, on recommendation of the Nomination Committee shall appoint the Chair of the Committee. Before appointment as Chair of the Committee, the appointee should have served at least 12 months as a member of a Remuneration Committee either within the Company or elsewhere, unless in exceptional circumstances. In the absence of the Chair of the Committee 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 (the 'Secretary') or their 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 MEETINGS**

The Chair of the Committee, in consultation with the Secretary, shall decide the frequency and timing of the Committee's meetings. In any event meetings should usually be held at least three times a year.

#### **5 NOTICE OF MEETINGS**

5.1 Meetings of the Committee shall be called by the Secretary at the request of the Chair of the Committee or 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 and all other Non-Executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent, or made available, 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 circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chair it would be inappropriate to do so.

#### **7 ENGAGEMENT WITH SHAREHOLDERS**

The Chair of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

#### **8 DUTIES**

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

The Committee shall:

8.1 Have delegated responsibility for determining the framework or broad policy for Executive Director remuneration and setting remuneration for the Chair of the Board, Executive Directors and nominated senior management including the Company Secretary.

8.2 Within the terms of the agreed policy, and in consultation with the Chair and / or CEO as appropriate, determine the total individual remuneration arrangements of each Executive Director, the Chair of the Board and nominated senior management including base salaries, benefits, pension provision, bonuses, share awards, termination payments and any other remuneration elements arising.

8.3 Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company for Executive Directors and other nominated senior management and approve the total annual payments made under such schemes. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance, and wider circumstances.

8.4 Review the design of all share incentive plans for approval by the Board and, where required, shareholders. 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, the Company Secretary and other nominated senior management, and the performance targets to be used.

8.5 No Director or senior manager shall be involved in any decisions as to their own remuneration outcome. The Board should determine the remuneration of the Non-Executive Directors within the limits set in the Articles of Association.

8.6 Operate remuneration schemes that promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests and develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

8.7 Design remuneration policies and practices to support strategy and promote long term sustainable success, with executive remuneration aligned to Company purpose and values, clearly linked to the successful delivery of the Company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances.

8.8 In determining remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Corporate Governance Code (the 'Code') and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.

8.9 Review the ongoing appropriateness and relevance of the Directors' Remuneration Policy.

8.10 Ensure that no payment or proposed payment is made to any existing, proposed or previous person to whom the Directors' Remuneration Policy applies or applied, which is not consistent with the Directors' Remuneration Policy most recently approved by shareholders.

8.11 Approve contractual terms agreed with a new Executive Director, the Chair of the Board and nominated senior management insofar as they have remuneration-related consequences and similarly approve any changes in contractual terms with this population that have remuneration-related consequences.

8.12 Approve any payment arrangements agreed with a former Director in relation to a subsequent consultancy or similar role that they hold with the Company.

8.13 The Committee should annually review the workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Directors.

8.14 Agree the policy for authorising claims for expenses from the Directors.

8.15 Work and liaise as necessary with all other Board Committees, ensuring the interaction between committees and with the Board is reviewed regularly.

8.16 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to commission or purchase any reports, survey or information which it deems necessary at the expense of the Company but

within any budgetary restraints imposed by the Board. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.

## **9 REPORTING RESPONSIBILITIES**

9.1 The Chair of the Committee shall formally report to the Board on its proceedings after each meeting on all matters including the nature and content of its discussion, recommendations and action to be taken that fall 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 provide a description of its work in the annual report in line with the requirements of the Code.

9.4 The Committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code, are fulfilled and produce a Directors' Remuneration Report which details the Company's remuneration policy and practices to be included in the Company's Annual Report. The Committee should ensure that each year the reporting of the annual remuneration practices is put to shareholders for approval at the AGM and that the Directors' Remuneration Policy is put to shareholders for approval every three years, as a minimum.