

**Clarkson PLC**  
**(the “Company”)**

**Terms of Reference: Remuneration Committee**

As adopted by the Board on 7 March 2019

References to:

- “**Committee**” shall mean the Remuneration Committee of Clarkson PLC
- “**Board**” shall mean the Board of Directors of Clarkson PLC
- “**Group**” shall mean the Company and its subsidiaries
- “**Senior Managers**” shall mean the first layer of management below the Board, including the Company Secretary

**1 Membership**

- 1.1 The Committee shall comprise at least three members, all of whom 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 as Chairman. All appointments to the Committee shall be made by the Board on the recommendation of the Nomination Committee and on consultation with the Committee Chair.
- 1.2 The Board shall appoint the Committee Chair (on the recommendation of the Nomination Committee) who shall be an independent non-executive director. Before appointment as Committee Chair, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves (other than the Chairman of the Board) to chair the meeting.
- 1.3 Appointments to the Committee shall be for a period of up three years, which may be extended by no more than two additional three-year periods provided that the member (other than the Chairman of the Board, if he or she is a member of the Committee) continues to be independent.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as other non-executive directors, the Chief Executive Officer, Chief Financial Officer, the Human Resources Director and/or external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary to fulfil the duties set out below. Attendees are not members of the Committee and may be collectively or individually requested to withdraw from meetings at the request of the Committee Chair.
- 1.5 No person (including directors and the Chairman of the Board) shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration. The Committee shall exercise independent judgement when evaluating the advice of external third parties and when receiving views from executive directors and senior management.

## **2 Secretary**

- 2.1 The Company Secretary or their nominee shall act as the secretary of the Committee (the "**Committee Secretary**") 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. Information and papers for each meeting shall also be made available to any director who is not a member of the Committee unless the Committee Chair considers it would be inappropriate to do so.

## **3 Quorum**

- 3.1 The quorum necessary for the transaction of business shall be any two members.
- 3.2 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.

## **4 Frequency of Meetings**

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

## **5 Notice of Meetings**

- 5.1 Meetings of the Committee shall be called by the Committee Secretary 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 and supporting papers, shall be forwarded to each member of the Committee and to other attendees, as appropriate, no later than five days before the date of the meeting. (or at shorter notice with the approval of the Committee Chair).

## **6 Telephone Attendance**

- 6.1 The members of the Committee shall be deemed to meet together if they are in separate locations, but are linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

## **7 Minutes of Meetings**

- 7.1 The Committee Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The Committee Secretary shall also ascertain at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless the Committee Chair considers that it would be inappropriate to do so.

## **8 Annual General Meeting**

- 8.1 The Committee Chair shall attend the Company's annual general meeting to respond to any shareholder questions on the Committee's activities.

## 9 Duties

The Committee shall:

- 9.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company's executive directors, Senior Managers and the Chairman of the Board.
- 9.2 within the terms of the agreed policy, approve remuneration for the Company's executive directors, Senior Managers and the Chairman of the Board.
- 9.3 review workforce remuneration and related policies, and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.
- 9.4 in determining such policy, take into account all factors which it deems necessary including:
  - all relevant legal and regulatory requirements;
  - the provisions and recommendations of the relevant UK Corporate Governance Code (the “**Code**”) in force and associated guidance;
  - the maintenance of an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration;
  - the need to support strategy and promote the long-term sustainable success of the Group, having regard to the views of shareholders and other stakeholders and ensuring that executive directors and Senior Managers 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;
  - alignment to the Group's purpose and values, demonstrating a clear link to the successful delivery of the Group's long-term strategy;
  - identification and mitigation of reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans; and
  - the Group's risk appetite and risk management strategy, ensuring that the remuneration policy is aligned to the Group's risk policies and systems and long term strategic goals.
- 9.5 review the ongoing appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate.
- 9.6 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 such schemes.
- 9.7 review the design of all share incentive plans for approval by the Board and 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 and other Senior Managers and the performance targets to be used.

- 9.8 determine the policy for, and scope of, pension arrangements for each executive director and Senior Manager and consider the consequences and associated cost impacts of increases to base salary.
- 9.9 ensure that contractual terms on termination for any individual the Committee is designated to consider, 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.
- 9.10 review the transparency of the performance-related elements, ensuring they are stretching and rigorously applied.
- 9.11 in determining remuneration packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules and associated guidance.
- 9.12 review and note annually the remuneration trends across the Group.
- 9.13 oversee any major changes in employee benefits structures throughout the Group.
- 9.14 agree the policy for authorising claims for expenses from directors.
- 9.15 agree the policy on retention of fees from external directorships by executive directors and Senior Managers.
- 9.16 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 9.17 obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.
- 9.18 work and liaise as necessary with other Board committees.
- 9.19 consider any other matters related to the remuneration of directors which the Board may ask it to consider.
- 9.20 monitor and review periodically the terms of any proposed letter of appointment or contract for any individual the Committee is designated to consider.
- 9.21 The remuneration of non-executive directors shall be a matter for the Chairman of the Board and the executive directors. No director or Senior Manager shall be involved in any decisions as to their own remuneration.

## **10 Reporting Responsibilities**

- 10.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Committee shall ensure that:

- (i) provisions regarding the disclosure of information on directors' remuneration, including pensions, as set out in The Large and Medium- sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the work of the Committee as set out in the Code, are fulfilled and produce a directors' remuneration report (comprising an annual statement, annual report on remuneration and a remuneration policy report (where relevant)) within the Company's annual report; and
- (ii) the annual statement and annual report on remuneration are put to shareholders for AGM approval annually and the remuneration policy is put to shareholders for AGM approval at least:
  - every three years, or
  - in an year in which there is a change relative to the prior year, or
  - if shareholder approval was not achieved when last submitted; or
  - if majority shareholder approval was not achieved on the last directors' remuneration report.

## **11 Other Matters**

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 11.2 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.
- 11.3 be provided with appropriate and timely training, both in the form of an induction programme for new members (where considered necessary) and on an ongoing basis for all members.
- 11.4 give due consideration to laws and regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including, but not limited to, the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, guidelines published by institutional shareholders and proxy advisers, and other applicable rules, as appropriate.

## **12 Authority**

- 12.1 The Committee is a committee of the Board from which it derives its authority.
- 12.2 The Committee is authorised by the Board to
  - 12.2.1 seek any information it requires from any employee or director of the Group in order to perform its duties.
  - 12.2.2 obtain, at the Company's expense, any outside legal or other professional advice on any matters within its terms of reference 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.

12.2.3 have unrestricted access to the Company's documents and information.

### 13 Approvals History

<b>Date</b>	<b>Approved by</b>	<b>Details</b>
7 March 2019	Clarkson PLC Board	Annual review and changes under the 2018 UK Corporate Governance Code