



## **McKAY SECURITIES PLC**

### **Terms of Reference – Remuneration Committee**

#### **1. Membership**

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee. The Committee shall comprise at least 2 members, all of whom are 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.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.
- 1.3. The Board shall appoint the Committee Chairman who shall be an independent non-executive director who, where possible, has served on a Remuneration Committee for at least 12 months. 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 who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be Chairman of the Committee.

#### **2. Secretary**

The Company Secretary or his or her nominee or such other board member determined by the Committee 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**

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

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

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

- 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 5 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. 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 Chairman it would be inappropriate to do so.

## **7. Annual General Meeting**

The Committee Chairman shall attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

## **8. Duties**

The Committee should carry out the duties detailed below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

The Committee shall:

- 8.1 have responsibility for setting the remuneration policy for the Company's Chairman, executive directors and all remaining employees (including pension rights and any compensation payments). The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or employee shall be involved in any decisions as to their own remuneration
- 8.2 take care to recognise and manage conflicts of interest when receiving views from executive directors or employees, or consulting the chief executive about its proposals
- 8.3 review workforce remuneration and related policies and the alignment of incentives and rewards with strategy, taking these into account when setting the policy for executive director remuneration
- 8.4 in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to promote the long-term success of the Company. Performance-related elements should be transparent, stretching and rigorously applied. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Companies long strategic term goals

- 8.5 review the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders and major representative bodies as appropriate
- 8.6 within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chairman, each executive director, and other designated senior executives including bonuses, incentive payments and share options or other share awards and ensure an appropriate balance between immediate and deferred remuneration
- 8.7 judge where to position the Group relative to other companies but use such comparisons with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and should avoid paying more than is necessary. To help it 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.
- 8.8 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee
- 8.9 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 and award levels for each participant
- 8.10 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 all other employees and the performance targets to be used. Schemes should include provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so
- 8.11 review the share awards granted to executive directors in terms of minimum retention requirements and holding periods. The Remuneration Committee should develop a formal policy for post-employment shareholding requirements
- 8.12 determine the policy for, and scope of, pension arrangements for each executive director and employees
- 8.13 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
- 8.14 oversee any major changes in employee benefits structures throughout the Company or Group
- 8.15 agree the policy for authorising claims for expenses from the directors

8.16 work and liaise as necessary with all other Board Committees

## 9. Reporting Responsibilities

- 9.1. The Committee Chairman shall report 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 ensure that the Directors' Annual Remuneration Report and Directors' Remuneration Policy are prepared and submitted for shareholder approval in accordance with best practice and any legal or regulatory requirements.
- 9.4. Through the Chairman of the Board, ensure that the Committee Chairman maintains contact as required with its principal shareholders and the major representative bodies about executive directors' remuneration.

## 10. Other matters

The Committee shall

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required
- 10.2 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
- 10.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Investment Association ("IA") (formerly the Association of British Insurers), Glass Lewis and Institutional Shareholder Services and any other applicable Rules, as appropriate
- 10.4 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.

## 11. Authority

The Committee is authorised by the Board to obtain, at the company's expense, any outside legal or other professional advice on any matters within its terms of reference.