

# STOBART GROUP LIMITED (the "Company")

## REMUNERATION COMMITTEE – TERMS OF REFERENCE

### 1 MEMBERSHIP

- 1.1 The Remuneration Committee ("**Committee**") and its Chairman shall be appointed by the board of directors of the Company ("**Board**")
- 1.2 The Committee shall have a Chairman and at least 3 members all of whom shall be Independent Non-Executive Directors, that is, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- 1.3 The Chairman of the Board may be a member of the Committee if he or she was considered to be independent on appointment as Chairman of the Board. The Chairman of the Board shall not chair the Committee.
- 1.4 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 Committee.
- 1.5 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.
- 1.6 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 member of the Committee remains independent.
- 1.7 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive and external advisers may be invited to attend for all or any part of any meeting, as and when appropriate and necessary. No one shall be present during the discussion of or vote on matters relating to him or her individually.

### 2 SECRETARY

The Secretary of the Committee shall be the Secretary of the Company or such other person as the Committee may appoint.

### 3 QUORUM

The quorum necessary for the transaction of business shall be any two members of the Committee both of whom must be Independent Non-Executive Directors. 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 AND NOTICE OF MEETINGS

- 4.1 The Committee shall meet at least twice a year whether in person or by audio or video conference, with at least one such meeting being held close to the financial year end and as and when it deems necessary or at the request of any Committee member.

- 4.2 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman or any member of the Committee.
- 4.3 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 to Committee members and to other attendees, as appropriate, at the same time as the notice of the Committee meeting.

## **5 VOTING ARRANGEMENTS**

- 5.1 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 5.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 5.3 Except where he has a personal interest, the Committee Chairman shall have a casting vote.
- 5.4 The Committee Chairman may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

## **6 MINUTES OF MEETING**

- 6.1 The Secretary of the Committee 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 AUTHORITY**

- 7.1 The Committee is authorised by the Board to:
- (a) do all such acts and deeds as are required to perform its duties;
  - (b) seek any information it requires from any employee of the Group (as defined in paragraph 8 below) to perform its duties; and
  - (c) engage, at the Company's expense, external independent, legal or other advisors on any matter within its terms of reference; to permit their attendance at Committee meetings and to be exclusively responsible for selecting and appointing them and setting their terms of reference.

## **8 DUTIES**

The Committee shall carry out the duties below for the Company, and major subsidiary undertakings of the Company (together the "**Group**"), as appropriate.

## 8.1 Setting Policy

- (a) To determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors, senior management (including those employees who qualify for any Group Long Term Incentive Plan), Company Secretary and the Chairman of the Board (which together comprise “**Key Executive**” or “**Key Executives**” of the Group) to ensure appropriate incentives to encourage enhanced performance and fair and responsible rewards for their individual contributions to the success of the Group. The remuneration of the Independent Non-Executive Directors shall be a matter for the Chairman of the Board and the Executive Directors of the Board to be determined within the limits set out in the Company’s articles of association at a separate meeting outside of the Committee. No director or senior manager shall be involved in any voting decisions as to their own remuneration.
- (b) In determining such policy, take into account all factors which it deems necessary including the interests of Investors, relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to attract, retain and motivate Key Executives of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company’s long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.
- (c) To determine the criteria and targets for any performance related pay schemes operated by the Company.
- (d) To determine the policy for and scope of pension arrangements (if applicable) for the Executive Directors and senior executives, and in particular the pension consequences and associated costs to the Group of basic salary increases and any other changes in the pension remuneration.
- (e) To ensure that contractual terms on termination and any payments proposed to be made to any Key Executive are fair to the individual and the Group and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- (f) Oversee any major changes in employee benefits structures throughout the Group.
- (g) Agree the policy for authorising claims for expenses from the directors.
- (h) Staff (including Key Executives) remuneration and bonus policies are also to be reviewed by the Committee.

## 8.2 Determining Remuneration

When setting the remuneration policy for the Key Executives, the Committee shall:

- (a) review and have regard to the remuneration trends across the Group;
- (b) review the ongoing appropriateness and relevance of the remuneration policy;
- (c) within the terms of the agreed policy, to determine the total individual remuneration package (including, where appropriate, bonuses and incentive payments) of the Key Executives; and
- (d) obtain reliable, up to date information about remuneration in other companies. 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, within any budgetary restraints imposed by the Board.

## 8.3 Performance Related Pay Schemes

The Committee shall:

- (a) Approve the design of, and determine targets for, any performance related pay schemes operated by the Group for the benefit of the Executive Directors and other participants and approve the total annual payments made under such schemes.;
- (b) Monitor and review the design of all performance related pay schemes for approval by the Board and shareholders of the Company (“**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, Company Secretary and other participants and the performance targets to be used;
- (c) To review and approve any changes (subject to Shareholder approval in any event) regarding additional shares to be allocated under the performance related pay schemes or the hurdle rates, dates of vesting, performance thresholds and stretch levels; and
- (d) To review and approve individual allocations under the performance related pay schemes.

## 8.4 Pensions

Determine the policy for, and scope of, pension arrangements for each Executive Director and other designated senior executives.

## 9 PROCEDURE

- 9.1 The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties.
- 9.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

- 9.3 The Company's Chief Executive or external advisers may be invited to attend and speak at meetings (or parts thereof) of the Committee. Other persons may be called upon or shall be able to speak by prior arrangement with the Chairman of the Committee.

## **10 REPORTING**

- 10.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.2 The Chairman of the Committee may attend the Company's Annual General Meeting ("**AGM**") for the purpose of handling any questions or enquiries at the meeting concerning the work of the Committee during the preceding year.
- 10.3 The Committee shall produce a report to be included in the Company's Annual Report about the Company's remuneration policy and practices and ensure each year that it is put to Shareholders for approval at the AGM. The Committee shall ensure that the provisions regarding disclosure of information in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code are fulfilled. If the Committee has appointed remuneration consultants, the report should identify such consultants and state whether they have any other connection with the Company.
- 10.4 The Committee shall make available to shareholders these terms of reference by placing them on the Company's website.

## **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 secretariat for assistance as required;
- 11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members of the Committee and on an ongoing basis for all members of the Committee;
- 11.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules and the UK Listing Authority's Listing Prospectus Disclosure and Transparency Rules and any other applicable rules and guidelines as appropriate; and
- 11.4 arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Revised and approved: 25 January 2018