

RIVER AND MERCANTILE  
GROUP

**RIVER AND MERCANTILE GROUP PLC**

**REMUNERATION COMMITTEE TERMS**

**OF REFERENCE**

**1. MEMBERSHIP**

- 1.1 The Committee shall comprise at least two independent Non-executive Directors. If not already a member, 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. 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.
- 1.2 Only members of the Committee have the right to attend and vote at Committee meetings. However, other individuals such as, but not exclusively, the Chief Executive Officer, the Chief Financial Officer and, by invitation where considered appropriate, external advisers may be invited to attend for all or part of any meeting as and when appropriate. A Director will not attend when their own remuneration is under discussion.
- 1.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for two further three-year periods provided the Non-executive Director continues to meet the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Chairman of the Committee who shall be an independent Non-executive Director. In the absence of the Chairman 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 Chairman of the Board shall not be Chairman of the Committee.

**2. SECRETARY**

- 2.1 The Company Secretary or his/her 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**

- 3.1 The quorum necessary for the transaction of business shall be two. 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 Meetings of the Committee may be held telephonically or by any other means whereby the participants are able to communicate effectively with each other.

#### 4. **FREQUENCY OF 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. Meetings should be organised so that attendance is maximised.

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

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

- 5.2 Unless otherwise agreed and except where a situation of urgency otherwise requires, wherever practicable, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be communicated 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, wherever practicable, be provided to Committee members and to other attendees as appropriate, at the same time.

- 5.3 Papers required by the Committee may be provided electronically.

#### 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. Subject to paragraph 9.1 below, minutes should be circulated to all other members of the Board once approved.

#### 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 and/or arising from the Group's annual report or the Company's remuneration policy and practices which will form part of the Group's annual report to shareholders.

#### 8. **DUTIES**

- 8.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

- 8.2 The Committee shall:

- (a) have responsibility for determining and agreeing with the Board the Group's remuneration philosophy and the principles of its remuneration policy for Executive Directors and senior management, ensuring that these are in line with the business strategy, objectives, values and long term interests of the Group and comply with all regulatory requirements. These will be subject to annual review. 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. Such remuneration policy should have regard to the risk appetite of the Company and

alignment to the company's strategic long-term 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;

- (b) have responsibility for setting the remuneration policy for all Executive Directors and the Chairman of the Board, 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 shall be involved in any decisions as to his or her own remuneration;
- (c) when setting the remuneration policy for Executive Directors, review and have regard to pay and employment conditions across the Company or Group especially when determining annual salary increases;
- (d) within the terms of the remuneration policy and in consultation with the Chairman of the Board and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chairman of the Board, each Executive Director, Company Secretary and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- (e) where appropriate to do so, procure that the Committee is provided with reliable, up-to-date information about remuneration in other companies of comparable scale and complexity;
- (f) have oversight of the performance evaluations and compensation proposals for the senior management of the Group, including any that are members of River and Mercantile Asset Management LLP ("**RAMAM LLP**");
- (g) have oversight for the setting of the remuneration policy and principles for allocation of profit in RAMAM LLP to be implemented by the executive committee of RAMAM LLP ("**ExCo**") and to be responsible for determining on behalf of the Company (in its capacity as the holding company of the corporate member of RAMAM LLP) the membership of ExCo;
- (h) review the proposed basis of allocation of profit in RAMAM LLP by ExCo from time to time, or as the case may be, periodically review the implementation of the remuneration policy and principles referred to in paragraph (g) above;
- (i) approve the design of and approve, and determine targets for, any performance related pay schemes proposed to be operated by the Company and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the Code);
- (j) review the design of and approve all share incentive plans as well as any performance and/or vesting criteria attaching thereto, and align these with the interests of shareholders prior to submission 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 participants thereunder;
- (k) determine the policy for, and scope of, pension arrangements for each Executive Director and other senior management;
- (l) ensure that contractual terms on termination, and any payments made, are fair to the individual, and the members of the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- (m) review and note annually the remuneration trends across the Group;

- (n) agree the policy for authorising claims for expenses from the Chief Executive Officer, the Chairman of the Board and the directors;
- (o) ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled; and
- (p) work and liaise as necessary with all other Board Committees.

## 9. **REPORTING RESPONSIBILITIES**

- 9.1 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 minutes should be circulated to all other members of the Board unless in the opinion of the Chairman of the Committee it would be inappropriate to do so.
- 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 provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code (the "**Code**"), are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the annual general meeting. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 9.4 Through the Chairman of the Board, ensure that the company maintains contact as required with its principal shareholders about remuneration. The Committee shall make available to shareholders these terms of reference by placing them on the Company's website.

## 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.
- 10.2 The Committee shall:
  - (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
  - (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
  - (c) give due consideration to laws, regulations, provisions of the Code, the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Rules and Transparency Rules and any other applicable rules, as appropriate; and
  - (d) give due consideration to guidelines published by the Association of British Insurers and the National Association of Pension Funds, as appropriate.

## 11. **AUTHORITY**

The Committee is authorised by the Board, at the Company's expense, to:

- (a) investigate any activity within its terms of reference;
- (b) seek any information it requires from any employee or director of the Group, or any consultant or other provider of services to the Group, in order to perform its duties. All Company employees are directed to co-operate with requests for information made by the Committee, including requests to attend meetings of the Committee;
- (c) seek and obtain outside legal or other independent professional advice on any matters within its terms of reference, including remuneration consultants, and in any case where it does do, be exclusively responsible for setting the terms of reference for any advisers or consultants so retained; and
- (d) commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board.