

# **Boxhill Technologies plc**

## **Terms of reference for the remuneration committee**

December 2016

### **1 Membership**

- 1.1 The committee shall comprise at least two members (although the code recommends a minimum of three due to the size of the company a minimum number of two is considered acceptable), all of whom shall be independent non-executive directors (preferable). 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. (7) 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 committee meetings. However, other individuals such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary. (8)
- 1.3 Appointments to the committee are made by the board and 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 chairman of the board, if he or she is a member of the committee) continue to be independent.
- 1.4 The board shall appoint the committee chairman who shall be an independent non-executive director. 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 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 committee shall meet at least twice a year and otherwise as required. (9)

### **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 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.

### **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. (10)

### **7 Annual general meeting**

The committee chairman should attend the annual general meeting to answer any shareholder questions on the committee's activities.(11)

## **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 all executive directors and the company's chairman, including pension rights and any compensation payments. (12) 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.(13) No director or senior manager shall be involved in any decisions as to their own remuneration.(14)
- 8.2 Recommend and monitor the level and structure of remuneration for senior management.(15)
- 8.3 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 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. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long strategic 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. (16)
- 8.4 When setting remuneration policy for directors, review and have regard to pay and employment conditions across the company or group, especially when determining annual salary increases.(17)
- 8.5 Review the on-going appropriateness and relevance of the remuneration policy.
- 8.6 Within the terms of the agreed policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the company chairman and other designated senior executives including bonuses, incentive payments and share options or other share awards.(18)
- 8.7 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.(19) To help it fulfil its obligations the committee shall have full authority to appoint remuneration consultants (20) 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 (in accordance with the provisions in Schedule A of the Code).(21)
- 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, company secretary and other designated senior executives and the performance targets to be used.(22)
- 8.11 Determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives.(23)
- 8.12 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.(24)
- 8.13 Oversee any major changes in employee benefits structures throughout the company or group.
- 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.

## **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.(25)
- 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 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 AGM. 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.(26)
- 9.4 Through the chairman of the board, ensure that the company maintains contact as required with its principal shareholders about remuneration.(27)

## **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.(28)
- 10.2 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.(29)
- 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, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds 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.(30)

## **11 Authority**

The committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.(31)

References to:

**The UK Corporate Governance Code as issued by the Financial Reporting Council**

(7) Code Provision D.2.1

(8) Code Supporting Principle B.1

(9) The frequency and timing of meetings will differ according to the needs of the company; meetings should be organised so that attendance is maximised (for example by timetabling them to coincide with board meetings)

(10) FRC Guidance on Board Effectiveness, para 6.2

(11) Code Principle E.2.3

(12) Code Provision D.2.2 and Schedule A. Recommendations 29 – 34 of the final report of the Walker review of corporate governance in UK banks and other financial industry entities, published November 2009 states the remit of remuneration committees of Banks or other

Financial Institutions should cover “high end” employees. The Walker report is available separately from HM Treasury website at

[www.hm-treasury.gov.uk/walker\\_review\\_information.htm](http://www.hm-treasury.gov.uk/walker_review_information.htm)

(13) Code Provision D.2.3

(14) Code Provision D.2

(15) Code Provision D.2.2; the definition of “senior management” for this purpose should be determined by the board but should normally include the first layer of management below board level

(16) Code Principle D.1; recommendation 35 of the Walker review, November 2009: remuneration committees of Banks or other Financial Institutions should seek advice from the board risk committee on specific risk adjustments to be applied to performance objectives

(17) Code Supporting Principle D.1

(18) Code Principle D.2

(19) Code Principle D.1

(20) Code Provision D.2.1

(21) Code Provision D.1.1

(22) Recommendation 34 of the Walker review, November 2009: remuneration committees of Banks or other Financial Institutions should note the requirements for “high end” employees to maintain a shareholding

(23) Code Provision D.2.2

(24) Code Provision D.1.4 and D.1.5; recommendation 37 of the Walker review, November 2009 sets out disclosure requirements for remuneration committees of Banks and other Financial Institutions in relation to any additional enhanced benefits for executive directors or other “high end” employees

(25) FRC Guidance on Board Effectiveness, para 6.2

(26) Code, D.2.1

(27) Code Principle D.2

(28) Code Principle B.5.1

(29) Code Principle B.4, B.4.1-2

(30) Code Principle B.6

(31) Code Provision B.5.1