

## Terms of Reference - Remuneration Committee

### **I. COMPOSITION**

- 1.1 The Remuneration Committee shall be a Committee of the Board and its members appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee.
- 1.2 The Committee shall comprise not less than three independent non-executive directors. The Chair of the Board may serve on the Committee as an additional member if he or she was considered independent on appointment as Chair of the Board.
- 1.3 The Board shall appoint the Chair of the Committee who shall be an independent non-executive director who has served for at least 12 months on a remuneration committee before being appointed as Chair. In the absence of the Committee Chair 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, save that the experience requirement may be disregarded if no remaining member has such experience). The Chair of the Board shall not be eligible to be appointed as Chair of the Committee.
- 1.4 Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group HR Director and external advisors may be invited, as considered appropriate, to attend all or part of any meeting.
- 1.5 The Company Secretary or his or her nominee shall be the Secretary to the Committee.
- 1.6 Each member shall hold office as a Committee member for a period of up to three years, which may be extended by no more than two additional periods of up to three years, so long as the member continues to meet the criteria for membership of the Committee.
- 1.7 The Chair and members shall be listed each year in the Company's Annual Report.

### **2. MEETINGS**

- 2.1 The quorum for any meeting shall be two of the Committee members present throughout the meeting in person, or by telephone or video conference. A member of the Committee shall not be counted in the quorum where decisions are made, or discussions are to take place concerning such member's remuneration.
- 2.2 The Committee shall normally meet at least three times a year and otherwise as required by the Chair of the Committee. A meeting of the Committee may also be called by any other member of the Committee, if he or she considers it necessary or expedient, or by the Secretary.

- 2.3 Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed, and supporting papers (where appropriate), shall be forwarded to each member of the Committee and to each other person invited to attend (as appropriate), not less than five clear days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members of it and to arrange such meetings so that members are able to attend them.
- 2.4 A member of the Committee may participate in a Committee meeting by telephone or video conference.
- 2.5 In the event of equality of votes, the Chair of the Committee shall have a casting vote.
- 2.6 If any member of the Committee is unable to act for any reason, the Chair of the Committee may appoint another non-executive director of the Company agreed by other members of the Committee to act as that member's alternate.
- 2.7 The members of the Committee shall serve on the Committee at the discretion of the Board and may be removed by the Board.

### **3. RESPONSIBILITIES**

The responsibilities of the Committee are:

- (a) to determine and agree with the Board the framework or broad policy for executive director remuneration and setting the remuneration<sup>1</sup> for the Chair, the Chief Executive, the executive directors and senior management<sup>2</sup>. The remuneration of non-executive directors (including members of the Committee) shall be a matter for the Chair and the executive members of the Board. No director or senior management shall be involved in any decisions as to their own remuneration;
- (b) to review at least annually the ongoing appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate;
- (c) to submit for approval by the Board and shareholders a directors' remuneration policy (to be included in the directors' remuneration report as appropriate):
- (i) every three years, or
  - (ii) in any year in which there is a change in the policy relative to the prior year, or
  - (iii) if shareholder approval was not achieved when the policy was last submitted; or

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<sup>1</sup> Whilst remuneration is not defined within the UK Corporate Governance Code (the "Code"), it is clearly intended to encompass base salary and other remuneration related items including, but not limited to, pension arrangements, share awards/options and termination packages.

<sup>2</sup> As set out in the Code, the definition of senior management for this purpose is the executive committee or the first layer of management below board level, including the company secretary. For Mitie, this will be all members of the Executive Leadership Team (the "ELT") and any other individual in a role with a base salary in excess of £250,000 per annum.

- (iv) if majority shareholder approval was not received on the last submitted directors' remuneration report (excluding the Directors' remuneration policy); or
- (v) any other year the Committee felt it to be appropriate,

in determining such policy, to take into account all factors which it deems necessary including the interests of shareholders. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully and to encourage enhanced performance without, in the view of the Committee, paying more than is necessary, having due regard to views of shareholders and other stakeholders. The directors' 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;

- (d) to ensure that the directors' remuneration policy includes the information on directors' remuneration required to be disclosed by the Companies Act 2006 (including regulations made thereunder), the UK Corporate Governance Code (the 'Code'), the Listing Rules and any other relevant statutory, regulatory or governance codes;
- (e) to submit for approval by the Board and shareholders an annual report on remuneration to be included in the directors' remuneration report, which should include the information on directors' remuneration required to be disclosed by the Companies Act 2006 (including regulations made thereunder), the Code, the Listing Rules and any other relevant statutory, regulatory or governance codes;
- (f) to approve appropriate remuneration packages for any executive director or senior management appointments and termination packages including contractual terms and pension benefit entitlements, ensuring where relevant that any packages and components thereof are permitted under the latest shareholder approved directors' remuneration policy and if not, that either a revised directors' remuneration policy or the proposed payment are submitted for shareholder approval;
- (g) to review the ongoing appropriateness and relevance of the directors' remuneration policy;
- (h) to 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;
- (i) when setting the remuneration policy for executive directors, to review workforce remuneration and related policies and the alignment of incentives and rewards with culture. Also, to have regard to relevant legislation as it arises, especially when determining annual salary increases;

- (j) to review each year the design of all existing and new cash bonus and share incentive plans for approval by the Board and shareholders, including:
  - (i) determine the policy for the grant of awards/options to executive directors and senior management of the Company, to ensure that they are provided with appropriate incentives consistent with the Company's policy as stated in the directors' remuneration report for the Company's last audited financial year;
  - (ii) set appropriate performance targets in connection with the awards and options;
  - (iii) approve all and any awards/options to executive directors and senior management, including consideration of the quantum of grants and vesting schedules;
  - (iv) determine with the Committee's independent remuneration consultants and external auditors, whether such performance targets have been satisfied;
  - (v) review any amendments to the awards and plans prior to obtaining any necessary shareholder approval; and
  - (vi) exercise any discretion specified in the rules of the plans and generally oversee the administration of the plans offered to executive directors and senior management;
  - (vii) design and invoke agreed safeguards, for example malus and/or clawback, to protect against rewards for failure through appropriate risk management of incentive arrangements to ensure that any performance-related payments reflect actual achievements;
- (k) to determine the policy for, and scope of, pension arrangements for each executive director and other senior management;
- (l) to 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;
- (m) within the terms of the agreed policy, to determine the total individual remuneration package of each executive director including fees and expenses, bonuses, incentive payments and share options or other share awards;
- (n) in determining such packages and arrangements, to 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;
- (o) to review and note annually the remuneration trends across the Company;
- (p) to oversee any major changes in employee benefits structures in the Company;

- (q) to agree the policy for authorising claims for expenses from the Chair of the Board and the Chief Executive;
- (r) to ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Directors' Remuneration Report Regulations 2002 and the Code are fulfilled;
- (s) at the discretion of the Committee, to appoint consultants in respect of executive director remuneration and, in the event of such appointment, make a statement in the Company's Annual Report and Accounts identifying such consultants and whether they have any other connection with the Company;
- (t) to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;
- (u) through the Chair of the Board and/or the Chair of the Committee, to ensure that the Company maintains contact as appropriate with its principal shareholders about remuneration; and
- (v) to make available these Terms of Reference, setting out the role and the authority delegated to it by the Board.

#### **4. ANNUAL GENERAL MEETING**

The Chair of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

#### **5. REPORTING PROCEDURE**

- 5.1 The Chair of the Committee shall make a verbal report to the next meeting of the Board of matters considered by the Committee.
- 5.2 The Chair of the Committee shall make whatever recommendations to the Board the Chair deems appropriate on any area within the Committee's remit where action or improvement is needed.
- 5.3 The Secretary shall circulate to all members of the Committee the draft minutes of the meetings of the Committee. After approval and signature by the Chair the Secretary shall make these minutes available to all other members of the Board and other attendees (redacted, where necessary) on the request of the Chair, unless in the opinion of the Chair it would be inappropriate to do so.
- 5.4 The Committee shall produce an Annual Report on Directors' remuneration which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.

## **6. TERMS OF REFERENCE - REVIEW**

- 6.1 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.

## **7. AUTHORITY**

- 7.1 The Committee is authorised to seek any information it requires from any employee of the Company (or any of its subsidiaries) in order to perform its duties, including calling an employee to be questioned at a meeting of the Committee. All employees are directed to co-operate with any request for information made by the Committee, including requests to attend meetings of the Committee.
- 7.2 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 including the advice of independent remuneration consultants, as well as obtain other information which it deems necessary to help fulfil its obligations. The Committee may, if it thinks fit, secure the attendance at meetings of external advisers with relevant experience and expertise at the Company's expense.

## **8. OTHER MATTERS**

The Committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat as required.
- 8.2 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.
- 8.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors and the 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 Guidance 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.
- 8.4 oversee any investigation of activities which are within its Terms of Reference.
- 8.5 make available these Terms of Reference, setting out the role and authority delegated to it by the Board.

**Adopted 27 March 2019**