



ELECO[®]



Remuneration Committee Terms of Reference

Eleco plc
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Remuneration Committee Terms of Reference

1. Constitution

- 1.1 This committee of the board known as the Remuneration Committee (the "**Committee**") is established under Article 86 of the Articles of Association of the Company. In these terms of reference, the "**Group**" means the Company and its subsidiaries from time to time.

2. Membership

- 2.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chair of the Committee. The Committee shall be made up of at least two members, all of whom are independent non-executive directors of the Company.
- 2.2 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.
- 2.3 Appointments to the Committee shall be for an initial period of up to three years, which may be extended for no more than two additional three-year periods provided the members continue to be independent.
- 2.4 The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. The Chair of the Board shall not be the Committee Chair.

3. Secretary

- 3.1 The secretary of the Committee shall be such person as the Committee shall from time to time decide.

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be two members, present in person or by audio or video conference. 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.

5. Frequency of Meetings

- 5.1 The Committee shall meet at least twice a year and at such other times as the Committee Chair shall require.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 6.2 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.

7. Voting Arrangements

- 7.1 Subject to Paragraph 7.2 and Paragraph 7.3, 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).
- 7.2 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.
- 7.3 Except where he or she has a personal interest, the Committee Chair shall have a casting vote.
- 7.4 The Committee Chair may ask any attendee of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

8. Minutes of the Meeting

- 8.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 8.3 Draft minutes shall be agreed with the Committee Chair and then be circulated promptly to all members of the Committee.
- 8.4 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

9. Annual General Meeting

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

10. Duties

The Committee shall:

- 10.1 determine and agree with the Board the framework or broad policy for the remuneration of the company's Chair, Chief Executive Officer and the executive directors, the company secretary and, as appropriate, other senior members of the executive management. The remuneration of non-executive directors shall be a matter for the Chair and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- 10.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company;
- 10.3 when setting remuneration policy for directors, the Committee shall review and have regard to the pay and employment conditions across the Company, especially when determining salary increases;
- 10.4 review the ongoing appropriateness and relevance of the remuneration policy;
- 10.5 approve the design of, and determine targets for, any performance related pay schemes operated by the company;

- 10.6 review the design of all share incentive plans for approval by the board and, where required, 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 senior managers, and the performance targets to be used;
- 10.7 determine the policy for, and scope of, pension arrangements for each executive director;
- 10.8 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;
- 10.9 within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive director including bonuses, incentive payments and share options or other share awards;
- 10.10 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- 10.11 review and note annually the remuneration trends across the Company or Group;
- 10.12 oversee any major changes in employee benefits structures throughout the company or group;
- 10.13 agree the policy for authorising claims for expenses from the Chair and Chief Executive Officer;
- 10.14 ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled; and
- 10.15 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. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

11. Reporting responsibilities

- 11.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall produce an annual report of the company's remuneration policy and practices which will form part of the company's Annual Report. The Annual Report shall be put to shareholders for approval each year at the AGM.

12. Other

- 12.1 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 as required by the Companies Act 2006 (ss. 420 to 422).

13. Authority

- 13.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 13.2 In connection with its duties the Committee is authorised by the Board to obtain, at the company's expense, after notification, any outside legal or other professional advice.