

## **Renishaw plc**

### **Remuneration Committee**

#### **Terms of Reference**

(approved by the Board and adopted by the Committee effective from 1 July 2019)

#### **1. Membership**

- 1.1 The Committee shall be appointed by the Board and shall comprise a chair and at least 2 other members.
- 1.2 All members of the Committee shall be independent non-executive directors.
- 1.3 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 1.4 The Board, on the recommendation of the Nomination Committee, shall appoint the chair of the Committee who shall be an independent non-executive director and shall have served on a remuneration committee for at least 12 months. In the absence of the chair of the Committee, the remaining members present shall select one of their number present to chair the meeting.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, Chief Executive, Group Finance Director, the Head of Human Resources and external advisors may be invited to attend for all or part of any meeting, as and when appropriate and necessary, provided that the matter in hand does not concern the relevant person.

#### **2. Secretary**

- 2.1 The Company Secretary, or his or her nominee, shall act as the secretary of the Committee.

#### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be 2. 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 meetings**

- 4.1 The Committee shall meet not less than twice a year and at such other times as the chair of the Committee shall require.

#### **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any member of the Committee.
- 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 and any other person attending the meeting no less than 3 working days before the date of the meeting.

#### **6. Minutes of meetings**

- 6.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary should ascertain at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.

6.3 Minutes of Committee meetings shall be made available to others members of the Board upon request, unless in the opinion of the chair of the Committee it would be inappropriate to do so.

## **7. Annual General Meeting**

7.1 The chair of the Committee shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities.

## **8. Duties**

### **8.1 Determination of remuneration policy for executive directors and senior management**

- (a) The Committee shall determine and agree with the Board the policy for the remuneration of the executive directors, aligned to the Company's purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy. The Committee shall set the remuneration for the Executive Chairman, other executive directors and senior management (as defined in 8.3). The consideration of the remuneration of non-executive directors, within the limits set in the Articles of Association, shall be a matter for the Board.
- (b) In determining such policy, the Committee shall take into account all factors that it deems necessary. The objective of such policy shall be to ensure that executive directors 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. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals.
- (c) The policy shall include the scope of pension arrangements, any service agreements, termination payments and compensation commitments, ensuring that any 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.
- (d) When setting the policy for remuneration of the executive directors, the Committee should review workforce remuneration and related policies and the alignment of incentives and rewards with culture.
- (e) The Committee shall ensure that the remuneration policy and variable incentive schemes enable the use of discretion to override formulaic outcomes and enable the Company to recover or withhold (or both) sums or share awards in appropriate circumstances.
- (f) The Committee shall agree the policy for authorising claims for expenses made by the directors.
- (g) The Committee shall review the on-going appropriateness and relevance of the remuneration policy.

### **8.2 Determination of remuneration packages for executive directors**

- (a) Within the terms of the remuneration policy as approved by shareholders from time to time, the Committee, shall determine the total individual remuneration package of each executive director, including, where appropriate, bonuses, incentive payments, share options and share awards taking into account the Company and individual's performance and wider circumstances.
- (b) No director shall be involved in any decisions as to his or her own remuneration.
- (c) The Committee shall 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.

- (d) The Committee shall review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the Committee shall determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, the Company Secretary and other designated senior executives, and the performance targets to be used.
- (e) The Committee shall ensure that remuneration schemes promote long-term shareholdings by executive directors that support alignment with shareholder interests and shall develop a formal policy for shareholding requirements encompassing both unvested and vested shares.

### 8.3 Senior management remuneration

In accordance with paragraph 8.1, the Committee shall set the remuneration for senior management. Senior management shall be defined as any direct report to the Chief Executive, any member of the Executive Board (who is not an executive director), any employee earning a base salary of £150,000 or over (or the equivalent) and any other employee who the executive directors or the Committee determine should be regarded as senior management for this purpose.

### 8.4 Monitoring and review

- (a) The Committee shall obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.
- (b) The Committee shall be aware of strategy and policy and, where appropriate, recommend changes in employee benefit structures throughout the Company or Group.

### 8.5 Reporting

- (a) The Committee shall ensure the relevant statutory provisions that apply from time to time and the provisions of the UK Corporate Governance Code (the Code) regarding disclosure of remuneration, including pensions, are fulfilled.
- (b) The Committee shall produce an annual report of the Committee's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to the shareholders for approval at the AGM.
- (c) The chair of the Committee will report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (d) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (e) The chair of the Committee will ensure that the Company maintains contact as required with its principal shareholders about remuneration.

## 9. **Authority**

### 9.1 The Committee is authorised:

- (a) to seek any information it requires from any employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense within an agreed budget, external legal or other professional advice on any matters within its terms of reference, including remuneration consultancy advice, subject to setting appropriate terms of reference for such consultants; and

- (c) to seek advice and assistance from any of the Company's executives, subject to ensuring that this role is clearly separated from their role within the business.

10. **Other matters**

10.1 The Committee shall:

- (a) 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;
- (b) ensure it has access to sufficient resources in order to carry out its duties, including access to the Company Secretariat as required;
- (c) 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; and
- (d) 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 and the requirements of the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules.