

## **THE GO-AHEAD GROUP PLC (the “Company”)**

### **REMUNERATION COMMITTEE TERMS OF REFERENCE**

**Latest update by resolution of the Board 29 August 2019**

#### **1. Constitution**

The Board has resolved to establish a committee of the Board to be known as the Remuneration Committee (“committee”).

#### **2. Role**

2.1 The role of the committee is to assist the Board to fulfil its responsibility to shareholders to ensure that:

- Remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements;
- Executive remuneration is aligned to Company purpose and values linked to the delivery of the Company’s long-term strategy.

2.2 Subject to paragraph 2.3, in particular, the committee shall consider:

- Remuneration policies, including base pay, long-term and short-term incentives, post-employment shareholding requirements and use of the committee’s discretion;
- Remuneration practice and the costs to the Company;
- Recruitment, service contracts and severance policies;
- Pension and superannuation arrangements and other benefits;
- The engagement and independence of external remuneration advisers;
- A review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.

2.3 The remuneration of the senior independent director and non-executive directors of the board shall be a matter for the Chair and the executive directors to be decided at a meeting of the Board to be determined within the limits set in the Company’s articles of association. No director shall be involved in any decisions as to their own remuneration.

#### **3. Membership**

3.1 At all times the committee shall comprise a Committee Chair (“Chair”) and a minimum of three Committee Members (“members”). Each member shall be an independent non-executive director as determined by the Board. If any member is deemed not to be independent, then the Board shall provide an explanation as to why they consider it appropriate for such director to still be a member of the Committee.

3.2 The Board shall appoint members on the recommendation of the Nomination Committee, in consultation with the Remuneration Committee

Chair. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments.

- 3.3 The Chair of the Board may be a member of, but not chair of the committee if they were considered to be independent on appointment.
- 3.4 Appointments to the committee shall be for a period of up to three years, extendable by no more than two additional three year periods, so long as members continue to be independent.
- 3.5 The Board shall appoint the Chair from among the independent non-executive directors and determine the period for which the Chair will hold office, and before such appointment, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the Chair or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 3.6 The Company Secretary, or their nominee, shall act as the Committee Secretary ("Secretary") of the committee and provide all necessary support to the committee, including the recording of the committee minutes and ensuring that the committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

#### **4. Attendance at meetings**

- 4.1 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Group Chief Executive, People Director and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Chair. The Chair shall have the discretion to decide who, other than committee members, shall attend and address committee meetings.
- 4.2 No person (including directors or the Chair of the Board or senior managers of the Company shall participate at a meeting of the committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 4.3 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 4.4 Meetings of the committee may be conducted when the members are physically present together or in the form of either video or audio conference or by exchanging communication in electronic form.

#### **5. Notice of Meetings**

- 5.1 Meetings of the committee shall be called by the Secretary at the request of the Chair.
- 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 or any other person required

to attend, 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 as appropriate, at the same time, but committee papers may be forwarded at shorted notice with the approval of the committee Chair.

**6. Quorum**

- 6.1 The quorum necessary for the transaction of business at a committee meeting shall be two members, present in person or by audio or video conference or by electronic means. If there is any difficulty in achieving a quorum, independent non-executive directors, who are not members of the committee, may be co-opted as members for individual meetings.
- 6.2 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.

**7. Frequency of Meetings**

The Committee shall meet at least four times a year.

**8. Voting Arrangements**

- 8.1 Subject to Paragraph 8.2 and Paragraph 8.3, each 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 or by electronic means.
- 8.2 If a matter that is considered by the committee is one where a member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3 Except where they have a personal interest, the Chair shall have a casting vote.
- 8.4 The Chair may ask any attendees of a committee meeting to leave the meeting to allow discussions of matters relating to them.

**9. Minutes of Meetings**

- 9.1 The Secretary shall minute the proceedings and resolutions of all meetings, including the names of those present and in attendance.
- 9.2 Draft minutes of committee meetings shall be circulated promptly to all members. Once approved, minutes shall be made available online in the Boardbook's Resource Centre, unless in the opinion of the Chair it would be inappropriate to do so.
- 9.3 A resolution in writing and signed by all 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.

## **10      Annual General Meeting**

All members shall attend the annual general meeting and the Chair (or other appropriate member) shall be available to respond to any shareholder questions on the committee's activities.

## **11      Duties**

The Committee will carry out the following duties for the Group and advise the Board appropriately:

### **11.1    Remuneration policy and practices**

a) Determine and agree with the Board the policy for the remuneration and benefits, including pension rights and compensation payments, of the executive directors and set the remuneration for the:

- Company Chair
- Executive Directors
- Company Secretary; and
- Senior Management

b) Subject to paragraph 11.5(b), in determining the remuneration policy, consider:

- The need to promote the long-term sustainable success of the Company and the alignment of the Company purpose without paying more than is necessary, having regard to the views of shareholders and other stakeholders and ensuring that executive directors (and senior management) are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
- the strategy of the Group and how the policy reflects and supports the long-term strategy;
- the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long-term strategic goals;  
Any shareholding requirements, including vesting and holding periods, and any post-employment shareholding requirements for the executive directors, the company secretary and senior executives that encompass both unvested and vested shares;
- When determining executive director remuneration policy and practices, address the following factors set out in Provision 40 of the UK Corporate Governance Code 2018; clarity, simplicity, risk, predictability, proportionality and alignment to culture.

c) When determining remuneration schemes and the remuneration policy, consider the use of discretion by the committee to override formulaic outcomes.

d) Review at least annually the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate, on the policy or any other aspects of the remuneration.

- e) Within the terms of the agreed remuneration policy, determine the total remuneration package for the Chair of the Board and each element of the total individual remuneration package for each executive director, the company secretary and senior management (to the extent applicable):
  - Base salary
  - Profit sharing and specific incentive remuneration schemes or arrangements;
  - Participation in share option schemes and share ownership plans
  - Pension arrangements, including the level of contributions by the Company; and
  - Other bonuses and benefits in cash or in kind.
- f) Within the terms of the agreed remuneration policy, decide on any ex-gratia payments to be made and benefits granted to directors and senior management.
- g) Exercise any discretion or judgement on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of company and individual performance, and wider circumstances.
- h) Agree the policy for authorising claims for expenses from the directors.

## 11.2 **Share based remuneration and bonus arrangements**

- a) Recommend for approval by the Board the design of, and determine the targets for, the operation of all long-term incentive schemes, including all schemes involving the award of shares or the grant of options, in which the executive directors, the company secretary and senior management participate. For any such schemes or plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes or plans by those individuals.
- b) Monitor and assess any performance conditions applicable to any long-term incentive awards granted under any schemes or plans adopted by the Company. Ensure that the performance conditions are fully explained, aligned to the Company's purpose and values and clearly linked to the Company's long-term strategy and enhancement of shareholder value. Consider whether any factors should be taken into account which would make an alternative outcome more appropriate and aligned to the interests of shareholder.
- c) Consider whether the executive directors, the company secretary and senior management should be eligible for annual bonuses. Bonuses shall be used to reward a contribution to the business which exceeds the level expected.
- d) Recommend for approval by the Board the design of, and determine annual targets and key performance indicators for, any bonus scheme operated by the Company and assess performance against targets and key performance indicators, by the Company, individual executive directors, the company secretary and senior management.

- e) Design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award, to protect against rewards for failure through appropriate risk management of any incentive arrangements to ensure that any performance-related payments reflect actual achievements.
- f) Ensure that all incentive arrangements are aligned to the Company's risk policies and systems, its purpose and values, support the strategy and promote long-term sustainable success.

### 11.3 **Pensions**

- Review the pension arrangements for the executive directors and consider the alignment of pension contribution rates, or payments in lieu for executive directors.

### 11.4 **Service contracts and severance**

- Approve the terms of the service contracts, the duration of which shall not normally exceed one year's notice period, for executive directors and any material amendments to those contracts.
- Determine the policy for, and scope of, termination payments and compensation commitments for each executive director and ensure that poor performance is not rewarded and that there is a clear policy to link non-contractual payments to performance.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

### 11.5 **Workforce remuneration and related policies**

- a) Review workforce remuneration and related policies and the alignment of incentive rewards with culture.
- b) When setting the policy for executive director remuneration, take into account the matters in paragraph 11.5(a).
- c) Oversee any major changes in remuneration and employee benefits structures throughout the Group.
- d) Report to the Board on workforce reward, incentives and conditions, and support the Board's monitoring of the alignment of company policies and practices with culture and strategy.

#### **11.6 Remuneration consultants**

- a) To help it to fulfil its obligations and enable it to judge where to position the Company relative to other companies, have full authority to appoint remuneration consultants 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.
- b) Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.

#### **11.7 Shareholder approval**

- a) Produce a report to shareholders annually on matters relating to executive remuneration incorporating the annual statement by the Chair, the annual report on directors' remuneration and the directors' remuneration policy.
- b) Submit the directors' remuneration policy for approval on a binding basis by the Board and shareholders:
  - Every three years;
  - In any year which there is a change to policy;
  - If shareholder approval was not obtained when last submitted; and
  - If majority shareholder approval was not achieved on the last submitted annual remuneration report.
- c) Submit the annual remuneration report for approval on an advisory basis by the Board and shareholders annually at the annual general meeting each year.
- d) Subject to delegation of authority by the Board, engage in appropriate discussions as necessary with shareholders, if, 20 per cent or more of votes have been cast by shareholders against a resolution to approve the annual remuneration report or directors' remuneration policy (or any long-term incentive scheme) at any annual general meeting or general meeting, as the case may be, and agree with the Board any appropriate disclosure, including in the annual report.

#### **11.8 Other matters**

- a) Give due consideration to laws, regulations and any published guidelines or recommendations and keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants.
- b) Work and liaise as necessary with all other Board committees, including the nomination committee in respect of any remuneration package to be offered to any new appointee of the Board.
- c) Ensure, through the Company Chair of the Board, that the Company maintains contact, and the committee Chair seeks engagement, as

required with the Company's major shareholders on significant matters related to the committee's areas of responsibility.

- d) Make publicly available the committee's terms of reference by placing them on the Company's website.
- e) 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. The Chair shall review membership of the committee annually, as part of the annual performance evaluation of the committee.

## **12      Reporting Responsibilities**

The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

## **13      Authority**

The Board authorises the Committee to:

- 13.1 Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary.
- 13.2 Seek any information it requires from any employee of the Group to perform its duties.
- 13.3 Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.
- 13.4 Call any employee of the Group to be questioned at a committee meeting as and when required, and all such employees are directed to cooperate with any request made by the committee.
- 13.5 Have the right to publish in the Company's annual report details of any issues that cannot be resolved between the committee and the Board.