

# Close Brothers Group plc

## Remuneration Committee (the “Committee”)

### Terms of Reference

#### 1. Purpose and Authority

The Committee is a committee of the Board of Close Brothers Group plc (the “**Board**”), from which it derives its authority and to which it reports. The Committee has delegated authority from the Board in respect of the duties, authority and responsibilities set out in these Terms of Reference.

Unless the context requires otherwise, the duties and responsibilities of the Committee set out above cover each of the divisions and subsidiaries within the Close Brothers Group plc group (the “**group**”) being the Banking division (including Close Brothers Limited), Winterflood Securities (including Winterflood Securities Limited) and Close Brothers Asset Management (including Close Asset Management Limited), and its authority extends to all matters relating to its responsibilities set out in these Terms of Reference for the group.

In carrying out its duties, the Committee will act in accordance with relevant legislative and regulatory requirements. In particular, the Committee members will take into account the directors’ duties contained in the Companies Act 2006, and will consider the factors listed in section 172 of the Act and any other relevant factors.

#### 2. Membership

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee in consultation with the Chair of the Committee. The Committee shall be made up of at least three members, all of whom, in the opinion of the board, are independent non-executive directors.
- 2.2 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chairman of the Board (if not also a member of the Committee), other Non-Executive Directors, the Chief Executive, the Group Head of HR, the Group Chief Risk Officer and external advisers may be invited to attend for all or part of any meeting as and when appropriate. Only members of the Committee may vote at Committee meetings.
- 2.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for further three-year periods, provided the director remains, in the opinion of the board, independent.
- 2.4 The Board shall appoint the Committee Chair (the “**Chair**”) who shall be an independent non-executive director. The Chair must, unless in exceptional circumstances the Board determines otherwise, have

served on a remuneration committee for at least twelve months prior to appointment.

- 2.5 In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be the Chair of the Committee.

### **3. Secretary**

- 3.1 The Company Secretary or their 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 issues.

### **4. Quorum**

- 4.1 The quorum necessary for the transaction of business shall be two. 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 Chair shall require.

### **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair or 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 and any other person required to attend, no later than three 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. Minutes of Meetings**

- 7.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee.

### **8. Engagement with Shareholders**

- 8.1 The Committee Chair shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities. In addition, the Chair should seek engagement with shareholders on

significant matters related to the Committee's areas of responsibility as appropriate.

## 9. Duties

The Committee shall:

- 9.1 determine and agree the framework or broad policy for the remuneration of the company's executive directors and other designated senior executives (which will include members of the Group Executive Committee plus the Company Secretary). No director or senior manager shall be involved in any decisions as to their own remuneration;
- 9.2 determine and agree the remuneration of the Chairman of the Board (the Chairman of the Board having recused themselves from the discussion if they are a member of the Committee). The remuneration of non-executive directors (excluding the Chairman of the Board) shall be a matter for the Chairman and the executive members of the Board;
- 9.3 recommend and monitor the level and structure of remuneration for such other members of the executive management as it deems suitable to consider, including all group Material Risk Takers and senior control function staff, based on the European Banking Authority's Regulatory Technical Standards, in line with the Remuneration Part of the PRA Rulebook;
- 9.4 in determining such policy, take into account all factors which it deems necessary including legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "**Code**"), PRA and FCA Remuneration Codes 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 of the company's long-term strategic goals and should take into account all types of risk, liquidity and capital levels. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long-term success of the company. When determining the remuneration for members of executive management and Material Risk Takers the Committee shall have the authority to approve the reduction of variable remuneration to zero if thought appropriate;
- 9.5 when setting remuneration policy and practices for executive directors, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture;
- 9.6 when setting remuneration policy for executive directors, review workforce remuneration and related policies and the alignment of incentives and rewards with culture. The Committee shall be cognisant of the Companies Act requirement to set out in the remuneration policy approved by shareholders how pay and employment conditions of employees generally were taken into account when setting the remuneration policy and the Code requirement to disclose what

engagement has taken place with the workforce to explain how executive remuneration aligns with wider company pay policy;

- 9.7 ensure that the remuneration policy and practices are gender neutral and compliant with the Equality Act 2010. The Committee shall ensure that the assessment of individual performance and the award of any variable remuneration, in accordance with the relevant remuneration codes, does not discriminate on the basis of the protected characteristics of an individual.
- 9.8 review the ongoing appropriateness and relevance of the remuneration policy;
- 9.9 within the terms of the agreed policy (where relevant) and in consultation with the Chairman of the Board and Chief Executive, determine the total individual remuneration package of each executive director and other designated senior executives (which will include members of the Group Executive Committee plus the Company Secretary) including bonuses, incentive payments and share options or other share awards;
- 9.10 exercise independent judgement and discretion when determining remuneration awards, taking account of Group and/or divisional, as well as individual, performance and wider circumstances;
- 9.11 with input from the Chair of the Risk Committee and the Group Chief Risk Officer, oversee and challenge the annual risk-adjustment process to be applied with respect to variable remuneration for group employees, and determine whether an appropriate level of risk management and performance adjustment has been applied in performance assessments and remuneration awarded;
- 9.12 consider and approve risk management objectives to be used for the vesting of long-term incentive schemes, and (with appropriate input from the Chairs of the Risk and Audit Committees) review and assess management's achievements against those objectives as part of the determination of relevant vesting percentages;
- 9.13 consider and approve proposals on the application of malus and claw-back mechanisms, seeking appropriate input from the Chair of the Risk Committee, the Group Chief Risk Officer and other relevant executives;
- 9.14 have oversight of the identification of group Material Risk Takers, in accordance with the European Banking Authority's Regulatory Technical Standards and other relevant remuneration codes, and approval of the final list of Material Risk Takers in any given performance year;
- 9.15 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;
- 9.16 ensure that the implementation of the remuneration policy, is, at least annually, subject to central and independent internal review to ensure compliance with policies and procedures;

- 9.17 be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 9.18 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 and other designated senior executives and the performance targets to be used;
- 9.19 approve the design of any performance related pay schemes operated by the group that would be likely to materially impact the divisional bonus pool, and or, create a significant change to the overall compensation ratios for a division;
- 9.20 determine the policy for, and scope of, pension arrangements for each executive director and other designated senior group executives;
- 9.21 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 9.22 review and approve recruitment and termination packages of quantum exceeding certain pre-agreed levels including significant buy-out or sign-on awards;
- 9.23 review and approve the annual Remuneration Policy Statement for the Prudential Regulatory Authority and Financial Conduct Authority;
- 9.24 review and approve individual sales incentive schemes operated in the group that require approval under pre-agreed criteria and monitor and oversee the operation of those sales incentive schemes;
- 9.25 review and approve any public reporting or other disclosure to be made by the group in relation to gender pay gap reporting;
- 9.26 oversee any major changes in employee benefits structures throughout the group; and
- 9.27 work and liaise as necessary with other Board committees, ensuring that the Committee's interaction with the Board and other committees is reviewed periodically.

## **10. Reporting Responsibilities**

- 10.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and adequate time should be made available for Board discussion when necessary.
- 10.3 The Committee shall produce an annual 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 Annual General Meeting. The report shall include relevant items required by the Code.

- 10.4 Through the Chairman of the Board and the Chair of the Committee, ensure that the company maintains contact with its principal shareholders about remuneration.

## **11. Other Matters**

- 11.1 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.

## **12. Authority**

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required;
- 12.2 seek input from the Risk Committee (through its Chair) and/or the Risk function (through the Group Chief Risk Officer) and the Compliance function, as appropriate, including when approving the structure of the remuneration policy and determining remuneration outcomes;
- 12.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 12.4 give due consideration to relevant laws and regulations, the provisions of the Code and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 12.5 seek any information it requires from any employee of the group in order to perform its duties, and calling any employee to be questioned at a meeting of the Committee;
- 12.6 delegate any matter or matters to another committee or person(s) as it deems appropriate;
- 12.7 oversee any investigation of activities which are within these Terms of Reference (liaising with other committees as appropriate); and
- 12.8 publish in the company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board.

The Committee is authorised to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.

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