

# Terms of reference for remuneration committee

PUBLISHED  
11 April 2022

# Contents

*Page*

As agreed at Impact Board meeting 15/12/21

3

# CT Automotive Group plc

## Terms of Reference

for the Remuneration Committee

# CT Automotive Group plc (the “Company”)

Terms of reference for the Remuneration Committee

## 1. Constitution

The committee has been established by resolution of the board of directors of the Company (the “Board”) and is to be known as the Remuneration Committee (the “Committee”).

## 2. Membership

**2.1** The members of the Committee shall be appointed by the Board from amongst the directors of the Company, in consultation with the Chairman of the Committee and shall consist of not less than three members. The majority of the members of the Committee shall be independent non-executive directors of the Company. The Chairman of the Board may only also serve on the Committee as an additional member if they were considered independent on appointment as Chairman of the Board.

**2.2** The Chairman of the Committee shall be a non-executive director who shall be appointed by the Board and shall not be the Chairman of the Board.

**2.3** Each member of the Committee shall disclose to the Committee:

(a) any personal, financial or other interest in any matter to be decided or discussed by the Committee; and/or

(b) any potential conflict of interest arising from a cross-directorship or otherwise; and

any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee or absent himself from all or part of the meeting of the Committee in question.

**2.4** Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Appointments to the Committee shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided the director still meets the criteria for membership of the Committee.

**2.5** Membership of the Committee shall be noted in the annual directors’ report of the Company.

## 3. Chairman of the Committee

Key responsibilities of the Chairman of the Committee shall include:

(a) setting agendas for Committee meetings, chairing those meetings and ensuring the effective operation of the Committee;

(b) ensuring that comprehensive information is available in advance of meetings to enable informed decision making;

(c) ensuring that the Committee addresses all the tasks delegated to it;

- (d) ensuring that the decisions made about each individual director's remuneration package, including KPIs required for annual or long-term incentive schemes, are both clearly recorded and clearly communicated to individual directors in a timely manner;
- (e) leading consultations with shareholders on remuneration policy when there is a proposed significant change to the policy;
- (f) communicating the work of the Committee through drafting the annual remuneration report; and
- (g) answering questions on the annual remuneration report and about remuneration more generally at shareholder meetings.

#### **4. Attendance at Meetings**

- 4.1** Only members of the Committee have the right to attend Committee meetings. However, other individuals such as, if applicable, the head of human resources, the Chief Executive Officer, any other member of the Board, and external advisers may be invited to attend for all or part of any meeting as and when appropriate, but such persons have no right of attendance.
- 4.2** No member of the Board shall participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration (including his options) is being discussed or participate in any recommendation or decision concerning his remuneration (including his options).

#### **5. Secretary of the Committee**

- 5.1** The Secretary of the Committee shall be appointed by the Committee at its first meeting.
- 5.2** In the absence of the Secretary of the Committee, the members present at the meeting of the Committee shall elect another person as the Secretary.
- 5.3** The Secretary of the Committee shall assist the Chairman of the Committee to determine the agenda for meetings to ensure that the Committee can effectively discharge its responsibilities.

#### **6. Proceedings at Meetings**

- 6.1** A quorum for a meeting of the Committee shall be two members. 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.
- 6.2** Members of the Committee may attend meetings of the Committee either in person, by telephone or through other means of electronic communication, provided all participating Committee members can hear each other.
- 6.3** Should any member of the Committee wish to attend a meeting by telephone or through other means of electronic communication, prior arrangements shall be made with the Secretary of the Committee.
- 6.4** Subject as provided in paragraphs 2.3 and 4.2, each member of the Committee shall have one vote. In the event of an equality of votes, the Chairman of the Committee shall have a second or casting vote (again subject as provided in paragraphs and 2.3 and 4.2 above). In the absence of the Chairman of the Committee, 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

## **7. Frequency of Meetings**

Meetings shall be held not less than twice a year and at such other times as the Chairman of the Committee shall require. Further meetings may be required if the Company is consulting on a possible change to the remuneration arrangements and as the Company develops a forward-looking policy, particularly if this needs to be approved by shareholders.

## **8. Notice of Meetings**

**8.1** Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.

**8.2** 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 by the Secretary of the Committee to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days (which notice may be waived by any director) before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

**8.3** The Secretary of the Committee will be responsible for ensuring that supporting papers are only accessible to the relevant meeting attendees and are circulated in a manner compliant with the Company's data protection policies.

## **9. Minutes of a Meetings**

**9.1** The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, exceptionally, it would be inappropriate to do so.

**9.2** The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

## **10. Annual General Meeting**

The Chairman of the Committee shall attend the annual general meeting of the Company and be available to respond to any shareholder questions on the Committee's activities. In addition, the Chairman of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **11. Authority**

**11.1** The Committee is authorised by the Board to investigate and undertake any matter within its terms of reference. It is authorised to seek any information it properly requires from any director, employee or professional adviser and all directors, employees and professional advisers are directed to co-operate with any requests made by the Committee.

**11.2** The Committee is authorised and responsible for the appointment and selection of advisers to the Committee, including their specific terms of reference. Full disclosure of such appointments, fees and their services should be made in the remuneration report. All advisers, whether acting as remuneration consultants or otherwise, should satisfy a strict test of independence and where relevant pay attention to the provisions of the Financial Reporting

Council's Revised Ethical Standard 2019. The Committee shall consider appointing advisers that follow professional codes of conduct such as that of the Remuneration Consultants Group.

**11.3** The Committee is authorised to delegate certain duties, provided that the Committee will take the lead in making all decisions on remuneration policy and this must not be handed over to advisers.

**11.4** The Committee is authorised by the Company to access Company records and such information as is necessary to fulfil its duties.

**11.5** The Committee is authorised by the board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

## **12. Purpose**

The purpose of the Committee is to:

- (a) ensure that the executive directors and other key employees of the Company (together, "**Executives**") are fairly rewarded for their individual contribution to the overall performance of the Company; and
- (b) demonstrate to the shareholders of the Company that the remuneration of the Executives are set by a committee of the Board whose members have no personal interest in the outcome of the decisions of the Committee and who will have due regard to the interests of shareholders of the Company.

## **13. Duties**

**13.1** There are five key responsibilities for the Committee:

- (a) to develop remuneration packages to support the delivery of business objectives in the short, medium and long-term;
- (b) to align the interests of the Executives with the interests of long-term shareholders;
- (c) to apply performance criteria to encourage Executives to operate within the risk parameters set by the Board;
- (d) to ensure that the Company can recruit and retain high quality Executives through fair and attractive, but not excessive, packages; and
- (e) to communicate with the shareholders through the annual report on remuneration.

**13.2** The duties of the Committee are:

- (a) to determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive Officer, the finance director, the Chairman of the Board (where executive), the Secretary of the Company and other Executives as it is designated to consider. No director or manager shall be involved in any decisions as to their own remuneration;
- (b) in determining such policy, to take into account all factors which it deems necessary. The objective of such policy shall be to ensure that Executives 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;

- (c) to provide the packages needed to attract, retain and motivate Executives of the quality required (but avoid paying more than is necessary for this purpose) and to coordinate closely with the Company's nomination committee (if any) in relation to the remuneration to be offered to any new Executive;
- (d) within the terms of the agreed policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer as appropriate, determine the total individual remuneration package of each Executive director and other senior Executives including bonuses, incentive payments and share options or other share awards;
- (e) approve the design of, and determine targets for, basic salary and fees, any performance related pay schemes, discretionary payments including compensation payments, pension contributions, benefits in kind and all forms of long term incentive schemes operated by the Company and approve the total annual payments made under such schemes;
- (f) consider clawback and equivalent arrangements which may be required in certain circumstances, such as impropriety of any Executives;
- (g) to consider whether the Executives should be eligible for annual bonuses and, if so, to consider an upper limit for such bonuses;
- (h) to consider where to position the Company relative to other companies and to be aware what comparable companies are paying, taking account of relative performance and using such comparisons with caution;
- (i) to be sensitive to the wider scene, including pay and employment conditions elsewhere in the Company's group, especially when determining annual salary increases;
- (j) to approve the terms of any service agreement to be entered into with any Executive, bearing in mind that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of Executives and should be designed to align their interests with those of the shareholders of the Company;
- (k) review the ongoing appropriateness and relevance of the remuneration policy;
- (l) 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, timing, exercise price and conditions of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used and to consider whether the Executives should be eligible for benefits under long-term incentive schemes and to weigh traditional share option schemes against other kinds of long-term incentive schemes;
- (m) to approve any amendments to be made to the rules of the share options schemes or the adoption of a new replacement scheme of the Company or its subsidiaries (except where such amendments require shareholder approval);
- (n) determine the policy for, and scope of, pension arrangements for each Executive director and other senior Executives and to consider the pension consequences and



associated costs to the Company of basic salary increases and other changes in remuneration, especially for Executives close to retirement;

- (o) 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;
- (p) to consider and determine what compensation commitments (including pension contributions) the Executives' service agreements, if any, would entail in the event of early termination. Particular consideration should be given to the advantages of providing explicitly in the initial contract for such compensation commitments except in the case of removal for misconduct;
- (q) in early termination cases where the initial contract does not explicitly provide for compensation commitments, to tailor its approach (within legal constraints) to the circumstances. The Committee should ensure that poor performance is not rewarded, while dealing fairly with cases where departure is not due to poor performance and to take a robust line on reducing compensation to reflect departing Executives' obligations to mitigate loss;
- (r) in determining such packages and arrangements, give due regard to any relevant legal requirements, including the provisions and recommendations of any relevant corporate governance codes and associated guidance and any published guidelines regarding the remuneration of directors of companies whose shares are traded on AIM (as applicable);
- (s) oversee any major changes in employee benefits structures throughout the Company or group;
- (t) vet, authorise and agree the policy for authorising claims for expenses from the directors;
- (u) ensure that all provisions regarding disclosure of remuneration packages, structures, policy, including pensions are fulfilled; and
- (v) to consider other matters as referred to the Committee by the Board.

**13.3** A Committee member:

- (a) shall be prepared to justify the decisions of the Committee to Executives and be independent in line with the Company's adopted corporate governance code;
- (b) shall be willing and able to resist unjustified demands from the executive team;
- (c) shall always be willing to seek and take into consideration the views of shareholders;
- (d) shall commit sufficient time to the role and be willing to develop the necessary skills and knowledge (including, for example, current market practice, taxation and legal requirements) to work as part of the Committee; and
- (e) shall be prepared to seek external advice when necessary to enable informed decision making.

**14. Exclusions**

The remuneration of the Company's non-executive directors (including the Chairman of the Board if a non-executive) shall be a matter for the Chairman of the Board (if executive) and the Company's executive directors. Further, no director or manager of the Company shall be involved in any decisions as to their own remuneration.

**15. The Committee**

**15.1** The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.

**15.2** The Committee shall 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.

**15.3** 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.

**15.4** The Committee shall make available its terms of reference for inspection at the registered office of the Company and on the Company's website.

**16. Reporting Procedures**

**16.1** The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

**16.2** 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 available for Board discussion when necessary

**17. General**

**17.1** The recommendations of the Committee minutes must be approved by the Board before they can be implemented.

**17.2** The Committee shall give due consideration to all relevant laws and regulations, the provisions of the QCA Corporate Governance Code and Company published guidelines or recommendations regarding the remuneration of company directors and formation and operation of share incentive plans, the requirements of the AIM Rules for Companies, the Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate.

**17.3** Any of the terms set out in this document may be varied by a majority resolution of the Board.

Adopted at a meeting of the Board held on 15 December 2021.