

# TELFORD HOMES PLC

## TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

References within this document to the '**Committee**' means the Remuneration Committee;  
References to the '**Board**' means Board of Telford Homes Plc;  
References to the '**Code**' shall mean the provisions of the QCA Corporate Governance Guidelines for Smaller Quoted Companies or the UK Corporate Governance Code or any other corporate governance guidelines appropriate for AIM companies as applied by the company from time to time; and  
References to the 'Secretary' shall have the meaning given to it in paragraph 2 of these terms of reference.

### 1 MEMBERSHIP

- 1.1 The Committee shall comprise at least two members, all of whom shall be independent non-executive directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the Remuneration Committee.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Group Finance Director, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years extendable by no more than two additional three year periods, so long as members (other than the Chairman of the Board, if he or she is a member of the Committee) continue to be independent.
- 1.4 The board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, 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. The Chairman of the Board shall not be Chairman of the Committee.

### 2 SECRETARY

The Company Secretary or his or her 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 the issues.

### 3 QUORUM

The quorum necessary for the transaction of business shall be two.

### 4 MEETINGS

The Committee shall meet at least twice a year and otherwise as required.

### 5 NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 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, 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.

## 6 **MINUTES OF MEETINGS**

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.

## 7 **ANNUAL GENERAL MEETING**

The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## 8 **DUTIES**

8.1 The Committee should carry out the duties detailed below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

8.2 The Committee shall:

- (a) determine the policy for the remuneration of all executive directors and the company's chairman, including pension rights and any compensation payments, and recommend and monitor the level and structure of remuneration for senior management. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration;
- (b) prepare the company's 'Directors' Remuneration Policy' as required under the Companies Act 2006 (the '**Act**') which will be put to shareholders for approval in general meeting in accordance with the Act;
- (c) prepare the company's annual 'Directors' Remuneration Report' as required under the Act which will be put to shareholders for approval in general meeting in accordance with the Act;
- (d) in determining remuneration policy, including the Directors' Remuneration Policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code, institutional shareholder guidelines and other relevant guidance. The objective of such policy shall be to promote the long term success of the company. Performance-related elements should be transparent, stretching and rigorously applied;
- (e) when setting remuneration policy for directors, review and have regard to pay and employment conditions across the company or group, especially when determining annual salary increases;
- (f) review the on-going appropriateness and relevance of the remuneration policy;
- (g) within the terms of the agreed policy and, where applicable, in accordance with the Directors' Remuneration Policy as approved by shareholders in accordance with the Act, determine the terms of engagement and total individual remuneration package of each executive director, the company chairman and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- (h) ensure that all directors' remuneration is in accordance with the approved Directors' Remuneration Policy unless separately approved by shareholders in accordance with the Act;
- (i) obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall 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;
- (j) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

- (k) 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;
- (l) approve the design of any share incentive plans which do not require shareholder approval, and review and recommend to the Board all share incentive plans which require shareholder approval. 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, Company Secretary and other designated senior executives and the performance targets to be used;
- (m) determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
- (n) 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;
- (o) oversee any major changes in employee benefits structures throughout the company or group;
- (p) agree the policy for authorising claims for expenses from the directors;
- (q) work and liaise as necessary with all other Board committees.

## 9 **REPORTING RESPONSIBILITIES**

- 9.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall ensure that all provisions regarding disclosure with regard to remuneration, (including pensions) and the work of the Remuneration Committee as set out in the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) if applicable, the Act, the Listing Rules and the Code are fulfilled. If the Committee has appointed remuneration consultants, the annual report should identify such consultants and state whether they have any other connection with the company.
- 9.4 The Committee Chairman should maintain contact as required with the company's principal shareholders about remuneration.

## 10 **OTHER MATTERS**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (b) 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;
- (c) 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, the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook as well as guidelines published by the Investment Association and the Pensions and Lifetime Savings Association and any other applicable rules and guidelines, as appropriate;
- (d) 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;
- (e) take appropriate account of risk when determining remuneration policies and awards; and

- (f) take care to recognise and manage conflicts of interest in general and, in particular, when receiving views from executive directors or senior management or consulting the Chief Executive about its proposals.

11 **AUTHORITY**

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.

Approved by the Board 31 March 2018