

Terms of reference

# Remuneration and HR committee

Nucleus Financial Group plc

Adopted by resolution of the directors passed on 21 November 2019

## **Nucleus Financial Group plc**

### **Remuneration and HR Committee - Terms of reference**

#### **1. Introduction**

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These terms of reference were adopted by a resolution of the board of directors of Nucleus Financial Group plc (the "**Company**") passed on 21 November 2019. The principal purposes of these terms of reference are:

- 1.1 to ensure that the directors and senior executives are fairly rewarded for their individual contributions to the Company's and its subsidiary undertakings' (together the "**Group**") overall performance;
- 1.2 to demonstrate to all the shareholders in the business that the remuneration of directors and senior executives of the Company is set by a committee of board members who have no personal interest in the outcome of their decisions and who will give due regard to the interests of the shareholders and to the financial and commercial health of the Group; and
- 1.3 to ensure that the remuneration and HR committee (the "**committee**") and board has sufficient oversight and awareness of the Group's people strategy and associated policies.

#### **2. Membership**

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- 2.1 The committee shall be appointed by the board of directors of the company (the "**board**"), on the recommendation of the nomination committee in consultation with the chair of the committee. The committee shall be made up of at least three directors.
- 2.2 The majority of the members of the committee shall be independent non-executive directors. The chair of the Board may also serve on the committee as an additional member if they were considered independent on appointment as chair.
- 2.3 Appointments to the committee shall be for a period of up to three years, extendable by no more than two additional three- year periods, provided the director still meets the criteria for membership of the committee.
- 2.4 The chair of the committee shall be appointed by the board and shall be an independent non-executive director. In the absence of the chair of the committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The chair of the board shall not be the chair of the committee. For the avoidance of doubt, the chair of the committee shall not have a second or casting vote.
- 2.5 The company secretary or their nominee shall be 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.
- 2.6 The persons listed in schedule 1 are the appointed chair, members and secretary of the committee and their responsibilities are provided for at schedule 2.

#### **3. Attendance at meetings**

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- 3.1 Only members of the committee have the right to attend committee meetings. All board members may attend the committee meeting as observers.
- 3.2 Other individuals such as the chief executive, the chief financial officer and the chief people officer and other external advisers may be invited to attend for all or part of any meeting as and when appropriate. For the avoidance of doubt, no person shall be present when their own salary is discussed.
- 3.3 The quorum necessary for the transaction of business at a meeting of the committee shall be two members provided that at least one is an independent director. 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 and format of meetings**

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- 4.1 Meetings are held as and when appropriate, but not less than four times per year. The chair and any committee member may request a meeting if they consider that one is necessary or expedient.
- 4.2 A timetable of business is established once per year and can be found at schedule 3.

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

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- 5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the chair of the committee.
- 5.2 Unless otherwise agreed, notice of each meeting of the committee 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**

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- 6.1 The secretary 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 shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft minutes of committee meetings shall be circulated promptly to all members of the committee, and, once agreed, minutes may, on request by the Board, be tabled at subsequent Board meetings.

## **7. Authority**

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- 7.1 The committee is authorised by the board to investigate any matter within its terms of reference and to seek any information it requires from any employee of the company in order to perform its duties. All employees are directed to co-operate (if required, on a confidential basis) with any request made by the committee.
- 7.2 The committee is authorised by the board, within the budget set by the board, to obtain outside consultancy, legal or other independent professional advice at the cost of the company, including advice as to comparability of pay and benefits and measurement criteria performance, and, within any budgetary restraints, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties. The secretary to the committee shall maintain a register of independent advisers who provide services to the committee.
- 7.3 The committee's terms of reference may be amended as required, subject to the approval of the board.

## **8. Duties**

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- 8.1 The committee is a sub-committee of the board of Nucleus Financial Group plc and acts to assist the board in fulfilling its oversight responsibilities of the Nucleus group. The committee should carry out the duties below for the parent company, subsidiary undertakings and the group as a whole, as appropriate.
- 8.2 The committee shall, in furtherance of the successful implementation of company strategy and effective risk management for the long term:
  - 8.2.1 have responsibility for setting the remuneration policy for the company's chief executive officer, chair, the executive directors, the company secretary and such other members of the executive management as it is designated to consider (including ensuring regulatory standards are met). For the purposes of these terms of reference, "remuneration" includes salary, bonus, performance-related payments, discretionary payments, pension rights, share options, benefits in kind, compensation payments and all terms and conditions of employment and fees paid to a company which makes available the services of a director;
  - 8.2.2 recommend and monitor the level and structure of remuneration for senior management;
  - 8.2.3 in determining such policy, the committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the QCA Code and any other relevant associated guidance (as far as is applicable);
  - 8.2.4 when setting remuneration policy for directors, review and have regard to existing company policy on the appraisal of director performance the pay and employment conditions across the company or group, especially when determining annual salary increases;
  - 8.2.5 review the ongoing appropriateness and relevance of the company's remuneration policy and how it relates to individual and company performance within the scope of the budget set by the board. The committee shall also monitor market remuneration practices and consider any implications for the company's approach to remuneration policy;
  - 8.2.6 approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes;
  - 8.2.7 review the design of all share incentive plans for approval by the board. 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 senior executives and the performance targets to be used;

- 8.2.8 determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- 8.2.9 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;
- 8.2.10 within the terms of the agreed policy and in consultation with the chair and/or chief executive officer as appropriate (taking care to recognise and manage conflicts of interest when receiving views from them), determine the total individual remuneration package of each executive director, the company secretary and other senior executives including bonuses, incentive payments and share options or other share awards. In determining such packages and arrangements, give due regard to any relevant legal and regulatory requirements, the provisions and recommendations in the AIM Rules and associated guidance and the QCA corporate governance guidance and, as appropriate, the UK Corporate Governance Code;
- 8.2.11 to ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- 8.2.12 to review and note annually the remuneration trends across the group;
- 8.2.13 to oversee any major changes in the employee benefit structures throughout the company or group;
- 8.2.14 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help 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 budgeting restraints imposed by the board;
- 8.2.15 to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- 8.2.16 to review the company's people strategy and supporting policies, including recruitment and retention, sickness and absence, disciplinary matters, remuneration and benefits, training and development, motivation and engagement, regulatory and legislative developments, and health and safety;
- 8.2.17 to review executive directors' and other executive committee members' employment terms as required to ensure that the contracts meet the needs of the business, encourage performance and comply with regulatory requirements and good practice;
- 8.2.18 to consider such other matters as may be requested by the Board from time to time.
- 8.2.19 to work and liaise as necessary with all other board committees.

## **9. Remuneration of chair & non-executive directors**

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Determination of the remuneration of the non-executive directors is reserved the board, following recommendation from the remuneration committee. A director or manager shall not vote on their own remuneration, nor take part in any discussions thereon. In order to support the remuneration committee in its role, the executive directors shall facilitate any process by preparing a proposal to the remuneration committee. Such proposal should take into account the principles from the remuneration policy that would be relevant to non-executive remuneration.

## **10. Reporting procedures**

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- 10.1 The chair of the committee shall report formally to the board on proceedings of the committee after each meeting and on all matters within its duties and responsibilities.
- 10.2 The committee shall make whatever recommendations to the board it deems appropriate in any area within its remit where action or improvement is needed.
- 10.3 The committee shall produce an annual report of the company's remuneration policy and practices which will form part of the company's annual report (including a remuneration committee report explaining how the company's remuneration practices align the interest of senior management with those of shareholders). If the committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.
- 10.4 The chair of the committee shall attend the AGM and shall answer questions, through the chair of the board, on the committee's activities and its responsibilities.
- 10.5 The committee shall, through the chair of the committee, ensure that the company maintains contact as required with its principal shareholders about remuneration.

## **11. Other matters**

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The committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 11.2 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;
- 11.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors and formation and operation of share schemes, including the provisions of the FCA Remuneration Code, the UK Listing Authority's Prospectus and Disclosure and Transparency Rules and associated guidance (so far as is applicable), the AIM Rules and associated guidance and the QCA corporate governance guidance and, as appropriate, the UK Corporate Governance Code and any other applicable rules, as appropriate; and
- 11.4 periodically 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.