

PZ CUSSONS PLC: TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

(Adopted by the Board on 20 March 2019 to take effect from 1 June 2019)

1. Constitution

- 1.1 The Board hereby resolves to establish a committee of the Board, to be known as the Remuneration Committee ('the Committee').

2. Membership

- 2.1 The Committee shall be appointed by the Board taking account of any recommendations made by the Nomination Committee. All members of the Committee shall be independent non-executive directors of the Company (and may include the Company Chair as long as he or she is independent on appointment). The Committee shall consist of not less than three members. Two members shall comprise a quorum at any meeting of the Committee.
- 2.2 Appointments shall be for a period of up to three years, and then annually thereafter, so long as members continue to be independent. The Chair of the Committee shall be appointed by the Board from amongst the independent non-executive directors and have served on a remuneration committee for at least twelve months prior to his or her appointment as Committee Chair.
- 2.3 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 who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be the Chair of the Committee.

3. Attendance at meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, the Chief Executive, the Group HR Director, internal Reward or Finance staff, and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 3.2 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.

4. Frequency of meetings

- 4.1 Meetings shall be held not less than twice each year and, where appropriate, shall coincide with key dates in the company's financial reporting cycle.
- 4.2 Additional meetings shall be held as required, and any member of the Committee, the Company Secretary or the Chair of the Committee may request a meeting if they consider that one is necessary.
- 4.3 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 no later than two working days before the date of the meeting.
- 4.4 Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

5. Minutes of Meetings

- 5.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 5.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to all members of the Board, unless a conflict of interest exists.

6. Authority

6.1 The Committee is authorised by the Board to:

- Seek any information through the Chief Executive Officer, the Chief Financial Officer, the Company Secretary or the Group HR Director which it requires;
- Employ the services of any external remuneration consultant or other professional adviser as it thinks fit, and may invite any of such persons to attend such meetings of the Committee, as it considers appropriate. The budget for fees payable by the Committee to external advisers is to be agreed with the Board at the beginning of each financial year; and
- Obtain external legal or other independent professional advice and request advisers to attend meetings as necessary.

7. Responsibilities

7.1 The responsibilities of the Committee are as follows:

- Determine and agree with the Board the framework or Broad policy for remuneration of the Chair of the Board, the executive directors (including the Chief Executive Officer, Chief Financial Officer, and any other named executive directors in future), the Company Secretary and Executive Leadership Team members. No individual shall be involved in any decisions as to his or her own remuneration;
- In determining such policy, take into account all factors which are considered appropriate, including the policy's clarity, simplicity, risk alignment, the range of potential pay outcomes, proportionality and alignment to the Company's values and culture. In addition, the policy should also take into account the wider employee population's remuneration and related policies.
- The objective of the policy shall be to promote the successful delivery of the long-term strategy of the Group. With regard to the incentives for executive directors, the Company Secretary and the Executive Leadership Team members, these should encourage enhanced performance and, in a fair and responsible manner, reward for individual contributions to the success of the Company;
- Review the ongoing appropriateness and relevance of the remuneration policy and ensure each element of remuneration supports the short and/or long-term strategic objectives of the organisation;
- Approve the design of, and determine targets for, any performance related pay schemes operated by the Company in relation to executive directors, the Company Secretary and Executive Leadership Team members and determine the total annual payments made under such schemes;
- 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, the Company Secretary and Executive Leadership Team members and the performance targets to be used. The objective of any performance related share schemes should be to promote long-term shareholdings that support long-term shareholder interests;
- Determine the policy for and scope of pension arrangements for each executive director, the Company Secretary and Executive Leadership Team members as it is designated by the Board to consider;

- Ensure that contractual terms (including pension contributions and all other elements) 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;
- Within the terms of agreed policy, determine the total individual remuneration package of each executive director, the Company Secretary, each Executive Leadership Team member and the Chair of the Board. With the exception of the Chair, this may include, where appropriate, bonuses, incentive payments and share options (for the avoidance of doubt, this includes remuneration related to appointments);
- Ensure the policy allows, as appropriate, for formulaic performance related pay outcomes to be overridden to ensure that any performance-related payments reflect actual achievements and/or that appropriate and robust safeguards form part of the policy. This should include, for example, the ability to recover and withhold payments when it is appropriate to do so.
- In determining such packages and arrangements, give due regard to: the contents of the Code; the UK Listing Authority's Listing Rules; associated guidance and any other authoritative best practice guidelines for remuneration committees of UK listed companies published from time to time; PZ Cussons' shareholders' views;
- Review the wider employee population's remuneration and significant related policies, including the alignment of incentives and rewards with culture;
- Be aware of and advise on any major changes in employee benefit structures throughout the company or group;
- Ensure that the views of the wider employee population are given consideration;
- Approve a shareholding policy for Executive Directors, the Company Secretary, and Executive Leadership Team members (as appropriate) which covers building and maintaining a shareholding during employment, and, for Executive Directors, its application (if any) post employment. Review annually the shareholdings of the executive directors, the Company Secretary and Executive Leadership Team members in the context of the shareholding policy;
- Agree the policy for authorising claims for expenses from the directors;
- Ensure, where relevant, that any payments made are permitted under the latest shareholder approved Directors' Remuneration Policy and, if not, that either a revised Directors' Remuneration Policy or the proposed payment is submitted for shareholder approval;
- Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- Report the frequency of, and attendance by members at, Committee meetings in the annual reports;
- Make available the Committee's terms of reference. These should set out the committee's delegated responsibilities and be reviewed and, where necessary, updated annually; and
- To consider other topics and issues as defined by the board.

7.2 The remuneration of non-executive directors shall be a matter for the Chair of the Board and the executive members of the board.

8. Reporting Procedures

- 8.1 The Committee reports to the Board;
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 8.3 Through the Chair of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration;
- 8.4 The Chair of the Committee, or in his or her absence another member of the Committee shall attend the Board meeting at which the annual accounts and reports are approved;
- 8.5 The Committee shall ensure that provisions regarding disclosure of information, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports Amendment) Regulations 2013 and the Code, are fulfilled. The Committee shall produce a three-part Directors' Remuneration Report as part of the Company's Annual Report. The Committee's Directors' Remuneration Report shall comprise:
 - A Statement from the Chair of the Committee;
 - The Directors' Remuneration Policy (albeit this section may be excluded in the years that shareholder approval for the Directors' Remuneration Policy is not being sought); and
 - An Annual Report on Remuneration on how the Directors' Remuneration Policy has been implemented in the preceding year and how it will be implemented for the next year.
- 8.6 The Directors' Remuneration Policy shall be put to a binding shareholder vote at least every three years and the remainder of the Directors' Remuneration Report (comprising the Statement from the Chair of the Committee and the Annual Report on Remuneration) to an advisory shareholder vote each year each year at the Company's Annual General Meeting.
- 8.7 The Chair of the Committee shall attend the AGM prepared to respond to any shareholder questions on the Committee's responsibilities and activities.

9. Self-assessment and appraisal

- 9.1 The Committee shall conduct an annual review of its work and terms of reference, and an annual assessment of its own effectiveness and make recommendations to the board.
- 9.2 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.

In these Terms of Reference:

Code shall mean the 2018 UK Corporate Governance Code;

The expression **Executive Leadership Team** shall mean the senior executive team with responsibility for the Group's operation unless the Committee determines otherwise; and

Group shall mean the Company and its subsidiaries and subsidiary undertakings from time to time.