

## **ZOTEFOAMS plc**

### **REMUNERATION COMMITTEE**

#### **TERMS OF REFERENCE**

##### **1. Membership**

Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least three members, all of whom are independent non-executive directors (which may include the Chairman of the Company if deemed independent when appointed as Chairman).

Appointments to the Committee shall be for a period of up to three years, which may be extended for additional three-year periods, so long as members (other than the Chairman of the Company) continue to be independent.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Managing 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.

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. The Chairman of the Board shall not be Chairman of the Committee.

The company secretary or his or her nominee shall act as the Secretary of the Committee.

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

##### **2. Frequency of Meetings**

The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.

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

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.

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

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved, to all members of the Board, unless in the opinion of the Committee Chairman it would be inappropriate to do so.

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

### **3. Authority**

The Committee is authorised by the Board to seek any information it requires from any employee of the company in order to perform its duties.

In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice on any matters within its terms of reference.

### **4. Duties**

The Committee shall:

1. have responsibility for setting the remuneration policy for all executive directors and the Company's Chairman, including pension rights and any compensation payments. The Board itself should determine the remuneration of the non-executive directors within the limits set in the Company's Articles of Association. No director or manager shall be involved in any decisions as to their own remuneration;
2. recommend and monitor the level and structure of remuneration for the executive management;
3. in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code 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 to the Company's long strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company;
4. when setting remuneration policy for directors, review and have regard to the remuneration trends across the company or group;
5. review the ongoing appropriateness and relevance of the remuneration policy;
6. 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 (in accordance with the provisions in Schedule A of the UK Corporate Governance Code);
7. 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, company secretary and other senior executives and the performance targets to be used;
8. determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;

9. 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;
10. within the terms of the agreed policy and in consultation with the Chairman and/or Managing Director as appropriate, determine the total individual remuneration package of each executive director, the Company Chairman, the company secretary and other senior executives including bonuses, incentive payments and share options or other share awards;
11. give due regard to any relevant legal requirements, any published guidelines or recommendations regarding the remuneration of directors of listed companies, the provisions and recommendations in the UK Corporate Governance Code and the UK Listing Authority's Listing Rules and associated guidance, as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate;
12. oversee any major changes in employee benefits structures throughout the company or group;
13. agree the policy for authorising claims for expenses from the directors;
14. ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Companies Act 2006 and associated legislation and the UK Corporate Governance Code are fulfilled;
15. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
16. obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. The Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary to help it fulfil its obligations, subject to any budgetary restraints imposed by the Board;
17. work and liaise as necessary with all other Board Committees; and
18. 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.

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.

## **5. Reporting**

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

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall produce a remuneration policy and an annual report of the Company's remuneration practices which will be both included, as required by law, in

the Company's Annual Report and ensure that such remuneration policy and report are put to shareholders for approval in accordance with the law. If the Committee has appointed remuneration consultants, the annual report shall identify such consultants, their fee (in relation to services provided principally to the Committee) and state whether they have any other connection with the Company.

Through the Company Chairman, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

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