



Ibstock
Plc

Terms of Reference of the Remuneration Committee of Ibstock plc

1. PURPOSE

- 1.1 The role of the Remuneration Committee (the **Committee**) is to determine the strategy and policy in relation to terms and conditions of engagement (including remuneration) of the chairman of the Company (the **Chairman**), the executive directors (the **Executive Directors**), members of senior management (Senior Management) who report directly to the Chief Executive Officer (the **CEO**) and the Group Company Secretary, in accordance with the Principles and Provisions of the UK Corporate Governance Code (2018); and to determine the specific total remuneration of the Chairman, each of the Executive Directors, the Company Secretary and each of the Senior Management (including payments and awards under annual bonus plans, share incentive schemes, pension schemes and any other compensation arrangements).
- 1.2 The Committee's responsibility and authority covers the Company and its direct and indirect subsidiaries (the **Group**).
- 1.3 The policy on fees and specific fees payable to non-executive directors (the **Non-Executive Directors**) are determined by the Chairman and the CEO.

2. MEMBERSHIP

- 2.1 The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors. The Chairman may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 2.2 Only members of the Committee shall have the right to attend and vote at Committee meetings. However, other individuals such as the CEO, the head of human resources and other Directors (except where their own remuneration is being determined) and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the chairman of the Committee (the **Committee Chair**). The Committee shall remain independent of management and majority shareholders at all times.
- 2.3 Appointments to the Committee will be made by the Board on the recommendation of the Company's nomination committee (the **Nomination Committee**), in consultation with the Committee Chair. Appointments shall be for a period of up to three years which may be extendable by no more than two additional three-year periods provided the Directors still meet the criteria for membership of the Committee.

- 2.4 Each member of the Committee should be capable of making a valuable contribution to the Committee such that the Committee, collectively, has the appropriate knowledge, expertise and professional experience concerning remuneration policy and practices.
- 2.5 The Board shall appoint the Committee Chair from among the members of the Committee, and who shall be an independent Non-Executive Director on the recommendation of the Nomination Committee. In the absence of the Committee Chair and/or an appointed alternate member, the members present at any meeting shall elect one of their number who would qualify under these terms of reference to be appointed to that position by the Board to chair the meeting. The Chairman shall not be Committee Chair. Before appointment as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months.
- 2.6 If any member of the Committee is unable to act for any reason, the Committee Chair may appoint another independent non-executive director of the Company agreed by the other members of the Committee to act as that member's alternate.
- 2.7 The Committee Chair and members will be listed each year in the annual report of the Company.
- 2.8 The Company Secretary, or his or her nominee, shall act as the secretary of the Committee (the **Secretary**) and shall ensure that where members have concerns on any matters raised or any proposed action, those concerns are recorded in the Committee minutes.
- 2.9 The Secretary will forward to all members of the Committee all information and papers in a timely manner to enable full and proper consideration of any issues.
- 2.10 Each member of the Committee shall disclose to the other members of the Committee:
- (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
 - (b) any potential conflict of interest arising from a cross-directorship; 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 requested by the Board) shall resign from the Committee.

3. QUORUM

- 3.1 The quorum necessary for the transaction of business at meetings of the Committee shall be two members. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. MEETINGS

- 4.1 The Committee shall meet at least four times a year and at such other times as the Committee Chair or any member of the Committee may request.
- 4.2 The Chairman and/or the CEO may be invited by the Committee to attend meetings to discuss the performance of the other Executive Directors and to make proposals as

necessary. The Committee may consult the other Non-Executive Directors in its evaluation of the CEO.

- 4.3 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers shall, unless otherwise agreed, be issued to each Committee member and any other person required to attend no later than three working days before the date of the meeting. All reasonable efforts should be made to arrange such meetings so that members are able to attend them.
- 4.4 Members of the Committee may participate and be included in any quorum in any Committee meetings by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, provided the meeting is quorate. Such meetings shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Committee Chair is.
- 4.5 The Committee Chair shall have a casting vote in the event of an equality of votes and no individual shall be present when their own remuneration is being determined. No Director will be involved in any decision as to his own remuneration.
- 4.6 The Secretary shall ascertain at the beginning of each meeting of the Committee the existence of any conflicts of interest and minute them accordingly.

5. AUTHORITY

- 5.1 The Board authorises the Committee to:
 - (a) investigate any activity within its Terms of Reference and make recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
 - (b) seek any information it requires from, or request the attendance at any of its meetings of, any director or employee of the Group and all directors and employees are expected to co-operate with any requests made by the Committee;
 - (c) obtain, at the Company's expense appropriate external legal or other professional advice as it considers necessary;
 - (d) commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board; and
 - (e) recognise and avoid conflicts of interest and ensure that where members have concerns on any matters raised or any proposed action, those concerns are recorded in the Committee minutes.

6. DUTIES AND RESPONSIBILITIES

- 6.1 The Committee shall make available its Terms of Reference, explaining its role and the authority delegated to it by the Board.

Development of Remuneration Strategy and Policy

- 6.2 The Committee shall:

- (a) determine, and recommend to the Board for approval, a Group remuneration strategy and directors' remuneration policy (the **Remuneration Policy**) which aims to provide a structured and balanced remuneration package for all colleagues aligned to the Group's strategy, risk appetite, culture and values. The Remuneration Policy will cover performance based variable rewards (cash and share based annual bonus plans and long term incentive plans), the core fixed elements (base salary and benefits including pension arrangements), compensation payments and the terms of employment (including remuneration) of the CEO, the Executive Directors, Company Secretary, the Chairman and the Senior Management.
- (b) submit the Remuneration Policy to a binding vote of shareholders in accordance with the Company's obligations under the Companies Act 2006 and Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and consider, and where appropriate respond to, feedback received from shareholders through that process;
- (c) consult the Chairman about its proposals relating to the remuneration of the CEO, consult the Chairman and/or the CEO about its proposals relating to the remuneration of other Executive Directors but should take care to recognise and manage conflicts of interest. It will also consult the senior independent director and other Non-Executive Directors, who are not members of the Committee, about its proposals relating to the remuneration of the Chairman;
- (d) undertake a periodic review, at least annually, of the Remuneration Policy to ensure continued compliance with the Provisions of the UK Corporate Governance Code 2018 and associated guidance (the **Code**) and application of its Principles;
- (e) include measures in the Remuneration Policy to avoid potential conflicts of interest in the design of incentive arrangements to ensure the interests of customers, employees and shareholders are aligned;
- (f) determine the policy for pension arrangements for each Executive Director and the Senior Management, including which elements of remuneration should be pensionable and which should not;
- (g) consider the relative importance of the Company's expenditure on pay compared to the Company's profits, dividends and tax paid;
- (h) regularly review the on-going appropriateness and relevance of the Remuneration Policy to ensure compliance and appropriate consistency and effectiveness of application, and, if necessary, make proposals for changes. This review will include, but will not be limited to, assessment:
 - (i) to ensure that remuneration policy promotes the long-term success of the Company and attract, retain and motivate executive directors of required suitability to run the Company successfully, without remuneration packages offering any more than is necessary and not rewarding poor performance;
 - (ii) to ensure, where possible, that a significant proportion of the remuneration of each Executive Director is structured to link remuneration to Company and individual performance and designed to promote the long-term success of the Company;

- (iii) to consider and promote the Company's long-term strategic goals, where appropriate, ensuring that the remuneration policy drives behaviours consistent with company purpose, values and strategy;
- (iv) to ensure that remuneration policy is transparent and rigorously applied and promotes effective engagement with shareholders and the workforce;
- (v) of the achievement of performance targets and the need for ex-post adjustments including the policy for application of malus and clawback arrangements;
- (vi) to ensure the remuneration structures are simple and their rationale and operation is easy to understand and that the range of possible values of rewards to individual directors and any other limits or discretions can be identified and explained; and
- (vii) to ensure that remuneration arrangements are protected from reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.

Executive Directors and Chairman Remuneration

6.3 Within the terms of the Remuneration Policy, the Committee shall:

- (a) determine on appointment the terms and conditions of engagement (including remuneration) of the Chairman, the Executive Directors and the Senior Management, comprising basic fee/salary, performance based variable rewards, benefits including pension or any incentive scheme entitlements (including performance targets in connection with the awards and options), and approve any non-standard contractual terms for such individuals;
- (b) determine any changes to the remuneration of the Chairman, the Executive Directors and the Senior Management, considering any recommendations of the Chairman or CEO (except in the case of their own remuneration), giving due regard to the overarching remuneration strategy, pay and employment conditions across the Group as a whole, the risk appetite and culture of the Group and alignment to the Group's long term strategic goals;
- (c) determine on termination the compensation payments or arrangements, if any, due to the Executive Directors and Non-Executive Directors, ensuring that such payments or arrangements are fair to the individual but that failure is not rewarded and the duty of any Executive Director or Non-Executive Director to mitigate any loss suffered by him/her as a result of the termination is fully recognised, whilst having regard to the circumstances of the termination and terms of the relevant employment contract and share based plans and, in relation to any such arrangements concerning the CEO, the Committee shall determine and recommend for approval to the Board the terms of any termination of such employment;
- (d) consider and, make recommendations to the Board, of any changes to the terms and condition of engagement of the Chairman and Executive Directors and any proposed changes to their employment contracts; and

- (e) approve the good leaver status, the treatment of any deferred awards and any compensation payments on termination for the Executive Directors in excess of such employee's entitlement under his/her contractual terms.

6.4 The remuneration of the Non-Executive Directors will be a matter for the Group Chairman and the CEO.

Performance related remuneration and share schemes

6.5 Within the terms of the Remuneration Policy, the Committee shall:

- (a) review the design of, and determine the performance targets for any performance related (cash) pay schemes operated by the Group and:
 - (i) recommend the annual bonus arrangements to the Board for approval;
 - (ii) approve the rules underpinning such schemes and any amendments to the schemes prior to obtaining shareholder approval (when required);
 - (iii) determine actual performance against such performance targets (based upon the annual financial results of the Group, approved by the Board);
 - (iv) recommend to the Board for approval the total annual payments made under such schemes and vesting schedules; and
 - (v) subject to Board approval of the total annual bonus payments, approve the allocation of the Group's annual bonus pools;
- (b) approve the release, at the relevant times, of cash payments relating to Group deferred bonuses and the release of deferred awards under the Group's long term incentive plans, ensuring all conditions attached to such payment or schemes are satisfied;
- (c) review the design and operation, including any performance conditions, of all share incentive schemes and:
 - (i) recommend the share incentive arrangements to the Board for approval;
 - (ii) approve the rules underpinning such schemes and any amendments to the schemes prior to obtaining shareholder approval (where required);
 - (iii) for any such schemes each year recommend to the Board whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and the Senior Management and the performance conditions and associated achievement levels to be used;
 - (iv) consider and review the terms of any new equity incentive plans;
 - (v) set appropriate targets in connection with the incentive schemes and determine, in conjunction with any advisers the Committee may have appointed, whether such performance targets have been satisfied;

- (d) exercise any discretion as provided for in the rules of the schemes and generally oversee the administration of schemes offered to executive directors and/or other senior executives; and
- (e) ensure the schemes include provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be inappropriate to do so.

7. OTHER MATTERS

7.1 The Committee will:

- (a) make available these terms of reference explaining its role and the authority delegated to it by the Board by including the information on the Company's website;
- (b) be exclusively responsible for establishing the selection criteria, selecting appointees and setting the terms of reference for any remuneration consultants who advise the Committee;
- (c) approve the appointment of any other remuneration consultants to the Company, the costs of whom shall be within the budgetary constraints imposed by the Board;
- (d) determine the Group's approach to remuneration governance and performance management framework;
- (e) agree the policy for authorising claims for expenses from the Executive Directors and Chairman;
- (f) obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity;
- (g) approve recruitment and the remuneration arrangements of any Executive Director; and
- (h) consider other matters relating to the purpose of the Committee as are referred to it by the Board, including review of the wider workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the Remuneration Policy; and
- (i) engage with the workforce to explain the alignment between executive remuneration policy and wider company pay policy.

7.2 In discharging the duties, the members of the Committee shall have due regard to the legislative and regulatory rules applicable to directors, the Listing Rules and Disclosure and Transparency Rules issued by the FCA and compliance with the Provisions and application of the Principles of the Code.

8. REPORTING RESPONSIBILITIES

8.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities unless it would be inappropriate to do so.

- 8.2 The Committee shall provide such recommendations to the Board as it deems appropriate on any areas within its remit where action or improvement is needed or desirable.
- 8.3 The Secretary 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 promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.
- 8.4 The Committee will:
- (a) assist the Board in preparing an annual remuneration report to shareholders for the purposes of, and in accordance with, sections 420 and 421 of the Companies Act 2006 and Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, LR 9.8.8.R of the Listing Rules of the Financial Conduct Authority and the provisions of the Code;
 - (b) make a statement of its membership, remuneration policies and procedures and a description of its duties and activities during the year, to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the Company's annual general meeting;
 - (c) review and recommend to the Board the Remuneration Policy and any other remuneration disclosures within the financial statements, half yearly reports and interim management statements; and
 - (d) consider and make recommendations to the Board concerning disclosures of details of remuneration packages and structures in addition to those required by law, the UK Listing Authority or the London Stock Exchange.
- 8.5 Where the Committee has appointed remuneration consultants, the annual remuneration report will identify such remuneration consultants and state whether they have any other connection with the Company.
- 8.6 The Committee Chair will ensure that the Company maintains contact with its principle shareholders about remuneration.
- 8.7 The Committee Chair will be available to answer questions about the Committee's activities at the annual general meeting of the Company. All members of the Committee shall also attend the annual general meeting.
- 9. REVIEW**
- 9.1 The Committee will conduct an annual review of its performance and ensure that it is provided with sufficient supporting resources to undertake its duties, and that supplementary, appropriate and timely training is provided to members on appointment and on an ongoing basis and recommend any changes that it considers necessary to the Board for approval.
- 9.2 The Committee is authorised by the Board to obtain inside and outside legal or other professional advice including information about remuneration practices elsewhere, at the Company's expense.

- 9.3 The Committee will give due consideration to laws and regulations including the Code, the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and any published guidelines or recommendations regarding the remuneration of directors of UK listed/non-listed companies and formation and operation of share schemes as well as guidelines published by the Investment Association and the National Association of Pension Funds and any other applicable rules, as appropriate.
- 9.4 These terms of reference and the constitution of the Committee shall be reviewed by the Committee and, where necessary updated, at least once a year.

Approved by the Board 8 October 2015

Reviewed and adopted by the Remuneration Committee 24 February 2016

Reviewed by the Remuneration Committee 14 December 2016

Reviewed by the Remuneration Committee 13 December 2017

Reviewed and revised by the Remuneration Committee 4 December 2018

Reviewed by the Remuneration Committee 10 December 2019

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