



CLIPPER LOGISTICS PLC

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

ADOPTED 1 JULY 2020

1. Definitions

In these terms of reference, the following words and expressions have the following meanings:

- 1.1 **“Articles”** means the articles of association of the Company from time to time;
- 1.2 **“Board”** means the board of Directors of the Company;
- 1.3 **“Code”** means the 2018 UK Corporate Governance Code published by the Financial Reporting Council;
- 1.4 **“Company”** mean Clipper Logistics plc;
- 1.5 **“Committee”** means the Remuneration Committee of the Company;
- 1.6 **“Committee Chair”** means the chairperson of the Committee from time to time;
- 1.7 **“Director”** means a director of the Company;
- 1.8 **“Executive Director”** means an executive director of the Company; and
- 1.9 **“Non-Executive Director”** means a non-executive director of the Company.

2. Constitution

- 2.1 The Committee was constituted as a committee of the Board of the Company at a full meeting of the Board held on 16 May 2014 in accordance with the Articles.
- 2.2 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.
- 2.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

3. Role

3.1 The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that:

- (a) remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, having regard to statutory and regulatory requirements; and
- (b) executive remuneration is aligned to company purpose and values and linked to delivery of the company's long-term strategy.

3.2 Subject to paragraph 3.3, in particular, the Committee shall consider:

- (a) remuneration policies, including base pay, long-term and short-term incentives, post-employment shareholding requirements and use of the Committee's discretion;
- (b) remuneration practice and its cost to the Company;
- (c) recruitment, service contracts and severance policies;
- (d) pension and superannuation arrangements and other benefits;
- (e) the engagement and independence of external remuneration advisers; and
- (f) a review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.

3.3 The remuneration of the Non-Executive Directors of the Board shall be determined by the Board, or where required by the Articles, the shareholders, within the limits set in the Company's Articles. No Director shall be involved in any decisions as to their own remuneration.

4. Duties and terms of reference

The Committee shall carry out the following duties for the Company and its subsidiaries (the "**Group**") and advise the Board appropriately:

4.1 Remuneration policy and practices

- (a) determine and agree with the Board the policy for the remuneration and benefits, including pension rights and compensation payments, of the Executive Directors and set the remuneration for:
 - (i) the chair of the Company;
 - (ii) Executive Directors;
 - (iii) the Company Secretary; and
 - (iv) the senior management team ("**Senior Executives**");

- (b) subject to paragraph 4.5(b), in determining the remuneration policy, consider:
 - (i) all relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance;
 - (ii) the need to promote the long-term sustainable success of the Company and the alignment to the Company purpose and values clearly linked to the successful delivery of the Company's long-term strategy, without paying more than is necessary, having regard to the views of shareholders and other stakeholders, and ensuring that Executive Directors, the Company Secretary and Senior Executives are rewarded in a fair and responsible manner and provided with appropriate incentives;
 - (iii) the need to support the strategy of the Group and how the policy reflects and supports the long-term strategy;
 - (iv) the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long-term strategic goals; and
 - (v) any shareholding requirements, including the promotion of long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests;
- (c) when determining Executive Director remuneration policy and practices, address the following factors set out in Provision 40 of the Code:
 - (i) clarity;
 - (ii) simplicity;
 - (iii) risk;
 - (iv) predictability;
 - (v) proportionality; and
 - (vi) alignment to culture;
- (d) when determining remuneration schemes and the remuneration policy, consider the use of discretion by the Committee to override formulaic outcomes;
- (e) review the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders, as appropriate, on the policy or any other aspects of remuneration;
- (f) in consultation with the chair and/or CEO as appropriate, determine the total remuneration package for the chair of the Board and each element of the total individual remuneration package for each Executive Director, the Company Secretary and Senior Executives including (to the extent applicable):
 - (i) base salary;

- (ii) profit sharing and specific incentive remuneration schemes or arrangements;
 - (iii) participation in share plans;
 - (iv) pension arrangements, including the level of contributions by the Company; and
 - (v) other bonuses and benefits in cash or in kind;
- (g) ensure, where relevant, that any payments made in respect of any remuneration package are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval;
 - (h) exercise any discretion or judgment on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of any matters which the Committee considers appropriate and relevant; and
 - (i) agree the policy for authorising claims for expenses from the Directors.

4.2 Share based remuneration and bonus arrangements

- (a) review and recommend for approval by the Board (and where required, the shareholders) the design of, and determine the targets for, the operation of all share incentive plans, including all schemes involving the award of shares or the grant of options, in which Executive Directors, the Company Secretary and Senior Executives participate. For any such schemes or plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes or plans by those individuals;
- (b) monitor and assess any performance conditions applicable to any long-term incentive awards granted under any schemes or plans adopted by the Company. Ensure that the performance conditions are fully explained, aligned to the Company purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy and enhancement of shareholder value.;
- (c) consider whether the Executive Directors, the Company Secretary and Senior Executives should be eligible for annual bonuses.
- (d) recommend for approval by the Board the design of, and determine annual targets and key performance indicators for, any bonus scheme operated by the Company and assess performance against targets and key performance indicators, by the Company, individual Executive Directors, the Company Secretary and Senior Executives;
- (e) exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of any matters which the Committee considers appropriate and relevant;

- (f) design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award where considered appropriate by the Committee; and
- (g) ensure that all incentive arrangements are aligned to the Company's risk policies and systems, its purpose and values, support the strategy and promote long-term sustainable success.

4.3 Pensions

Review the pension arrangements for the Executive Directors, the Company Secretary and the Senior Executives.

4.4 Service contracts and severance

- (a) approve the terms of the service contracts, the duration of which shall not normally exceed one year's notice period, for Executive Directors, the Company Secretary and Senior Executives and any material amendments to those contracts;
- (b) determine the policy for, and scope of, termination payments and compensation commitments for each Executive Director, Senior Executive and the Company Secretary and ensure that poor performance is not rewarded and that there is a clear policy to link non-contractual payments to performance; and
- (c) ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

4.5 Workforce remuneration and related policies

- (a) review workforce remuneration and related policies and the alignment of incentives and rewards with culture. The review will include matters such as pay principles applied across the Group, base pay, benefits and all incentives and aspects of financial and non-financial rewards that drive behaviour regardless of where this is managed in the business;
- (b) when setting the policy for Executive Director remuneration, take into account the matters in paragraph 4.5(a);
- (c) ensure that remuneration and related policies and practices are in line with the Company's purpose and values, support the desired culture, and align with the Company's performance. It shall monitor and receive reports yearly on workforce pay.
- (d) engage with the workforce to explain how decisions on Executive pay reflect wider Company pay policy; and
- (e) oversee any major changes in remuneration and employee benefits structures throughout the Group.

4.6 Remuneration consultants

- (a) to help it to fulfil its obligations and enable it to judge where to position the Company relative to other companies, 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) but the Committee should avoid designing pay structures based solely on benchmarking to the market or the advice of remuneration consultants; and
- (b) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

4.7 Shareholder approval

- (a) produce a report to shareholders annually on matters relating to remuneration that shall include the information required to be disclosed by the Companies Act 2006 (the “**Act**”) (including any regulations made under that Act), the Code, the Listing Rules (as published by the Financial Conduct Authority) (the “**Listing Rules**”) and any other relevant statutory, regulatory or governance codes and incorporate:
 - (i) an annual statement by the Committee’s Chair and annual report on Directors’ remuneration (together, “**Directors’ Remuneration Report**”); and
 - (ii) the Directors’ remuneration policy when it must be submitted for approval in accordance with paragraph 4.7(b) (“**Directors’ Remuneration Policy**”) and, in any other case, either the Directors’ Remuneration Policy, a summary of such policy or details of when the Directors’ Remuneration Policy was approved and where it can be found on the Company’s website;
- (b) submit the Directors’ Remuneration Policy for approval by the Board and shareholders:
 - (i) every three years;
 - (ii) in any year in which there is a change to the policy;
 - (iii) if shareholder approval was not obtained when last submitted; and
 - (iv) if majority shareholder approval was not achieved on the last submitted Directors’ Remuneration Report;
- (c) submit the Directors’ Remuneration Report for approval by the Board and shareholders at the annual general meeting each year.

4.8 Other matters

- (a) keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;
- (b) subject to delegation of authority by the Board, determine whether the disclosure of any information on performance conditions and performance targets would be commercially sensitive;
- (c) consider such other matters as are referred to the Committee by the Board; and
- (d) work and liaise as necessary with all other Board committees.

5. Membership

- 5.1 At all times the Committee shall comprise a chair and a minimum of two members. Each Committee member shall be an independent Non-Executive Director as determined by the Board (in accordance with the Code). If any member of the Committee is deemed not to be independent, then the Board shall provide an explanation as to why they consider it appropriate for such Director to be a member of the Committee.
- 5.2 The Board shall appoint members of the Committee, on the recommendation of the nomination committee, in consultation with the Committee Chair. It is recognised that the number of members may fall below two for temporary periods due to departures pending new appointments.
- 5.3 The chair of the Board may be a member of, but not chair, the Committee if he or she was considered to be independent on appointment as chair.
- 5.4 Appointments to the Committee 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 chair of the Board if he or she is a member of the Committee) continue to be independent.
- 5.5 The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director, and before such appointment, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair or an appointed deputy, the remaining members of the Committee present at a meeting shall elect one of their number present to chair the meeting.
- 5.6 The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 5.7 The Company Secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

6. Attendance at meetings

- 6.1 The Committee shall meet at least twice a year and otherwise as the Committee Chair shall determine or as may be requested by any member of the Committee.
- 6.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Financial Officer, 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. The Committee Chair shall have the discretion to decide who, other than Committee members, shall attend and address Committee meetings.
- 6.3 No person (including Directors, the chair of the Board or Senior Executives of the Company) shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 6.4 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.5 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

7. Notice of meetings

- 7.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any member of the Committee.
- 7.2 The Committee Chair shall be responsible for establishing the agendas for meetings of the Committee.
- 7.3 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, and any other person required to attend, no later than three 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, but Committee papers may be forwarded at shorter notice with the approval of the Committee Chair.

8. Quorum

- 8.1 The quorum necessary for the transaction of business at a Committee meeting shall be two members.
- 8.2 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.

9. Voting arrangements

- 9.1 Subject to paragraph 9.2 and paragraph 9.3, each Committee member shall have one vote which may be cast on matters considered at the meeting.
- 9.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 9.3 Except where he or she has a personal interest, the Committee Chair shall have a casting vote.
- 9.4 The Committee Chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

10. Minutes of meetings

- 10.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 10.2 Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other Board members and the Company Secretary unless, exceptionally, in the opinion of the Committee Chair it would be inappropriate to do so.
- 10.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

11. Engagement with shareholders

The Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

12. Annual general meeting

The Committee Chair shall attend the annual general meeting to answer shareholder questions on the Committee's activities.

13. Reporting responsibilities

- 13.1 The Committee Chair shall report to the Board after each meeting on the nature and content of its discussion, records and action to be taken (including on any matters on which the Board has requested the Committee's opinion) and the minutes of all Committee meetings shall be made available on request.

13.2 The Committee shall:

- (a) report to the Board on workforce reward, incentives and conditions, and support the Board's monitoring of the alignment of company policies and practices with culture and strategy;
- (b) make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- (c) ensure that provisions regarding the disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Code, are fulfilled;
- (d) prepare a formal report for shareholders to be incorporated in the Company's annual report that shall include the matters referred to in paragraph 4.7(a) and ensure that it is submitted for approval in accordance with paragraph 4.7 above;
- (e) if the Committee has appointed remuneration consultants, identify in the annual report, the name of the consultants and state whether they have any connection with the Company or individual Directors;
- (f) ensure, through the chair of the Board, that the Company maintains contact, and the Committee Chair seeks engagement, as required, with the Company's major shareholders on significant matters related to the Committee's areas of responsibility;
- (g) prepare and adopt a report on the Committee's work and activities for inclusion in the Company's annual report setting out:
 - (i) the number of meetings of the Committee and individual attendance by the members; and
 - (ii) the matters listed in Provision 41 of the Code and other information recommended by the Code and associated guidance; and
- (h) make publicly available the Committee's terms of reference by placing them on the Company's website.

14. General matters

The Committee shall:

- 14.1 Have access to sufficient resources to carry out its duties, including access to the Company Secretary and management for advice and assistance as required.
- 14.2 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.
- 14.3 Give due consideration to relevant laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share incentive plans including but not limited to the Companies

Act 2006, the principles and provisions of the Code, the requirements of the Listing Rules, the Financial Conduct Authority's Prospectus Rules and Disclosure Guidance and Transparency Rules.

- 14.4 Work and liaise as necessary with all other Board committees, including the nomination committee in respect of any remuneration package to be offered to any new appointee of the Board, ensuring that the interaction between committees and the Committee and the Board is reviewed regularly.
- 14.5 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.

15. Authority

The Board authorises the Committee to:

- 15.1 Carry out all duties set out in these terms of reference, and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary.
- 15.2 Seek any information it requires from any employee of the Group to perform its duties.
- 15.3 Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.
- 15.4 Call any employee of the Group to be questioned at a Committee meeting as and when required.

Adopted at the Board meeting of the Company on 1 July 2020.