Smiths News plc

TERMS OF REFERENCE – REMUNERATION COMMITTEE

1. COMPOSITION

1.1 The Remuneration Committee shall be a Committee of the Board, with its members appointed by the Board on the recommendation of the Nominations Committee in consultation with the chair of the Remuneration Committee. Appointments shall be for a period of up to nine years, subject to both annual re-election at each Annual General Meeting and the relevant member continuing to meet the independence criteria for membership of the Board.

1.2 The Committee shall comprise at least two independent non-executive directors (or, where the Company is not designated as a "smaller company" for the purposes of the FRC's UK Corporate Governance Code, three independent non-executive directors). The Chairman of the Board may also serve on the Committee as a member if he or she was considered independent on appointment as Chairman but may not chair the Committee. The Board shall appoint the chair of the Committee, who shall be an independent non-executive director with relevant and appropriate experience (for these purposes having served on a remuneration Committee for at least twelve months prior to his or her appointment as Committee chair). In the absence of the chair of the Committee, the members of the Committee present shall elect one of their number who would qualify under these terms of reference to chair the meeting.

1.3 Only members of the Committee have the right to attend Committee meetings. The Committee may invite the Chairman of the Board (if he or she is not a member of the Committee), Chief Executive Officer, Chief Financial Officer, People Director (or their delegate) and external advisers to attend for all or part of any meeting, as and when appropriate.

1.4 If the Chairman of the Board is a member of the Committee, he or she will not participate in any discussion regarding his or her own remuneration.

1.5 The Company Secretary (or his or her nominee) shall be the Secretary to the Committee and, together with the People Director (or their delegate), shall provide administrative support and assistance to the Committee.

2. MEETINGS

2.1 The quorum for any meeting shall be two of the Committee members.

2.2 The Committee shall normally meet at least twice a year and additionally as and when required. Meetings of the Committee shall be called by the Secretary at the request of the chair of the Committee or by any member of the Committee.

2.3 Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers shall be forwarded in advance to each member of the Committee and to each other person invited to attend (in electronic form with the recipients' consent), in a timely manner to enable full and proper consideration to be given to issues.

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

2.5 Draft minutes of Committee meetings shall be agreed with the Committee chair and then circulated to all members of the Committee as well as to all other members of the Board and the Company Secretary unless it would be inappropriate to do so.

2.6 At his or her discretion, a member of the Committee may participate in a Committee meeting electronically.

2.7 Decisions of the Committee will be made by majority vote. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. In the event of equality of votes, the chair of the Committee shall have a casting vote.

2.8 If any member of the Committee is unable to act for any reason, the chair of the Committee may appoint another independent non-executive director of the Company agreed by other members of the Committee to act as that member's alternate.

2.9 Each member of the Committee shall disclose to the Committee:

2.9.1 any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or

2.9.2 any potential conflict of interest arising from a cross-directorship.

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. DUTIES

3.1 No director or manager shall be involved in any decisions as to their own remuneration outcome. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of non-executive directors within the limits set in the Articles of Association. Unless otherwise provided, the remuneration of the Chairman of the Board shall, subject to the Articles of Association, be a matter for the Committee and the remuneration of the non-executive directors shall be a matter for the Chairman and the executive members of the Board.

3.2 The Committee shall:

3.2.1 Have delegated responsibility to determine the framework or policy for the remuneration and the setting of the remuneration of the Chief Executive Officer, the Chairman, the executive directors, the Company Secretary, the executive team members and such other members of the executive management as it is designated to consider, in accordance with the Principles and Provisions of the UK Corporate Governance Code (the "**Code**");

3.2.2 In determining the framework or policy referenced at para 3.2.1 above, take into account the long term strategy of the Business and such other factors which it deems necessary including the need to attract, retain and motivate executive management of the quality required to run the Business successfully in line with its vision statement, purpose, values, culture and strategy without paying more than is necessary but rewarding for their individual contributions to the long-term success of the Business and having regard to the views of shareholders and other stakeholders;

3.2.3 When determining executive director remuneration policy and practices, consider the following requirements for:

a. simplicity, to avoid complexity where possible;

b. clarity, to ensure that remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce;

c. the risk appetite of the business, behavioural risk from targeted incentive plans and the reputational risk from excessive rewards;

d. the predictability of the range of possible remuneration outcomes and values;

e. proportionality, to clearly link the individual rewards with the delivery of strategy and long-term performance; and

f. alignment to culture, to ensure incentive schemes drive behaviours consistent with the Company purpose, values and strategy;

3.2.4 Within the terms of the agreed shareholder approved remuneration policy and in consultation with the Committee chair and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each executive director, the Company chairman and senior managers including bonuses, incentive payments and share awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of Company and individual performance, and wider considerations including giving due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and the views of shareholders and their representative bodies;

3.2.5 Review and have regard to the pay and employment conditions across the Business, especially when determining annual salary increases;

3.2.6 Review workforce remuneration and related policies;

3.2.7 Determine and review the design of all existing and new annual bonus and share incentive plans, which shall promote the delivery of strategy and the long-term success of the Company for approval by the Board (and shareholders where relevant) and to:

a. set relevant and stretching performance targets across all performance measures relating to annual bonus and LTIP awards so as to ensure that each participant is provided with appropriate incentives consistent with the business's remuneration policy and to link reward to corporate and individual performance;

b. approve all awards to executive directors and the executive team, including consideration of the quantum, vesting schedules, deferral and holding requirements and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;

c. determine with appropriate objective third parties, whether such performance targets have been satisfied;

d. oversee and approve any amendments to the incentive plans prior to obtaining any necessary shareholder approval; and

e. exercise any discretion where appropriate to adjust the formula driven outturn to ensure that any incentive plan payments are appropriate in light of, for instance, broader business performance, shareholder experience or other employees' rewards.

3.2.8 Determine the policy for pension arrangements for each executive director and the executive team;

3.2.9 Ensure that contractual terms on termination, and any payments made, are appropriate for the individual, and the Business, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

3.2.10 Ensure that engagement with the workforce takes place to explain how executive remuneration aligns with the wider Company pay policy, with consideration being given to the views expressed;

3.2.11 Ensure that any payments made are permitted under the latest shareholder approved remuneration policy and, if not, that a revised remuneration policy is submitted for shareholder approval;

3.2.12 Oversee any major change in employee benefits structures throughout the Business;

3.2.13 Agree the policy for authorising claims for expenses from the directors;

3.2.14 Approve a shareholding policy for executive directors and the executive team (including shareholdings required after cessation of employment) and review annually the shareholdings and current progress against the applicable shareholding target of the executive directors and the executive team;

3.2.15 Determine the policy on clawback and malus provisions that would enable the Business to recover sums paid, or withhold the payment of any sum, and the circumstances and period of potential recovery/withholding in which it would be appropriate to do so;

3.2.16 Ensure that all provisions regarding disclosure of remuneration, as set out in Schedule 8 to the Large and Medium Sized Companies and Businesses (Accounts and Reports) Regulations 2013 ("**the Regulations**"), the UK Corporate Governance Code as well as relevant investor guidelines where appropriate, are fulfilled;

3.2.17 Assist the Board in producing a remuneration report to shareholders setting out the Company's policy and disclosure on executive management remuneration as required by the Regulations and other associated legislative or regulatory requirements. The Committee shall ensure that each year the remuneration report to shareholders (excluding the Directors' Remuneration Policy) is put to an advisory shareholders' vote at the Annual General Meeting and that at least every three years the Directors' Remuneration Policy is put to a binding shareholders' vote at the Annual General Meeting;

3.2.18 Liaise with the Nominations Committee to ensure that the remuneration packages of newly appointed executive directors and executive management are within the Business's latest shareholder approved policy;

3.2.19 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports, surveys or information which it deems necessary to help it fulfil its obligations. The remuneration consultants' name and any other connection with the Business will be disclosed in the remuneration report to shareholders; and

3.2.20 Work and liaise as necessary with other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly.

4. ANNUAL GENERAL MEETING

The chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities. In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

5. REPORTING

5.1 The chair of the Committee shall report to the next meeting of the Board on matters considered by the Committee, recommendations and actions taken.

5.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.

5.3 The Committee shall provide a description of its work in the Company's annual report and accounts in line with the requirements of the UK Corporate Governance Code.

5.4 The Committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the Company's annual report and put to shareholders for approval at the AGM as necessary.

5.5 If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Company or individual directors.

5.6 Through the Chairman of the Board or the chair of the Committee, ensure that the Business maintains contact, as necessary or desirable, with its principal shareholders about remuneration.

6 OTHER MATTERS

6.1 The Committee shall 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.

6.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for advice and assistance as required.

6.3 The Committee shall ensure a periodic evaluation of its own performance is carried out.

6.4 The Committee shall 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.

7 AUTHORITY

7.1 The Committee is authorised to investigate any activity within its terms of reference and seek any information it requires from any employee of the Business in order to perform its duties. All employees are directed to co-operate with any request made by the Committee.

7.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference including the advice of independent remuneration

consultants, as well as information about remuneration practices elsewhere. The Committee may, if it thinks fit, secure the attendance at meetings of outsiders with relevant experience and expertise at the Company's expense.

Version	Author	Purpose/Change	Date
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