



REMUNERATION COMMITTEE – TERMS OF REFERENCE

Purpose

- The primary function of the Remuneration Committee (the “**Committee**”) is to recommend to the board of directors (the “**Board**”) of Rotork plc (the “**Company**”) an overall strategy for the remuneration of executive directors and senior management and, within the agreed strategy, determine a remuneration policy for executive directors aligned to the long-term success of the Company and its shareholders. This is to be undertaken while at the same time enabling the Company to competitively attract, retain and incentivise executive directors of the quality and experience required to lead the Group’s business and successfully implement its strategy, but without paying more than it is necessary to do.
- The secondary function of the Committee is to determine the level of remuneration of the executive directors, senior management and the Chair of the Board, having due regard to the financial and commercial position of the Company and its subsidiaries (the “**Group**”) and the remuneration policy, and ensure that they are fairly rewarded for their individual contributions to the Group’s overall performance.
- The tertiary function of the Committee is to oversee remuneration and related policies across the Group’s wider workforce, including the oversight of any major changes in the employee benefits structure across the Group.
- In discharging its functions, the Committee shall also have regard to the duty of its members, as directors, to promote the success of the Company for the benefit of its members in accordance with the provisions of Section 172 of the Companies Act 2006 and having regard, as appropriate, to the matters specifically referred to in paragraphs (a) to (f) of that Section.

1. **Constitution and authority**

- 1.1 The Committee is constituted as a committee of the Board in accordance with the Articles of Association of the Company.
- 1.2 The Committee has the delegated authority of the Board in respect of the functions, powers and responsibilities set out in these Terms of Reference and is thereby authorised in the performance of its duties to:
 - (a) seek any information it requires from any member of the Group’s workforce and such person shall be directed by management to co-operate with any request made by the Committee;
 - (b) ask any member of the Group’s workforce, external adviser or other outsiders with relevant experience and expertise to attend meetings of the Committee as and when required;
 - (c) consult with the Group Chief Executive in relation to their proposals, recommendations and performance evaluation relating to the remuneration of the other executive directors and senior management (recognising and managing any actual or potential conflicts of interest declared or existing in so doing);
 - (d) consult with other non-executive directors in its performance evaluation of the Group Chief Executive and the Chair of the Board;
 - (e) select, appoint and set the terms of engagement for any external remuneration consultants; and

- (f) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity, and commission or purchase any reports, surveys or information, which it deems necessary or desirable to help fulfil its duties.
- 1.3 The Committee may sub-delegate any or all of its powers and authority to one or more of its members or to the Company Secretary (or their nominee), including, without limitation, the establishment of sub-committees which are to report back to the Committee.
- 2. Membership**
- 2.1 The Committee shall be made up of at least three members, each of whom shall be independent non-executive directors. Additionally, the Chair of the Board may be a member of the Committee only if they were independent on appointment as Chair of the Board.
- 2.2 Appointments to the Committee shall be made by the Board (on the recommendation of the Nomination Committee) and shall be for a period of up to three years, which may be extended for two further periods of up to three years provided the director still meets the criteria for membership of the Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other directors and individuals (such as the Chief Executive, the Group Finance Director, the Group HR Director and external advisers) may be invited to attend for all or part of any meeting, as and when appropriate.
- 2.4 The Board (on the recommendation of the Nomination Committee) shall appoint the Committee Chair from among the independent non-executive directors (other than the Chair of the Board). The Committee Chair should ordinarily have served on the Remuneration Committee of any company for at least 12 months prior to appointment as Committee Chair. In the absence of the Committee Chair (or an appointed deputy), the remaining members present at the meeting shall elect one of their number to chair the meeting from those who would qualify under these Terms of Reference to be appointed to that position by the Board.
- 2.5 The Committee Chair and members of the Committee will be listed each year in the annual report of the Company.
- 3. Secretary**
- The Company Secretary or their nominee shall act as the secretary of the Committee and shall 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. Quorum, conduct and frequency of meetings**
- 4.1 The quorum necessary for the transaction of business at meetings of the Committee shall be any two members present throughout the meeting in person or by telephone or by video conference. If there is difficulty in achieving a quorum, independent non-executive directors who are not members of the Committee may be co-opted as members for individual meetings.
- 4.2 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.
- 4.3 The Committee shall meet at least three times a year and at such other times as the Committee Chair shall require.
- 4.4 Meetings and proceedings of the Committee shall be governed by the provisions of the Company's Articles of Association regulating the meetings and proceedings of the Board.
- 4.5 The Committee may hold meetings by telephone or using any other method of communication, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the Committee Chair.

- 4.6 No person (being a director or senior manager) shall be present at or participate in a meeting of the Committee (or a relevant part of the meeting) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 4.7 Each member of the Committee will disclose to 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. In such situations, the interested or conflicted member shall not be present at or participate in the discussion or decision on the relevant matter.
- 4.8 Except where they have a personal interest, in the event of an equality of votes, the Committee Chair shall have a casting vote.

5. **Notice of meetings**

- 5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any other member of the Committee.
- 5.2 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 invited to attend and all other non-executive directors, no later than three working days before the date of the meeting (except in exceptional or emergency circumstances or where the Committee members agree otherwise). Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. **Minutes of meetings**

- 6.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to the Committee Chair and, once agreed, circulated promptly to all Committee members. They will also be made available to all other members of the Board, unless in the opinion of the Committee Chair it would be inappropriate to do so.

7. **Duties of the Committee in relation to Senior Managers**

- 7.1 This Paragraph 7 shall apply to:
- (a) members of the Rotork Management Board;
 - (b) the Company Secretary; and
 - (c) any other senior executives of the Company that the Committee is determined to have responsibility for,
- together referred to in these Terms of Reference as "**Senior Managers**".
- 7.2 The Committee shall determine the total remuneration package for each Senior Manager (and each element of their remuneration package), including, as applicable:
- (a) the key terms and conditions of the service contract;
 - (b) base salary;
 - (c) the terms of participation in any incentive, bonus or profit share arrangements, and the pay-out under any such arrangements;
 - (d) the terms of participation in any long-term incentive or performance related share plans, and the pay-out under any such arrangements;

- (e) pension arrangements, including the levels of any contribution rates (based on a percentage of base pay only) and/or payments in lieu rates, made by the Company; and
 - (f) other bonuses, benefits or payments in kind.
- 7.3 In making any determination on any aspect of a Senior Manager's remuneration (including determining any remuneration outcomes), the Committee shall exercise independent judgement and ensure that it retains discretion to scale back remuneration outcomes where appropriate.
8. **Duties of the Committee in relation to executive directors**
- Determining the remuneration policy*
- 8.1 The Committee shall determine the policy for remuneration and benefits, including pension rights, allowances, relocation assistance, buy-out arrangements for new joiners and compensation payments, for executive directors of the Company.
- 8.2 In determining the remuneration policy for executive directors, the Committee shall consider:
- (a) all relevant legal and regulatory requirements, and the provisions and recommendations of the UK Corporate Governance Code, including the associated guidance (the “**Code**”);
 - (b) the views of shareholders and other stakeholders’ interests;
 - (c) whether executive directors are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions, without paying more than is necessary;
 - (d) the need for simplicity, clarity, transparency, proportionality and predictability in setting the remuneration policy and remuneration arrangements (including the metrics and both corporate and individual targets of performance-related aspects of remuneration);
 - (e) the risk appetite and risk management strategy of the Company, and alignment with the Company's risk policies and systems and long-term strategic goals;
 - (f) the need to promote the long-term success of the Company, and the link between the remuneration policy (and the potential remuneration outcomes under it) and the delivery of the Company's strategy and the long-term performance of the Company;
 - (g) the alignment of the remuneration policy with the Company's purpose, values, culture and strategy;
 - (h) the remuneration policies and practices applicable to the Group’s wider workforce;
 - (i) the need to protect the Company against reputational and other risks arising from excessive rewards; and
 - (j) the promotion of long-term shareholdings by executive directors that support the alignment of their interests with those of shareholders.
- 8.3 The Committee shall review (at least annually) the on-going appropriateness and relevance of the remuneration policy.
- 8.4 The Committee shall ensure that any payments (including any payment in respect of loss of office) are permitted under the latest shareholder approved directors' remuneration policy and, if not, that either a revised directors' remuneration policy is submitted to shareholders for approval.

- 8.5 The Committee shall engage in appropriate discussions as necessary with shareholders and institutional investors on remuneration policy or any other significant aspects of remuneration.

Determining the remuneration package of each executive director

- 8.6 The Committee shall determine the total remuneration package for each executive director (and each element of their remuneration package), including, as applicable:
- (a) the service contract;
 - (b) base salary;
 - (c) the terms of participation in any incentive, bonus or profit share arrangements, and the pay-out under any such arrangements;
 - (d) the terms of participation in any long-term incentive or performance related share plans, and the pay-out under any such arrangements;
 - (e) pension arrangements, including the levels of any contribution rates (based on a percentage of base pay only) and/or payments in lieu rates made by the Company; and
 - (f) other bonuses, benefits or payments in kind.

- 8.7 In making any determination on any aspect of an executive director's remuneration (including determining any remuneration outcomes), the Committee shall exercise independent judgement and ensure that it retains discretion to scale back remuneration outcomes where appropriate.

Performance-related plans and other share plans

- 8.8 With respect to all bonus arrangements, long-term incentive plans and/or performance related plans operated by the Company in which any executive director may participate ("**Relevant Plans**"), the Committee shall be responsible for:
- (a) reviewing and determining the design of such Relevant Plans for approval by the Board and shareholders;
 - (b) determining whether executive directors are eligible from time to time to participate in any Relevant Plans;
 - (c) at each time that awards are to be granted under a Relevant Plan, determining the appropriate level of each executive director's participation in the Relevant Plan for that award cycle, including the overall quantum of their award;
 - (d) determining the terms applicable to any awards made under any Relevant Plan, including any applicable performance targets and the phasing, vesting and additional holding periods to be applied;
 - (e) monitoring and assessing performance against any performance conditions and targets applicable to awards granted under any Relevant Plan and approving the total pay-outs to be made under any Relevant Plan (as reviewed and confirmed by the Company's external auditors and/or the Committee's external remuneration consultants, as appropriate); and
 - (f) reviewing, designing and, where applicable, invoking appropriate safeguards against excessive or unwarranted remuneration outcomes, including but not limited to appropriate recovery and withholding powers (whether by way of malus, clawback or otherwise) and discretionary powers to scale back remuneration outcomes.

Pensions

- 8.9 The Committee shall review and determine the pension arrangements for executive directors, having regard to the pension policies and practices in the Group's wider workforce.

Service contracts and termination

- 8.10 The Committee shall determine the terms and conditions of each executive director's service contract and ensure that the term of notice period provided for does not exceed one year, except in the short term in exceptional circumstances when appointing a new executive director.
- 8.11 The Committee shall determine the policy for termination payments and compensation payments for executive directors, and ensure that contractual terms on termination, and any payments:
- (a) are fair to the individual and the Company;
 - (b) properly reflect the departing individual's performance and the circumstances of their departure;
 - (c) recognise the duty of the departing individual to mitigate loss; and
 - (d) do not provide a reward for failure.

Share ownership guidelines

- 8.12 The Committee shall determine a policy for any share ownership requirements (including any post-employment shareholding requirements for vested and unvested shares) for executive directors and be responsible for regularly monitoring their compliance with such policy.

Expenses

- 8.13 The Committee shall agree a policy for authorising claims for expenses from the executive directors (and the Chair of the Board).

9. Duties of the Committee in relation to the Chair of the Board

- 9.1 The Committee shall approve the letter of appointment for the Chair of the Board and regularly review and determine the fees and benefits (if any) payable to the director for the proper performance of the role.
- 9.2 In making any determination on any aspect of the Chair of the Board's fees and benefits (if any), the Committee shall exercise independent judgement.

10. Duties of the Committee in relation to share-based plans

- 10.1 The Committee shall exercise high-level oversight of any incentive plans or arrangements operated by the Company which facilitate the grant of share-based awards, including any all-employee share plans (but excluding any Relevant Plan) (the "**Share Plans**"), where the Committee is required to do so under the rules of the relevant Share Plans.
- 10.2 The Committee shall be responsible for approving any material amendments or alterations to the terms of any awards or offers made under the Share Plans for which the Committee has responsibility.
- 10.3 Responsibility for the operation and management of the Share Plans may be sub-delegated to the Company Secretary (or their nominee) and/or to any third-party share plan administrators or other professional advisers.

11. Reporting responsibilities

Ongoing reporting after meetings

- 11.1 The Committee Chair shall report formally to the Board on its proceedings after each Committee meeting, on all its other activities within its remit and on how the Committee has discharged its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where it considers action or improvement with Board approval is needed.

Annual review of workforce remuneration policies

- 11.3 The Committee shall, on at least an annual basis, review the remuneration policies and practices applicable to the Group's wider workforce. Such review shall consider base pay, benefits, and all incentives aspects of financial and non-financial reward that drive behaviour, and the alignment of reward with culture. The Committee will engage with the workforce to explain how its decisions on pay impact the wider workforce pay policy.
- 11.4 The Committee shall report to the Board on wider workforce remuneration practices.

Annual directors' remuneration report

- 11.5 The Committee shall, on an annual basis, produce a report on its activities and the annual remuneration arrangements of directors of the Company, to be included in the Company's Annual Report and Accounts for the relevant financial year (the **"Directors' Remuneration Report"**).
- 11.6 The annual Directors' Remuneration Report shall include the information that is required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the Code, the Financial Conduct Authority's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and other relevant statutory, regulatory or governance code.
- 11.7 If the Committee has appointed external remuneration consultants, the annual Directors' Remuneration Report shall identify such consultants, the amount paid to them for their advice during the year and state whether they have any other connection with the Company or individual directors.
- 11.8 The annual Directors' Remuneration Report must be approved and submitted by the Board to shareholders for approval on an advisory basis at the Company's Annual General Meeting (the **"AGM"**) each year.

Directors' remuneration policy

- 11.9 The Committee shall prepare a formal policy in respect of the remuneration arrangements of the directors of the Company, to be included in the Company's Annual Report and Accounts as part of the annual Directors' Remuneration Report.
- 11.10 The directors' remuneration policy shall include the information that is required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), Code, the Financial Conduct Authority's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and other relevant statutory, regulatory or governance code.
- 11.11 The directors' remuneration policy must be submitted by the Board to shareholders for approval on a binding basis at least every three years.

Annual General Meeting

- 11.12 The Committee Chair shall attend the AGM to respond to any shareholder questions on the Committee's activities.

- 11.13 Where, at the AGM or other General Meeting of the Company, 20% or more of the votes cast by shareholders are cast against a remuneration resolution, the Committee will take all necessary actions to understand the reasons for the votes cast against and publish an explanation of the reasons together with an outline of what the Committee has done and/or is proposing to do to address the dissent.

Ongoing reporting generally

- 11.14 Through the Committee Chair and/or Chair of the Board, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about the work of the Committee.
- 11.15 The Committee shall make available to shareholders these Terms of Reference by placing them on the Company's website.

12. Other matters

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- (b) obtain, at the Company's expense, outside legal or other professional advice (including from external remuneration consultants) on any matters within its Terms of Reference;
- (c) 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;
- (d) work and liaise as necessary with all other Board committees, as required;
- (e) ensure compliance with all applicable and relevant laws and regulations including (without limit), the Companies Act 2006 (including any regulations made under that Act), the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Companies (Miscellaneous Reporting) Regulations 2018, the Enterprise and Regulatory Reform Act and the requirements of the UK Listing Authority's Listing Rule, Prospectus Rules and Disclosure and Transparency Rules, and give due consideration to corporate governance best practice including (without limit) the provisions of the Code and, as deemed appropriate, any relevant guidelines published by institutional investors or shareholder representative bodies; and
- (f) arrange for periodic reviews of its own performance (using external evaluators where and when appropriate), and, at least annually,
 - review its Terms of Reference to ensure it is operating at maximum effectiveness; and
 - review its composition and membership,and report on the same and recommend any changes it considers necessary to the Board for approval.