

**Vesuvius plc**  
**(the “Company”)**

**Terms of Reference for**  
**the Remuneration Committee**

(as adopted by the Board on 11 December 2015  
and reviewed and approved by the Board on 7 December 2016  
and 6 December 2017 and revised by the Board on 5 December 2018)

**1. Constitution**

- 1.1 The Board has established a Committee of the Board known as the Remuneration Committee.

**2. Purpose**

The main purposes of the Committee are:-

- 2.1 to determine the remuneration for the Chairman of the Board, the Executive Directors, and Senior Management (being the Group Executive Committee). The remuneration packages are to be designed to promote the long-term success of the Company, and take into consideration current corporate governance practice; and
- 2.2 to provide assurance to shareholders that the Chairman of the Board's, the Executive Directors' and Senior Management's remuneration is set by a Committee of Board members who have no personal interest in the outcome of their decisions and who will give due regard to the interests of shareholders, the financial and commercial health of the Company and the content of the UK Corporate Governance Code, the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and associated guidance and regulations, as appropriate.

**3. Membership**

- 3.1 The Committee shall be appointed by the Board, and shall consist of a minimum of three independent (to satisfy the independence criteria contained within the UK Corporate Governance Code) Non-executive Directors. A quorum shall be two members. The Chairman of the Board shall not be appointed a member of the Committee but may be invited by the Committee to attend and speak at meetings.
- 3.2 Appointments to the Committee shall be for a period of up to three years (subject to the election and re-election provisions in the Company's constitution and in the UK Corporate Governance Code), which may be extended for further periods of up to three years, provided the Director concerned still satisfies the criteria for membership of the Committee.
- 3.3 The Chairman of the Committee shall be appointed by the Board and must, unless in exceptional circumstances the Board determines otherwise, have served on a remuneration committee for at least twelve months prior to appointment. In the absence of the Committee Chairman, the remaining members present shall elect one of their number present to chair the meeting.
- 3.4 The Chairman of the Committee shall not also be on the Management Board of the Company's pension funds.

3.5 The Chairman and other members of the Committee shall be named in the Company's annual report.

#### **4. Attendance at Meetings**

4.1 Members of the Committee shall attend Committee meetings. Other Directors may attend only at the invitation of the Committee. The Committee may invite others including the Chairman of the Board, other Directors, Advisors and representatives from Human Resources to attend meetings.

4.2 The Company Secretary or their nominee shall be the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4.3 The Board authorises the Chairman of the Remuneration Committee to attend the Annual General Meeting of the Company and respond to any questions from shareholders on the Committee's area of responsibility.

4.4 No Director or Senior Manager shall be involved in deciding their own remuneration or, in the case of the Chairman of the Board, their own fees.

#### **5. Frequency of Meetings**

5.1 Meetings of the Committee will be held at least twice per year and otherwise as and when appropriate in conjunction with Board Meetings. Meetings may be held by telephone.

#### **6. Notice of Meetings**

6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

6.2 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 required to attend and all other Non-executive Directors, no later than five 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.

#### **6.3 Minutes of meetings**

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

6.5 Draft minutes of the Committee shall be circulated to all members of the Committee. Once approved, the Secretary shall circulate the minutes to all members of the Board. Items that are personally sensitive to individual Directors or the Company Secretary may not be included in general circulation of the minutes, or may be withheld from the individual concerned.

#### **7. Role and Responsibilities**

The members of the Committee must, in fulfilling their responsibilities as set out hereunder, comply with their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good

faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, whilst having regard to the interests of employees, stakeholders and other matters as required by section 172.

The Remuneration Committee shall:

- 7.1 have responsibility for determining the remuneration policy for all Executive Directors;
- 7.2 in determining the remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, 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 and having regard to views of shareholders and other stakeholders. The remuneration policy should be aligned with the Company's risk policies and systems and designed to support strategy and promote long-term sustainable success. Executive directors' remuneration should be aligned to the Company's purpose and values and be clearly linked to the successful delivery of the Company's long-term strategy;
- 7.3 review workforce remuneration and related policies and the alignment of incentives and rewards with culture and take these into account when setting the remuneration policy for Executive Directors;
- 7.4 set out in the description of the work of the Remuneration Committee in the annual report what engagement has taken place with the workforce to explain how executive remuneration aligns with wider Company pay policy;
- 7.5 ensure that all remuneration payments made to any Executive Director are consistent with the Remuneration Policy approved by the Company's shareholders or otherwise agreed in advance by the Company's shareholders;
- 7.6 review the ongoing appropriateness and relevance of the Remuneration Policy, in particular in respect of the approach to recruitment, the policy on payments for loss of office and the exercise of discretion;
- 7.7 in consultation with the Chairman of the Board in respect of the Chief Executive and the Chief Executive in respect of the Chief Financial Officer, set the total individual remuneration package of each Executive Director, including salary, bonuses, incentive payments and share options or other share awards. No director shall be involved in any decisions as to his or her own remuneration;
- 7.8 in consultation with the Chief Executive set the remuneration of each member of Senior Management including salary, bonuses, incentive payments and share options or other share awards. No Senior Manager shall be involved in any decisions as to his or her own remuneration;
- 7.9 set the remuneration of the Chairman of the Company;
- 7.10 review the design of all share incentive plans for approval by the Board and (where applicable) shareholders. Such share incentive plans should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. Share awards granted to Executive directors should be released for sale on a phased basis and be subject to a total vesting

and holding period of five years or more. For any such plans, the Remuneration Committee should determine each year whether awards will be made, and if so, the overall amount of such awards and the performance targets to be used. In addition, the Committee will be responsible for exercising all the powers and duties confirmed or imposed upon the Board under the rules of the Company's share incentive plans;

- 7.11 ensure that all variable remuneration schemes and policies applicable to the Executive Directors and Senior Management enable the Remuneration Committee to override formulaic outcomes and include provisions to allow the Company to recover and/or withhold sums or share awards, setting out the specified circumstances in which it would be appropriate to do so. The Remuneration Committee shall exercise independent judgement when authorising remuneration outcomes, taking account of Company and individual performance and the wider circumstances and, as part of the annual process to determine remuneration outcomes, take an active decision on whether or not to exercise discretion;
- 7.12 determine the policy for, and scope of, pension arrangements for each Executive Director;
- 7.13 develop a formal policy for post-employment shareholding requirements for the Executive Directors, encompassing both unvested and vested shares;
- 7.14 ensure for the Executive Directors that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that poor performance is not rewarded and that the duty to mitigate loss is fully recognised and robustly enforced. Ensure that all loss of office payments made to any Executive Director are consistent with the remuneration policy approved by the Company's shareholders or that the payments are otherwise agreed in advance by the Company's shareholders;
- 7.15 be exclusively responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee. Independent judgement should be exercised by the Remuneration Committee when evaluating the advice of remuneration consultants and other third parties and when receiving views from Executive Directors and Senior Management;
- 7.16 preparing, in consultation with the Board, and proposing to the Board for approval the annual Directors' Remuneration Report to Shareholders as per relevant legal and regulatory requirements having particular regard to the disclosure obligations set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code; and
- 7.17 determining whether remuneration consultants and/or other external advisors should be appointed in respect of Executive Directors' and Senior Management remuneration and, if such consultants and/or other external advisers are appointed, the Committee must: satisfy itself that the advice is objective and independent; disclose the process by which the consultants were appointed; and be able to comply with the disclosure required in respect of external advisors in the Company's annual Directors' Remuneration Report including a statement about any connections the consultant has with the Company or individual directors. The Committee should exercise independent judgement when evaluating the advice of external third parties.

## **8. Authority**

The Committee will not:-

- 8.1 determine the remuneration of any Non-executive Director (except for the Chairman of the Board) including the members of the Committee;
- 8.2 determine any other matters which the Board shall advise the Committee are required to be determined by the Board.

## **9. Approvals**

- 9.1 All decisions of the Committee in respect of the remuneration of the Directors by way of fees (i.e. excluding salary and related compensation for Executive Directors) shall be referred to the Board and shall take effect only upon approval by resolution of the Board.

## **10. Reporting Procedure**

- 10.1 The Chairman of the Committee shall report to the Board on such matters as considered appropriate.

## **11. General**

- 11.1 The Committee may in carrying out its tasks under these Terms of Reference obtain such outside or other independent professional advice as it considers necessary in the fulfilment of its duties and the Board will ensure that the Committee will have access to professional advice both inside and outside the Company.

## **12. Other matters**

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 12.2 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;
- 12.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and associated guidance, the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 12.4 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; and
- 12.5 ensure that the Company engages with Shareholders on remuneration issues as appropriate.