

**KINGFISHER PLC**  
**(the 'Company')**

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

**1. Purpose**

The primary purpose of the Remuneration Committee (the 'Committee') is to make recommendations to the Board on the Company's framework or broad policy for executive remuneration and its costs, ensuring that remuneration policy and practices are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance. The Committee shall also have delegated responsibility for determining the remuneration and benefits of executive directors, other members of the Group Executive Committee, the Chairman of the Board and the Group Company Secretary, and shall also keep under review workforce remuneration and related policies and the alignment of incentives and rewards with culture and take these into account when setting the policy for executive director remuneration.

The remuneration of the Senior Independent Director and non-executive directors shall be a matter for the Board.

**2. Membership**

- 2.1. The Committee's membership is restricted to independent non-executive directors only.
- 2.2. The Committee shall consist of not less than three independent non-executive directors of the Company. The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Committee chair.
- 2.3. Prior to appointment, the Chairman of the Committee must have served on a Remuneration Committee for at least 12 months.
- 2.4. The Chairman of the Board may be a member of the Committee if he or she was considered independent on appointment. The Chairman of the Board shall not count towards the minimum of three members in section 2.1.

**3. Attendance at meetings**

Only the members of the Committee have the right to attend Committee meetings.

Non-executive members of the Board who are not Committee members may also attend Committee meetings upon request and at the invitation of the Chairman.

Other individuals such as the Chief Executive Officer, Chief People Officer, Group Reward Director and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

No individuals should be in attendance when their own individual remuneration or benefits are being considered.

The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest.

**4. Chairman**

The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

The Chairman of the Board shall not be the Chairman of the Committee.

## **5. Secretary**

The Group Company Secretary or their designee shall be secretary to the Committee. The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

The Secretary will make available a suitable induction process for new members of the Committee as well as ongoing training where appropriate and agreed with the Committee.

## **6. Quorum**

A quorum shall be any two members.

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, discretions exercisable by the Committee.

## **7. Frequency of meetings**

The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require.

## **8. Notice of meetings**

- 8.1. Meetings of the Committee shall be called by the Secretary at the request of the Chairman of the Committee.
- 8.2. 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 in advance of the meeting.

## **9. Minutes of meetings**

- 9.1. The Secretary shall minute the proceedings and decisions of all meetings of the Committee.
- 9.2. The Secretary shall circulate the minutes of meetings to the Committee.
- 9.3. The Secretary shall also circulate the minutes (or a summary thereof) to all members of the Board and such other attendees of the meetings as the Chairman of the Committee shall direct.

## **10. Annual General Meeting**

The Chairman of the Committee should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

## **11. Duties**

The Committee shall have due regard to the provisions and recommendations of the UK Corporate Governance Code as well as the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and associated guidance, in carrying out the following duties:

- 11.1. to develop, and keep under review, the Directors' Remuneration Policy for the remuneration of the Company's Chairman and Executive Directors. For the avoidance of doubt, the Chairman of the Board and the Executive Directors of the company shall determine the Policy for and remuneration of the Non-Executive Directors.

- 11.2. to determine the broad policy on remuneration for senior executives below Board level (being such persons as the Committee shall from time to time decide are within the remit of the Committee) and to set, in respect of the members of the Group Executive Committee (who are not also executive directors of the Company) and the Group Company Secretary:
  - 11.2.1. remuneration, including bonuses and long-term incentives;
  - 11.2.2. benefits including pension and company car benefits;
  - 11.2.3. grants of share options or awards; and
  - 11.2.4. payments on termination of employment (ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised);

except that no director or senior manager shall be involved in any decisions as to their own remuneration.

In addition, the Committee shall approve the targets and outturn for any performance-related annual bonus and share incentive plans in respect of the members of the Group Executive Committee.

- 11.3. In determining such remuneration and related policies, the Committee shall take into account all factors which it deems necessary to promote the long-term sustainable success of the Company and the alignment to the Company's purpose and values. This may include but is not limited to the Company's long-term strategic goals, compatibility with the remuneration framework and benefit structures more generally across the Group and the views of the Group's employees and its stakeholders.
- 11.4. when determining remuneration schemes and the remuneration policy, the Committee shall consider the use of discretion to override formulaic outcomes.
- 11.5. the Committee shall review at least annually the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders, as appropriate on the policy or other aspects of remuneration.
- 11.6. to review the remuneration and related policies in respect of the general workforce and the alignment of incentives and rewards with culture, ensuring that reward, incentives and conditions available to the workforce are fair and that they are considered when determining the remuneration policies for executive directors and senior management.
- 11.7. to consider the employee voice when making decisions and to ensure the effective engagement with shareholders in relation to remuneration and related policies and practices, ensuring their views are understood and considered as appropriate by the Committee.
- 11.8. to oversee any major changes in remuneration and employee benefits structure throughout the Group.
- 11.9. to consider the Company's risk appetite and risk management systems ensuring that remuneration is aligned to, and supportive of, the Company's risk policies and systems and long-term strategic goals.
- 11.10. to exercise the powers of the Board in relation to all-employee and long-term incentive share plan arrangements, to include:

- 11.10.1. amending or varying such arrangements in accordance with such provisions as the Committee may deem appropriate;
  - 11.10.2. developing new plans and, where appropriate, ensuring they are put to shareholders for approval at the next Annual General Meeting; and
  - 11.10.3. granting entitlements and options under the plans;
  - 11.10.4. monitor and assess any performance conditions applicable to any long-term incentive awards and ensure that performance conditions are aligned to the Company's purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy and the enhancement of shareholder value;
  - 11.10.5. exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of company and individual performance, and wider circumstances; and
  - 11.10.6. design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award, to ensure that any performance-related payments reflect the Company's actual achievements and to protect against rewarding for failure.
- 11.11. to review the principal incentive plans operating across the Company and its subsidiaries and to be advised of any material amendments.
- 11.12. to keep abreast of external remuneration trends and market conditions through the receipt of reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.
- To help fulfil its obligations the Committee shall 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 by the Board.
- 11.13. to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 11.14. to develop a formal policy for post-employment shareholding requirements which shall encompass both unvested and vested shares.
- 11.15. to review pension arrangements and other similar employee benefits of the Company and its subsidiaries whether currently in force or to be adopted including the approval of any changes to the rules of such arrangements.
- 11.16. to be aware of and advise as necessary on any major changes in employee benefit structures throughout the Group.
- 11.17. to agree the policy for authorising claims for expenses from the Chairman and the Chief Executive Officer.
- 11.18. to approve, execute or give effect to all documents (including service contracts), deeds, acts and things that the Committee may consider necessary or desirable in connection with or in relation to any of the foregoing matters.

## **12. Reporting responsibilities**

- 12.1. The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 12.2. The Committee shall 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.

- 12.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.4. Ensure that the provisions regarding the public disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations and the Code, are fulfilled.
- 12.5. The Committee shall develop and keep under review the directors' remuneration policy and ensure that it is put to shareholders for approval; (i) at the annual general meeting in any year in which there is a change to the policy; (ii) at least once every three years; and (iii) if majority shareholder approval was not achieved on the last submitted annual remuneration report.
- 12.6. The Committee shall arrange for the production of the Annual Report on Remuneration to be included in the Directors' Remuneration Report, which should include the information on directors' remuneration required to be disclosed by the Companies Act (including regulations made thereunder), the UK Corporate Governance Code, the UK Listing Authority's Listing rules and any other relevant statutory, regulatory or governance codes.
- 12.7. The Committee shall submit the annual remuneration report for approval on an advisory basis by shareholders at the annual general meeting each year.
- 12.8. Subject to delegation of authority by the Board, engage in appropriate discussion as necessary with shareholders if 20 per cent. or more of votes have been cast by shareholders against a resolution to approve the annual remuneration report or directors' remuneration policy at any annual general meeting or general meeting and agree with the Board any appropriate disclosure, including in the annual report.

### **13. Other matters**

The Committee shall:

- 13.1. Investigate any activity within its terms of reference, as well as any matter referred to it by the Board for consideration.
- 13.2. Consider the provisions of the UK Corporate Governance Code and all applicable laws and regulations, including but not limited to the Companies Act 2006 and the requirements of the Listing Rules, the UK Listing Authority's Prospectus and Disclosure and Transparency Rules and appropriate Institutional Investor guidance such as that published by the Investment Association.
- 13.3. Arrange for periodic reviews of its own membership and performance and, at least annually, review its constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.
- 13.4. 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.
- 13.5. Work and liaise with other Board Committees as necessary.
- 13.6. To make the Committee's terms of reference publicly available.

APPROVED BY THE BOARD OF DIRECTORS: 5 SEPTEMBER 2019