

## MERCIA ASSET MANAGEMENT PLC

### TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

ADOPTED BY RESOLUTION OF THE BOARD ON 25 JULY 2023

#### 1. DEFINITIONS

In this document:-

- (a) reference to the "**Board**" shall mean the Board of Directors of the Company;
- (b) reference to the "**Chair**" shall mean the chair of the Board;
- (c) reference to the "**Committee**" shall mean the Remuneration Committee of the Board;
- (d) reference to the "**Committee Chair**" shall mean the member appointed as the chair of the Committee; and
- (e) reference to the "**Company**" shall mean Mercia Asset Management PLC.

#### 2. MEMBERS

The members of the Committee for the time being shall be:

- Diane Seymour-Williams (Committee Chair)
- Ian Metcalfe OBE; and
- Dr Jonathan Pell.

#### 3. PURPOSE

- 3.1 The Committee is appointed by the Board to assist the Board in setting the overarching principles of remuneration across the Company, including subsidiaries (the "**Group**"), and ensuring consistency with the risk appetite and strategic goals of the Company. The Committee will set the Chair's, executive Directors' and senior officers' (being those persons described at paragraphs 11.2.1 and 11.2.2 below) remuneration and develop and submit to the Board recommendations with respect to other employee benefits considered advisable.

The Committee will be guided by the following principles:-

- 3.1.1 to offer competitive remuneration to attract, retain and motivate qualified executives in order for the Company to achieve the strategic plan and budgets approved by the Board; and
- 3.1.2 act in the interests of the Company by being financially responsible.

#### 4. MEMBERSHIP

- 4.1 The Committee shall comprise of at least three (3) members, all of whom shall be independent non-executive directors, within the meaning of Applicable Laws (as defined below). The Chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the Committee Chair.
- 4.2 Appointments to the Committee shall be for a period of up to three (3) years, which may be extended for further periods of up to three years, provided the director still meets the criteria

for membership of the Committee.

- 4.3 The Board shall appoint the Committee Chair who shall be an independent non- executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under the terms of reference to be appointed to that position by the Board. The Chair shall not be the Committee Chair.
- 4.4 The Committee should have access to the requisite knowledge and expertise in relation to remuneration policies.
- 4.5 The Committee shall meet all applicable securities laws, instruments, rules and policies and regulatory requirements (collectively "**Applicable Laws**"), including relating to independence within the meaning of Applicable Laws.

## **5. SECRETARY**

The Company Secretary or their nominee shall act as 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 all issues.

## **6. QUORUM**

The quorum necessary for the transaction of business shall be any two (2) 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 and discretions vested in or exercisable by the Committee.

## **7. MEETINGS**

- 7.1 The Committee shall meet at least twice a year and otherwise as required at the discretion of the Committee Chair or a majority of the members or as may be required by Applicable Laws. Meetings of the Committee may be held by conference telephone or other communication equipment, which may be recorded. Members may also conduct the business of the Committee by a series of telephone calls from the Committee Chair or by exchange of communication in electronic form addressed to the Committee Chair. A person so participating by telephone communication with or by exchanging communication in electronic form with those in the meeting or with the Committee Chair shall be deemed to be present in person at the meeting and shall accordingly be counted in the quorum. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, at the location of the Committee Chair.
- 7.2 Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to attend all meetings of the Committee at which matters of general remuneration policy or the contents of the Committee's annual report to shareholders are discussed.
- 7.3 The Committee should hold an in-camera session (meaning a closed session in which sensitive matters are discussed) without any senior officers present at each meeting.
- 7.4 The Committee shall report through the Committee Chair its determinations and recommendations to the Board.
- 7.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive 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.
- 7.6 No individual should attend any part of the Committee meeting at which their own remuneration is being discussed.

## 8. NOTICE OF MEETINGS

- 8.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair.
- 8.2 Unless otherwise agreed by consent of all members in writing, 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 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.

## 9. MINUTES OF MEETINGS

- 9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board, unless it would be inappropriate to do so.

## 10. ANNUAL GENERAL MEETING

The Committee Chair should attend the Annual General Meeting (“AGM”) prepared to respond to any shareholder questions on the Committee’s activities.

## 11. DUTIES

- 11.1 The Committee should carry out the duties below for the Company, any parent company, major subsidiary undertakings and the Group as a whole, as appropriate.
- 11.2 The Committee shall:-
- 11.2.1 determine and recommend to the Board the framework or broad policy for the remuneration (the “**Remuneration Policy**”) of the Company’s Chief Executive Officer (“**CEO**”), the Chief Financial Officer, the Chair or any executive director (collectively the “**Senior Executives**”) and all other executive directors, the Company Secretary and such other members of the executive management as it is designated by the Board to consider. No director, officer or manager shall be involved in any decisions as to their own remuneration;
- 11.2.2 recommend and monitor the level and structure of remuneration for Senior Executives and others, as determined by the Board. Remuneration includes the following components of pay:
- all elements of fixed compensation (base salary and fixed allowances);
  - all elements of variable compensation (annual bonus, LTIP, commission plans etc);
  - pension arrangements and any material changes to pension arrangements;
  - employee share plans and share-linked incentives;
  - material severance/loss of office awards;
  - material retention awards;
  - material new hire compensation;
- 11.2.3 in relation to the above components of pay, the Committee will review and challenge where appropriate:
- that compensation practices across the Group result in outcomes

- consistent with the intention of the Remuneration Policy, reflect performance-related principles and promote a longer term pay policy and practice aligned to strategic achievements;
  - that all potential risks of remuneration arrangement, including reputational and behavioural are identified and mitigated;
  - the design and determination of performance criteria for share-linked incentives, including approval and validation (to the reasonable satisfaction of the Committee) of requisite grant, vesting and pay-out criteria;
  - that pay-out practices reflect the underlying business cycle;
  - the design of new, and revisions to existing, incentive compensation plans and material benefit offerings;
  - the maximum ratio permitted under the Company's fixed to variable pay ratio;
  - the variable incentive compensation proposals and allocation principles developed by the Chief Executive Officer; and
  - the review of guaranteed incentive commitments on an annual basis;
- 11.2.4 in determining the Remuneration Policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the long-term success of the Company;
- 11.2.5 in determining the Remuneration Policy, take into account specifically the requirements of the FCA Remuneration Code including the requirement for oversight of remuneration for staff in control functions;
- 11.2.6 at least once every three years review the ongoing appropriateness and relevance of the Remuneration Policy, that it is transparent, avoids unnecessary complexity and that it supports the Company's values, culture and strategy and is consistent with the management of risks. The review will ensure that the Remuneration Policy;
  - includes measures in the remuneration approach to avoid potential conflicts of interest in the design of incentive arrangements to ensure the interests of employees and shareholders are aligned;
  - supports the Company's strategy, promotes long term sustainable success and is aligned to the Group's purpose, culture and guiding principles;
  - promotes sound and effective risk management and actively discourages inappropriate risk taking;
  - provides an appropriate balance of fixed and variable pay elements; and
  - complies with all relevant Remuneration Regulations (as defined below);
- 11.2.7 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity;
- 11.2.8 review, and make a recommendation to the Board with respect to, any share ownership guidelines applicable to Senior Executives and directors and review the shareholdings of the Senior Executives and directors based on such guidelines established from time to time;
- 11.2.9 ensure 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;
- 11.2.10 review, and make a recommendation to the Board with respect to, any disclosure related to executive remuneration included in any public disclosure document, including any management information circular of the Company for any meeting of the shareholders of the Company and review and approve the report on

executive remuneration required by Applicable Laws to be included in any public disclosure document, including any management information circular of the Company;

11.2.11 agree the policy for authorising claims for expenses from the directors; and

11.2.12 work and liaise as necessary with all other Board committees.

## **12. REPORTING RESPONSIBILITIES**

12.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

12.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.

12.4 Through the Chair, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.

## **13. OTHER**

The Committee shall:-

13.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

13.2 have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;

13.3 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

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 at all times give due consideration to the provisions and recommendations in the Quoted Companies Alliance ("**QCA**") Corporate Governance Code for Small and Mid-size Quoted Companies, the QCA's Remuneration Committee Guide for Smaller Quoted Companies and the requirements of the AIM Rules for Companies (including the Note for Investing Companies), the UK Listing Authority's Listing, Prospectus Rules, and Disclosure and Transparency Rules, the FCA Remuneration Code and any other applicable rules, as appropriate (together the "**Remuneration Regulations**"); and

13.6 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.

## **14. COMMITTEE CHAIR**

The Committee Chair should:-

14.1 provide leadership to the Committee and oversee the functioning of the Committee. The Committee Chair will foster ethical and responsible decision making by the Committee and assist the members of the Committee to understand and comply with the responsibilities

contained in these terms of reference;

14.2 in connection with meetings of the Committee, the Committee Chair will:

- chair meetings of the Committee, unless not present, including in camera sessions,
- report to the Board following each meeting of the Committee on the activities, and any recommendations and decisions, of the Committee and otherwise at such times and in such manner as the Committee Chair considers advisable;
- ensure that the Committee meets at least twice per financial year of the Company and otherwise as is considered advisable;
- in consultation with the members, establish dates for holding meetings of the Committee;
- set the agenda for each meeting of the Committee with input from other members, the Chair of the Board and any other appropriate individuals;

14.3 act as liaison and facilitate and maintain communication with the Chair and the Board (including the Senior Executives), to co-ordinate input from the Board and to optimise the effectiveness of the Committee. In doing so, the Chair of the Committee will ensure that Committee materials are available to any director upon request and report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;

14.4 together with the nomination committee, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;

14.5 ensure that appropriate resources and expertise are available to the Committee and that the Committee considers whether any independent counsel or other experts or outside advisors retained by the Committee are appropriately qualified and independent in accordance with Applicable Laws;

14.6 attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Company to respond to any questions from shareholders which may be asked of the Committee; and

14.7 perform such other duties as may be delegated to the Committee Chair by the Committee or the Board from time to time.

## **15. AUTHORITY**

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.