

Dated 1<sup>st</sup> January 2021

LSL PROPERTY SERVICES PLC

REMUNERATION COMMITTEE - TERMS OF REFERENCE

## LSL PROPERTY SERVICES PLC (the "Company")

### REMUNERATION COMMITTEE ("Committee") - TERMS OF REFERENCE

#### INTRODUCTION

The UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "Code") states that:

*"Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy" (Principle P).*

*"A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome" (Principle Q).*

*"Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances" (Principle R).*

References in these terms of reference to the **Committee** mean the Company's Remuneration Committee and references to the **Group** mean the **Company** and its subsidiaries.

A copy of the Code, should members of the Committee need to consult it, can be obtained from the Company Secretary.

#### CONSTITUTION

1. The Committee is established in accordance with the provisions of the Code and the members of the Remuneration Committee for the time being shall be displayed on the Company's website together with a copy of these Terms of Reference.
2. The Committee shall consist of a minimum of two members, all of whom shall be independent non executive directors. 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 (in accordance with provision 10 of the Code). While the Chair may be a member of the Committee he shall not chair the Committee.
3. Appointments to the Committee are made by the Board on the recommendation of the Nominations Committee and in consultation with the chair of the Remuneration Committee and shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members (other than the Chair of the Board, if they are a member of the Committee) continue to be independent.
4. The Chair of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee, which shall determine the period for which he/she shall hold office. Before appointment as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair and/or appointed deputy, the remaining members present shall elect one of their number to Chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be Chair of the Committee.
5. The Company Secretary shall act as the Secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable fully and proper consideration to be given to the issues.

6. The quorum for decisions of the Committee 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 and discretions vested in or exercisable by the Committee.

#### **ROLES & RESPONSIBILITIES**

7. The Committee has delegated responsibility for determining the policy for Executive Director remuneration and setting remuneration for the Chair, Executive Directors, Company Secretary and Senior Management (the definition of Senior Management for this purpose will be determined by the Board), in accordance with the Principles and Provisions of the Code. The Committee will also review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director Remuneration.
8. The Committee shall not consider the remuneration of the non executive directors. The remuneration of non executive directors shall be determined in accordance with the Company's Articles of Association or by the Board. The levels of remuneration for the Chairman and non executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non executive directors shall not include share options or other performance-related elements.
9. No director or Senior Manager shall be involved in any decisions as to their own remuneration outcome.
10. In carrying out its roles and responsibilities, the Committee shall consider and have regard to the requirements of the Listing Rules and Disclosure and Transparency Rules (together with any other requirements issued by the Financial Conduct Authority (**FCA**)), the Code together with guidance issued by the Financial Reporting Council (**FRC**) (including the *Guidance Board Effectiveness*), legal and other regulatory requirements, as well as guidance issued by other third parties and relating to executive remuneration, together with any requirements of the Board. Copies of all documents referred to in these Terms of Reference are available from the Company Secretariat.
11. When determining Executive Director Remuneration policy and practices the Committee will address the following:
  - Clarity** – to ensure remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce;
  - Simplicity** – to ensure that remuneration arrangements ensure reputation and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
  - Risk** – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
  - Predictability** – to ensure that the range of possible values of rewards to individual directors and any other limits or discretions are identified and explained at the time of approving the policy;
  - Proportionality** – to ensure that the link between individual awards, the delivery of strategy and the long-term performance of the Company is clear. Outcomes should not reward poor performance; and
  - Alignment to Culture** – to ensure that incentive schemes drive behaviours consistent with LSL's purpose, values and strategy.
12. The Committee will have regard to the views of shareholders and other stakeholders when determining the Executive Director Remuneration policy.
13. In designing schemes of performance-related remuneration for the Executive Directors, the Committee shall ensure that:
  - 13.1 the remuneration schemes support the Company's strategy and promote long term sustainable success. In doing this, the Committee will ensure that executive remuneration is aligned to the Company's purpose and values and is clearly linked to the successful delivery of the Company's long-term strategy;
  - 13.2 the remuneration schemes and policies enable the use of discretion to override formulaic outcomes;

- 13.3** the schemes put in place by the Company include provisions that enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so; and
- 13.4** only basic salary is pensionable and that the Committee will review pension contribution rates for Executive Directors, or payments in lieu, to monitor alignment with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangement.
- 14.** The Committee shall review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior managers and the performance targets to be used. In addition to this, the Committee shall:
- 14.1** determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the Company. Performance-related elements should be transparent, stretching and rigorously applied. Remuneration incentives should be compatible with risk policies and systems. Upper limits should be set and disclosed;
- 14.2** consider whether the executive directors should be eligible for annual bonuses and/or benefits under the long-term incentive schemes;
- 14.3** in approving any traditional share option schemes, ensure that it is weighed against other kinds of long-term incentive schemes. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules; and
- 14.4** promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The Committee will develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- 15.** The Committee will ensure that compensation commitments in Service Contracts do not reward poor performance and will be robust in reducing compensation to reflect a departing directors' obligations to mitigate loss.
- 16.** The Committee shall ensure that any notice or contract periods for directors are set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods shall reduce to one year or less after the initial period.
- 17.** The Committee will ensure that shareholders are invited specifically to approve all new long-term incentive schemes (as defined in the Listing Rules) and significant changes to existing schemes, save in the circumstances permitted by the Listing Rules.
- 18.** The Chairman of the Board will ensure that the Committee Chair maintains contact as required with its principal shareholders and other key stakeholders, where appropriate, about remuneration.
- 19.** The Committee will work and liaise as necessary with other Board committees, ensuring interaction between the Board's committees and with the Board is regularly reviewed.
- 20.** The Committee is responsible for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. Where such consultants are appointed, they shall be identified in the annual report and the Committee shall make available a statement of whether they have any other connection with the Company. The Committee shall exercise independent judgement when evaluating the advice of external third parties and when receiving views from Executive Directors and Senior Management.
- 21.** The Committee shall:
- 21.1** develop, review and make recommendations to be the Board to be put forward to shareholders for approval not less than every three years, the Company's remuneration policy and review the on-going

- appropriateness and relevance of the remuneration policy. The Committee will ensure that any amendments to the remuneration policy are put forward to shareholder for approval. When recommending the remuneration policy, the Committee shall review and have regard to the remuneration trends across the LSL Group;
- 21.2** monitor, review and make recommendations to the Board on the Company's remuneration framework and the implementation of the remuneration policy, and to determine and thereafter review at least annually the entire individual remuneration packages for the executive directors and the Chairman, taking into account the matters listed herein. In the event that the Chairman of the Board is a member of the Committee he shall not take part in any decisions relating to his remuneration;
- 21.3** in carrying out its obligations at paragraph 16.2 above, consider pension arrangements, the determination of any targets for any performance-related pay schemes operated by the Company (asking the Board, when appropriate, to seek shareholder approval for any long-term incentive arrangements), bonuses, incentive payments and any compensation payments and share option entitlements) for each of the executive directors and, as appropriate, make recommendations in respect of other senior management (including Executive Directors, Senior Managers of the Company's subsidiaries and the Company Secretary);
- 21.4** give the Executive Directors every encouragement to enhance the Company's performance and ensure that they are fairly rewarded for their individual contributions to the success of the Company. The Committee shall carefully consider what compensation commitments (including pension contributions and all other elements) a director's terms of appointment would entail in the event of early termination. The Committee should take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss. Contractual terms on termination, and any payments made, should be fair to the individual, and LSL. The aim should be to avoid rewarding poor performance;
- 21.5** be aware of and oversee any major changes in employee benefit structures throughout the LSL Group; and
- 21.6** obtain reliable, up to date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to commission or purchase any reports, surveys or information from remuneration consultants which it deems necessary, within any budgetary restraints imposed by the Board.
- 22.** The Committee shall ensure that a report on the directors' remuneration policy and practices is included in the Company's annual report and accounts put to shareholders for approval at the Annual General Meeting as necessary.
- 23.** The Committee will report and account directly to the shareholders for its decisions, including the preparation of an annual report to shareholders forming a separate section within the Company's annual report and accounts and containing the information required by law and the Code. This report will include the directors' remuneration policy referred to in para 22 above. The Committee's annual report will in particular include:
- 23.1** an explanation of the strategic rationale for Executive Directors' remuneration policies, structures and any performance metrics;
- 23.2** reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
- 23.3** a description, with examples, of how the remuneration committee has addressed the factors in section 8 (and Provision 40 of the Code);
- 23.4** whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
- 23.5** what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
- 23.6** what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and
- 23.7** to what extent discretion has been applied to remuneration outcomes and the reasons why.
- 24.** The Committee report will also provide details of the frequency of, and attendance by members at, meetings of the Committee over the course of the year.

## PROCEDURE

25. Meetings of the Committee shall be held not less than twice each year and at such other times as the Chair of the Committee requires, normally immediately before or after regular meetings of the Board but formal meetings (particularly in relation to the formal grant of employee share options) may also be held by telephone conference.
26. Meetings of the Committee shall be called by the Company Secretary at the request of the Committee Chair or any of its members.
27. At least 5 days' notice of any meeting of the Committee shall be given to all members of the Committee, and any other person invited to attend, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being. Unless otherwise agreed, the notice shall specify the venue, time and date together with an agenda of items to be discussed. Supporting papers shall be sent to the Committee members and to other attendees, as appropriate, at the same time.
28. The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The minutes of the meetings of the Committee shall be circulated promptly to all members of the Committee. Once approved, and where instructed by the Board, minutes may be circulated to all other members of the Board unless, exceptionally, it would be inappropriate to do so. The Committee shall make whatever recommendations to the Board that it deems appropriate on any area within its remit where action or improvement is needed.
29. The Chair of the Committee shall be available at the Annual General Meeting of the Company to answer questions arising from the Committee's annual report to shareholders and generally on remuneration policy, principles and practice. The Chair of the Committee shall also ensure that the Company maintains good contact with shareholders about remuneration in the same way as for other matters.
30. No one other than the Committee Chair and its members are entitled to be present at a meeting of the Committee but other individuals (for example, such as the Company's Group Chief Executive Officer, the Chief Financial Officer, HR Director and external advisers) may be invited to attend for all or part of any meeting as and when appropriate.
31. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat team for advice and assistance as required.
32. 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.
33. The Committee shall take steps to ensure that it has access to reliable and up-to-date information about remuneration in other companies and it shall judge the implications of this information carefully. The use of such information should be used with caution, in view of the risk of an upward ratchet to remuneration levels with no corresponding improvement in corporate and individual performance, and should avoid paying more than is necessary. The Committee will be at liberty (at the cost of the Company) to draw on legal or other independent professional advice in carrying out its tasks within its terms of reference and such persons shall be permitted to attend meetings of the Committee but shall not be members of it.
34. The Committee Chair shall report to the Board after each meeting on the nature and content of its discussions, recommendations and actions to be taken.
35. All decisions of the Committee in respect of the specific remuneration package of each executive director shall be reported to the Board and the Committee should consult the Chairman of the Board and/or the Group Chief Executive Officer of the Company about their proposals relating to the remuneration of other executive directors.

36. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
37. The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board.

**Reviewed and approved by the Remuneration Committee and restated by the Board on 16<sup>th</sup> December 2020 with effect from 1<sup>st</sup> January 2021.**